
CORPORATE RESPONSIBILITY REPORT 2018

FOCUS UPDATES

FOCUS 1: OUR SALIENT HUMAN RIGHTS ISSUES EXPLAINED

1. Forced Labour and Modern Slavery

Why important to NEXT: Instances of bonded labour in our supply chain can take place in all countries, including the UK. With bonded labour comes a negative impact on all other labour rights and risks are higher if migrant workers are employed.

Our work: Bonded labour is prohibited by our Code of Practice (COP). We are committed to tackling this complex issue through effective due diligence and risk assessment, raising the awareness of modern slavery and collaborating with others to protect the most vulnerable groups of workers. Signs of modern slavery can often be very subtle and difficult to identify. Audits may not always uncover workers that may be impacted by this criminal activity.

A specific focus of our work is on our UK supply chain with regard to bonded labour, as well as the key sourcing countries that use migrant workers. We have delivered face to face training and awareness presentations to over 50% of our product suppliers and their Tier 1 factories across the 11 countries who source the majority of our product. In addition we have produced and issued modern slavery awareness booklets to accompany our training.

2. Fair Living Wages

Why important to NEXT: The issue of fair wages affects all workers. Other aspects that can impact on fair wages are the retention of wages and the non-payment of social security, both of which can have an extremely negative impact on workers.

Our work: This is an area which benefits from a collaborative approach to work with international brands, retailers and the global trade union, IndustriAll. In 2015 the formal programme known as ACT (Action, Collaboration and Transformation) was established. ACT is the first initiative on living wages in the garment sector that provides both a means of negotiating better working conditions as well as productivity improvements and will develop mechanisms which link purchasing practices and support suppliers to

provide their workers with a living wage and working conditions that meet the retailers and brands requirements and works by establishing industry led freedom of association and collective bargaining in key sourcing countries. An industry-wide agreement provides both a means of negotiating better working conditions as well as productivity improvements. Please refer to Focus 4 for further details of our collaboration work with ACT.

3. Discrimination

Why important to NEXT: We know the largest proportion of people in our supply chains are women and in many countries the risk of discrimination against women is greater in the areas of equal opportunities, age or marital status. This can take place at all stages of employment and can lead to harassment of workers, and can impact upon a range of other human rights and is prevalent within the garment sector. It can be difficult to identify in COP audits as it is less tangible than some of our other salient human rights issues.

Our work: During our COP audits we carry out worker interviews to help us assess whether discrimination may be taking place. We have continued to focus our work in Turkey, one of our important sourcing locations. Turkey is receiving many refugees who are escaping conflict. Many of the refugees are women travelling with dependent children who are seeking safety and looking for employment. We have supported the UNHCR (The Office of the United Nations High Commissioner for Refugees) with funding as well as raising awareness with our suppliers in Turkey to encourage the employment of refugees where legally permitted, and to not exploit these vulnerable families.

4. Freedom of Association (FoA)

Why important to NEXT: In a number of countries we source from, including Cambodia, China, India and Turkey, the freedom to join an independent trade union is restricted either by law or not recognised by ingrained management attitudes and practices. This restricts the ability for workers to have a voice within their place of work and to contribute to the improvement of working conditions and practices.

Our work: Our COP Principle Standards require respect for FoA and the right to collective bargaining within our supply chain. They make clear that where this is restricted by law, suppliers must not obstruct workers from developing alternative means. When our COP team visit factories, they meet with the worker committee to ensure workers are aware of their elected representative and that management respects the right to FoA and collective bargaining. Collaborating with NGOs and trade unions helps provide us with clear in-country information to understand the challenges and issues workers may be experiencing.

5. Health and Safety

Why important to NEXT: Health and safety is a concern in all of our sourcing countries and across our own business operations. Fire and industrial accidents continue to be a risk within our extended supply chain, requiring the close management of building design and structure, fire prevention, machinery, chemicals and abrasives.

