



PROTECTING WORKERS IN OUR SUPPLY CHAIN

Highlights

As part of the active management and remediation of our supply chain, we:

- Supported 30 factories to successfully remediate critical issues found during our Code of Practice audits. A further 17 sites are participating in an active remediation process
- 89% of NEXT branded factories were rated as excellent, good or fair under our rating system
- Worked with 13 factories to successfully remediate modern slavery issues. An additional four sites are being supported through an agreed remediation process
- Disengaged seven factories where remediation of modern slavery issues had not been achieved to an acceptable level. These cases related to wage retention

Aligned SDGs

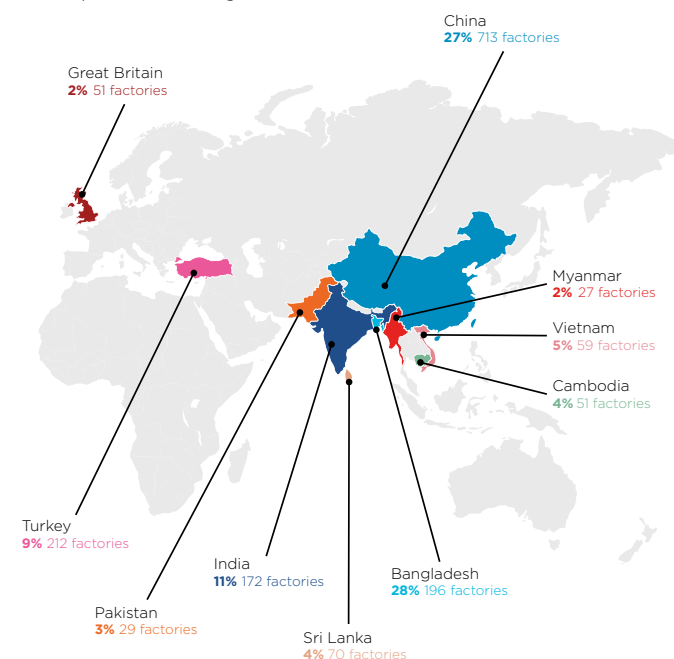


Our Commitment

We will not tolerate any instance of modern slavery in our business or in our supply chain. NEXT products should be made by workers who are treated honestly and fairly for the work they undertake and whose human rights and wellbeing are respected.

Our Supply Chain

As with most retailers, our supply chain is diverse and dynamic, and in 2022 we sourced NEXT brand products from 42 countries illustrated below. From raw material sources to final products, our supply chain comprises five tiers. Our top ten sourcing countries are as follows:



The figures represent the percentage of our business volume and the number of factories per country.

There are around 1.8 million workers in our Tier 1 supply chain alone, so it is fundamentally important to make sure they are protected – in other words they:

- are not forced into work
- have good, safe working conditions
- aren't discriminated against by their employers
- receive a fair salary for the work they do

The violation of human rights anywhere in our operations is unacceptable and we deal firmly with any infringements identified in our supply chain.

Our Approach

We want to help suppliers to resolve issues, but we will not continue to work with them indefinitely if there is no willingness on their part to improve.

Our priorities are to:

- Develop and improve workers' conditions, including safety and human rights
- Communicate and support the achievement of compliance with our ethical standards by all our suppliers
- Support our suppliers to achieve continuous improvement through partnership
- Implement sustainable programmes and initiatives with suppliers to improve their capacity and ability to deliver within our ethical requirements
- Continue to develop opportunities to work in collaboration with other brands and retailers, governments, trade unions and NGOs

To support our suppliers and provide assurance that our workers are being treated fairly, we have an in-house Code of Practice (COP) team of ethical auditors. The COP team comprises 48 employees based in our key sourcing locations around the world. Our ethical trading programme is based on the Ethical Trading Initiative Base Code (ETI) and International Labour Organisation Conventions.