Our work: Our supply chain health and safety standards are explicit within our Principle Standards. Our COP auditing teams have been trained to a qualified level in Fire Safety and Building Safety Standards and we place particular emphasis on health and safety during our audits. We regularly communicate with our suppliers through global presentations and local team contact. Transparency in our supply chain is vital to ensure our product supply is not sub-contracted to unauthorised sites where health and safety standards may not meet our requirements. Following improvements to our internal systems, we now require all suppliers to confirm any Tier 2 factories used for NEXT branded production so we can include these factories in our audit programme.

6. Child Labour

Why important to NEXT: It is estimated that approximately 170 million¹ children are currently working in the world, with more than half engaged in hazardous work. Each year our COP auditing team uncovers a small number of instances of persons too young to work within factories making our products. Globally the risk of child labour is growing, particularly in Turkey where Syrian

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children fleeing conflict have been found to be working in the clothing sector. We believe that child labour is not as likely to occur in NEXT's Tier 1 factories due to our existing auditing processes.

Our work: We have specific training to raise awareness for suppliers and factories in countries where there is a risk of child labour to ensure our suppliers understand it is prohibited. We also seek to educate families, communities and business owners. In our key sourcing countries, including India, China and Turkey, we work with NGOs to provide training to suppliers. We identified eight cases of child labour in 2017 and were able to apply our Child Labour Remediation Programme, in partnership with LESN, an NGO in China. Our approach is always to work with the supplier and factory to ensure that the child's welfare is the priority. We believe that children should be supported back into education until they reach legal working age. Solutions also need to consider the reason child labour was being used and work to prevent re-occurrence in the long term.

7. Access to Clean Water

Why important to NEXT: We source products from parts of the world which are encountering more frequent periods of water scarcity. Where this occurs, there is an increased risk that communities may not have access to clean, safe water which can be linked to poor health. Our extended supply chain includes operations such as laundries, mills, dyehouses, and tanneries; these facilities carry a particularly high risk of water contamination where untreated effluent can be discharged into rivers used by local communities. People negatively impacted can include both supply chain workers as well as communities located close to sites manufacturing NEXT products.

Our work: Easily accessible clean drinking water is a requirement of our Principle Standards along with access to suitable sanitation and hygiene facilities. We are a signatory to the Sustainable Clothing Action Plan, which has set targets for the UK clothing industry to reduce the carbon, water and waste impacts of products purchased. The water target is to reduce use by 15% between 2012 and 2020. One way we will be able to support this is to purchase cotton from Better Cotton Initiative sources, which amongst other priorities reduces the water impact of growing cotton. Using WWF's Water Risk Filter Tool, we are undertaking a mapping exercise of our supply chain to identify areas that are more at risk of water scarcity or stress. Water risks can be very localised, often restricted to specific catchments or river basins and the type of risk can vary (such as drought, flooding or poor water quality).

8. Privacy and Data Security

Why important to NEXT: Our operations are highly reliant on our IT systems and there is a growing risk of cyber crime and therefore the need for us to protect our customers, employees and business data from the risk of data loss, and in particular personal data. Customers are more aware of these risks and are asking for greater assurance that robust controls are in place.

The General Data Protection Regulations (GDPR) came into effect from May 2018, and further raises awareness and responsibilities for ensuring personal data is secure.

Our work: We are committed to ensuring we protect our customers and employees' privacy and dedicate significant resource to the development, maintenance and security of our systems. Systems vulnerability and penetration testing is carried out regularly to ensure the data is protected from corruption or unauthorised access or use. In addition we have a GDPR working party and extensive employee training and awareness programmes in place.

1: United Nations data www.un.org

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FOCUS 2: UN GUIDING PRINCIPLES REPORTING FRAMEWORK INDEX

Our CR Report and Focus Updates aim to align with the UN Guiding Principles Reporting Framework. The Reporting Index is designed to identify how and where the framework disclosures are addressed. The table below shows where you can find the relevant information as we have referenced the page numbers, Focus Updates and policies to demonstrate our alignment.