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The COP team supports the protection of workers in our supply chain by:

- Keeping our COP Principle Standards up to date. These standards set out the minimum requirements for our suppliers in relation to worker safety, human rights, employment and working conditions
- Inducting, training and supporting our suppliers to make sure they understand our expectations. Working with suppliers to raise their standards rather than terminating the relationship delivers a better outcome for workers and the supply chain as a whole
- Ensuring our suppliers are aware of our Auditing Standards to help them fulfil their obligations. Compliance with the standards is a contractual condition of business for all product suppliers
- Auditing our suppliers' compliance with our standards. These audits generally take place unannounced. Our audit plan is risk-based, taking into account geographic location, ethical reputation, the type of manufacturing process and the factory's most recent audit rating
- Drawing up Corrective Action Plans where we find areas for improvement during an audit. The plan is agreed with the supplier and factory management and follow-up reviews monitor progress against the plan
- Running training initiatives for our employees, suppliers, business partners and service providers to build knowledge and awareness
- Holding supplier conferences and regular meetings with individual suppliers to share information and develop relationships

We work with both suppliers and external experts to resolve issues within our supply chain and raise standards. To ensure our suppliers have access to and understand our policies and requirements, all the information they need is available via our Online Supplier Portal.

During 2022/23, the COP team carried out 2,039 audits, of which 93% were on-site visits and 7% were virtual audits. In total, 32% of our audits were announced and 68% unannounced, which reflects the fact that all of our virtual audits have to be announced and our teams were

A breakdown of audits by category rating is shown below along with a definition for each category (by contracted units)



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still faced with travel restrictions in some regions during the year. During these audits, we identified 24 cases of modern slavery-related risks. Of these, 17 cases have been successfully remediated or have an agreed plan to remediate and seven factories have been disengaged.

Country Risk Analysis

We use an internally-developed country risk analysis tool to assess the human rights and modern slavery risks in our supply chain. It combines our identified salient human rights risks with factors, such as geographical location, vulnerability of impacted groups, frequency of issues and level of mitigation already in place to give an overall risk rating for each sourcing location.

We also use them to help identify future projects that will reduce the risk in our supply chains. They are also used to help identify where we should seek to collaborate with appropriate organisations to bring about meaningful improvements.

United Nations Guiding Principles

We are committed to ensuring people are treated with dignity and respect by upholding all internationally recognised human rights principles encompassed in the Universal Declaration of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. NEXT takes any allegation of all forms of human rights abuse seriously.

We follow United Nations Guiding Principles on Business and Human Rights (UNGPs). It helps us to recognise and manage the risk of harm associated with unsatisfactory working conditions, discrimination, modern slavery, human trafficking and forced or bonded labour, particularly in relation to the most vulnerable and exploited, such as women and children.

UN Guiding Principles Reporting Framework Index

This report aims to align with the UN Guiding Principles Reporting Framework. The Reporting Index is designed to identify how and where the framework disclosures are addressed. Find out more [here](#)

Our key indicators for potential human rights and modern slavery risks are:

- Wage retention
- Child labour
- Discrimination
- Restricting freedom of movement
- Employment fee being charged
- Unauthorised deductions from workers' pay
- Forced labour
- Unregistered workers

Using these indicators, we have identified a number of particularly vulnerable groups, including migrant labour, young workers and female workers in South India fabric mills. Read our case studies on the following pages to find out how we are helping these groups.

Training and Awareness

- Around 600 new employees successfully completed our updated bespoke online training course during the year
- To date, over 4,900 employees globally have completed the course, including refresher training every two years
- We have continued to induct suppliers and third-party brands on to our bespoke portal, which provides information on our approach to supply chain risks and guidance on best practice. To date, we communicate with over 760 suppliers and brands.

Find out more:

Our salient risks, why they are important to NEXT, and the key activities we have undertaken can be found [here](#).

A copy of the NEXT Human Rights and Modern Slavery Policy can be found [here](#) and our latest Modern Slavery Transparency Statement can be found [here](#).

Our latest Principle Standards and Auditing Standards can be found [here](#).

Situation in Myanmar

In 2021, a military regime took charge in Myanmar. This regime has since been accused of human rights violations.

We have considered not sourcing from Myanmar and while it can send a clear signal that government policies and practices are unacceptable, it can also do huge damage to local communities and workers, depriving them of investment and wages. For now, we have limited our orders to a small number of factories with which we have a longstanding, meaningful business relationship and continue to closely monitor the situation.

Our own directly employed team based in Myanmar works directly with our suppliers and factories to ensure compliance with our standards on workers' human rights, safety and working conditions. The team carries out very regular, unannounced audits on all of these factories to ensure workers human rights were respected. During the year, we identified instances of child labour in one of our supplier's factories; further details can be found in our Modern Slavery Statement.



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Grievance Mechanisms and Worker Voice

Our approach to grievance mechanisms is in line with the UNGPs. Through our country risk analysis, in 2021 we identified a need to implement an effective worker voice mechanism to receive and help address workers' grievances in Pakistan. Having reviewed proposals, during the year we trialled an approach in Pakistan in two factories, using an app called TIMBY (This Is My Back Yard), which provides a channel for workers to raise concerns or grievances. To date, 32 grievances have been raised and resolved, which related to health and safety, wages and working hours. Remediation was managed by the factory and COP team in partnership. The initial six month trial has now been extended with the two factories and will continue to be monitored by our COP team.

Collaboration

Collaboration across the garment manufacturing industry is a key part of improving working conditions throughout our supply chain. We work with the following organisations to tackle challenges in our global supply base, share knowledge and help find solutions: Ethical Trading Initiative (ETI), British Retail Consortium (BRC), Unseen, AIDER, SAVE, and Slave Free Alliance (SFA).

During the year, we, along with a number of other brands and retailers, continued to support a community outreach project, Fashion Workers Advice Bureau Leicester (FAB-L), a free advice and support service for garment, textile and fashion workers in Leicester. The project is led by a senior community engagement and outreach worker. Activities completed included factory visits, one-to-one support meetings with workers and social events for workers and their families.

- We partner with the charity Unseen, which operates the UK National Modern Slavery and Exploitation Helpline – www.modernslaveryhelpline.org. One hotline report to Unseen related to a NEXT supplier in 2022/23. Having engaged with the supplier and carried out our own checks, we liaised with the Gangmasters and Labour Abuse Authority, who found that the report was unsubstantiated.

- We have participated in the workstreams of the Apparel and General Merchandise Public Private Protocol (AGM PPP). The AGM PPP's framework creates a co-ordinated approach within the UK apparel industry to improve employment and working conditions and eradicate slavery and exploitation in the UK AGM supply chain. We maintained participation during the year, benefiting from engagement with a variety of brands, NGOs and other stakeholders.
- After a pause due to the pandemic, we were pleased to return to face to face supplier conferences in Turkey, India and Pakistan, as well as a specific seminar for UK furniture suppliers in collaboration with a small number of brands and the Slave Free Alliance. We also held virtual meetings for suppliers in China and had strategic review meetings with some of our larger suppliers, including NEXT Sourcing. In-person presentations are planned in Morocco and Bangladesh for the year ahead.

Concerns About Forced Labour

We continue to closely monitor developments in relation to allegations of forced labour in the Xinjiang Autonomous Region (XUAR) of Western China. Our Cotton Sourcing Policy bans the use of cotton from the XUAR.

We do not work with any supplier in or directly source products from the XUAR at Tier 1 (product factory), Tier 2 (subcontractor to a Tier 1) or Tier 3 (fabric/yarn suppliers and spinners). Our work to ensure that products made or sourced for NEXT are free from forced labour is undertaken by our COP team and covers Tier 1 and 2 suppliers.

Gaining traceability of our full supply chain is a key area of focus given we do not directly source raw materials. We are working closely with our suppliers and industry stakeholders to identify the most effective and accurate ways to trace raw materials through our supply chain – see pages 10 and 11.

Policies and Tools Available to Our Suppliers

Our [Online Supplier Portal](#) has a number of policies and tools available to support our suppliers and help them to address any issues. Policies and guidance available on our supplier portal include:

- Code of Practice Principle Standards and Auditing Standards
- Modern Slavery Guidance Booklet – provides information on how to spot the signs of potential modern slavery risks
- Migrant Labour Policy – follows the Employer Pays Principle and outlines the responsibilities of suppliers and factories for ensuring that migrant workers are treated with due respect and in accordance with NEXT's Principle Standards and applicable local laws
- Child Labour Policy – confirms requirements when managing a child labour issue, as well as detailing the remediation process and specific actions to involving specialist stakeholders to support the child and their family until the child reaches the legal working age
- Wage Retention Policy – confirms workers' wages must be paid in full and on time, and that wages cannot be withheld for any reason
- Shared Premises Policy – provides guidance on premises that may present a risk if they are of shared occupancy and states our expectations for how our suppliers should manage these risks
- Critical Issues Assessment and Site Tour Checklist – enables suppliers and factories to check for any critical issues prior to an audit taking place, allowing the COP team to offer guidance and support
- In response to changes we've identified in the supply chain relating to the movement of migrant workers across different regions, we are currently revising our migrant labour guidelines for suppliers, which will be circulated during this year.

Supplier Payments

NEXT is a voluntary signatory to the Prompt Payment Code and, as such, uploads the relevant supplier data on to the HMRC government portal.



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Case Study: Focus on Migrant Workers In Our Service Providers

In order to meet business needs in one of our warehouses, a decision was taken to recruit workers from Bulgaria via an agency. The relevant department proactively engaged with our Code of Practice team to ensure that checks were carried out in advance. Actions taken included:

- Face to face visit at the agency's UK office to carry out a full COP audit of their policies and practices
- Assessment of accommodation that would be provided for the Bulgarian workers, via in-person COP team visits, to ensure that they met COP standards and UK legislation
- Meetings with agency representatives based in our warehouse to understand the communication process with agency staff
- COP team visits to the warehouse once workers were in post, to carry out worker engagement; these visits covered both day and night shifts
- Feedback on any non-conformities to our Code of Practice and agree corrective actions and timelines
- Continued communication and follow up with relevant parties

Case Study: North India Worker Voice Helpline

We continue to work with Aider, our NGO partner in Gurgaon just outside New Delhi. We have now reached more than 9,000 workers through our worker helpline and community visits since the project first began.

During 2022, we received a number of grievances from workers in the NEXT supply chain, the majority of which related to concerns about wages and benefits. For cases linked directly to NEXT's supply chain, our local COP team worked alongside project partners to address the grievances and ensure that solutions were reached in a timely manner. For cases that were not directly related to NEXT's supply chain, Aider liaised with relevant factory management and other stakeholders to provide access to remedy.

Aider also provides support in the local community, raising awareness of the helpline and holding in-person interactive sessions for workers and their families, including mentoring and counselling for vulnerable individuals.

At a factory level, our COP team worked with management to arrange 'soft skills' behavioural training for supervisors and middle management, with the aim of creating a more positive working environment through improved worker-management dialogue. Approximately 200 individuals attended such training during the year. Following the sessions, the helpline coordinators spoke to workers to gain feedback on improvements in the workplace and our own COP team visited the factories to obtain informal feedback.

Based on feedback from the local community, plans for the coming year include the roll-out of the helpline via WhatsApp, to enable wider coverage and increased user engagement.

Case Study: Collaboration and education – response to the war in Ukraine

In early 2022, the war in Ukraine had an immediate and significant impact on its citizens. As a business, we had one active factory in Ukraine at the time and wanted to work alongside other brands as part of a streamlined approach. Through our membership of the Ethical Trading Initiative (ETI), we participated in a working group to share learnings and agree collective actions. A set of supplier guidelines were developed and translated into Ukrainian, English, Romanian, Polish and Italian, with the intention of providing clear guidance and communication to our suppliers in Ukraine itself and in the surrounding countries that were likely to be impacted by the migration of displaced people. The Guidelines for employment and integration of people displaced from Ukraine were also circulated to our suppliers via our bespoke supplier communication platform.



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Case Study: Improving Working Conditions for Women in Fabric Mills in Tamil Nadu, South India – Phase 3 Update

We continued to work with NGO partner SAVE (Social Awareness and Voluntary Education) along with three other retailers to maintain six migrant resource centres in the region, an increase from the five resource centres established previously. The focus is to ensure human rights are respected in our supply chain and the workers are provided with access to remedy in the event that a breach of their rights is identified. During this third phase, the project has provided support to around 14,000 people:

Support is offered at a community level – providing information for potential new workers, who plan to start a career in a spinning mill and/or garment factory, as well as assisting in addressing grievances and providing computer training and financial literacy skills with the help of third party experts. Awareness programmes emphasising children's rights, labour law and the importance of remaining in school have been run, as well sessions for adolescent groups that emphasise the value of communication and leadership skills among young women and men.

The resource centres actively engage young people who are leaving school to encourage them to complete their education rather than seeking employment. Aside from providing financial literacy training, health awareness training and subsidised feminine hygiene products, the centres also provide a platform for young people to discuss their concerns and seek guidance. The resource centres help community members and migrant workers to understand their basic rights and gain access to healthcare, information on the migration process and other workplace-related problems.

Support is also offered at a mill level – training was focused on improving the relationship between workers and management in a workplace setting. This programme provides workers and management with a basic understanding of legal rights, life skills and how to report grievances through the workplace committee.

Support given at a recruitment agency level – during the year, the project interacted with 81 agents. Training was provided to develop ethical recruitment practices and terms of reference for employment were agreed between mills or factories and employees.

The TIMBY app (This Is My Back Yard) provides a channel for workers to raise concerns or grievances. It has been rolled out across three spinning mills, six communities and five Tier 1 factories in our supply chain. We have reached out to 8,500 workers through the app in Phase 3 of this programme.

We review all cases raised via the app, with SAVE being responsible for managing the grievances related to sites in the NEXT supply chain and confirming to the individual that cases are being managed or passed on to the appropriate authority. Cases are categorised into six areas covering wages, harassment, discrimination and forced labour, working hours, health and safety and 'other'. There is an agreed formal process to ensure a consistent approach to the management of cases.

The remediation of grievances that were raised but were not directly connected to the NEXT supply chain were assigned to SAVE and addressed with the help of industry associations like TASMA (Tamil Nadu Spinning Mills Association) and TEA (Tirupur Exporters Association), who agreed to take up the issues relating directly to their members, by raising and resolving them with the help of the relevant factory management. Additional support was provided by the Odisha Migrant Resource Centre, set up by the local government, to support the remedial actions and provide resolution to workers' grievances.

Key successes of Phase 3:

- Assisted vulnerable workers to claim severance payments
- Arranged mentoring sessions for migrants relating to healthcare, migration and workplace challenges
- Provided financial literacy training to 4,601 people, legal rights awareness training to 770 people and reproductive health and hygiene training to 3,729 individuals
- 94 grievances raised via TIMBY, of which five directly related to NEXT. All five were investigated and resolved through remediation plans

The project is set to continue into 2023 and areas of focus include:

- Helping interstate migrant workers to register on a local government portal and obtain their registration cards
- Setting up two more migrant resource centres in neighbouring districts of Tirupur to support migrants working in those areas
- Expanding the project to include an additional 10 Tier 1 factories, supporting them to set up robust grievance handling processes.

Looking ahead – we will:

- Explore due diligence approaches with our third-party brands
- Review learnings from the Worker Voice projects to establish how to benefit future work
- Register NEXT Brand suppliers on our bespoke online portal
- Carry out in-country supplier presentations