For full details on the framework, please visit www.ungpreporting.org

SECTION OF THE FRAMEWORK	PAGE LOCATION IN OUR CR REPORT OR FOCUS UPDATES
PART A: GOVERNANCE OF RESPECT FOR HUMAN RIGHTS	
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A2 EMBEDDING RESPECT FOR HUMAN RIGHTS	2, 4, 5, 6, 8-9 Focus 1
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PART B: DEFENDING THE FOCUS OF REPORTING	
B1 STATEMENT OF SALIENT ISSUES	8
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B3 CHOICE OF FOCAL GEOGRAPHIES	Not Applicable
B4 ADDITIONAL SEVERE IMPACTS	3, 13-14 Focus 4, 6, 7
PART C: MANAGEMENT OF SALIENT HUMAN RIGHTS ISSUES	
C1 SPECIFIC POLICIES	8, 10 Focus 3 Modern Slavery Transparency Statement
C1.1	9, 10-12
C2 STAKEHOLDER ENGAGEMENT	8-9, 10-12 Focus 3, 4, 5, 6, 7
C2.1	8-9
C2.2	Focus 4
C2.3	9 Focus 1, 4
C3 ASSESSING IMPACTS	8-9
C3.1	None Identified
C3.2	Focus 1, 4
C4 INTEGRATING FINDINGS AND TAKING ACTION	9
C4.1	9 Focus 5
C4.2	2, 7, 9
C4.3	10-12 Focus 1, 3, 4
C5 TRACKING PERFORMANCE	10-12 Focus 3, 4
C5.1	Focus 1, 4
C6 REMEDIATION	10-12 Focus 3, 4
C6.1	Focus 3 Whistleblowing Policy
C6.2	10-12 Focus 3
C6.3	10-18 Focus 3
C6.4	10-11 Focus 1
C6.5	Focus 1

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FOCUS 3: OUR AUDITING APPROACH

Our Dedicated NEXT Code of Practice (COP) Team: Our specialist global team of 47 works directly with both our new and existing suppliers and their factories to ensure they understand the requirements of our [Auditing Standards](#). These standards have been developed to support our overarching [Principle Standards](#) and provide detailed information to help a supplier fulfill its obligations to its workers and to NEXT. The strength of our team lies in having this resource located in our sourcing countries, enabling us to react quickly if issues occur and also build strong relationships with our suppliers by being able to offer one to one meetings, training and support even before orders are placed by the product teams. By focusing on prevention and the development of trust, we aim to encourage long term change.

Our Approach to Auditing:

The COP audit provides a picture of how well a supplier is complying with our requirements. During the audit process, we engage with factory management, interview workers, review employment records and visually assess working conditions and health and safety standards. Worker interviews are particularly important to help us determine working conditions and the measures that could assist in resolving any issues. We seek to speak to workers individually, as well as within groups, and try to connect with a cross-selection of varying ages, origins and gender as well as workers who have been employed for different lengths of time. It is important the interviews take place in a safe space for workers, rather than on the factory floor where others may overhear the conversation.

We place emphasis on having local auditors within our team who speak the workers' language wherever possible. We know this is critical to building a relationship of trust between the auditor and the workers. We have had experience of workers contacting our auditors following the audit day with additional information or to convey issues of concern.

At the end of the audit, during a closing meeting the auditor provides verbal feedback on any action points that have been identified. The factory management

has the opportunity to discuss the findings and next steps with the auditor. The timescales for completion of each action are agreed and the audit rating is confirmed. A corrective action plan report summarising all findings, agreed actions and timescales is provided to the factory for them to implement. Where there are a number of actions to take, the supplier works with the NEXT team to implement these. This helps build the relationship between NEXT and its supplier, and helps convey to the supplier that NEXT is here to support progress over the longer-term.

FOCUS 4: PARTNERSHIP, ENGAGEMENT, COLLABORATION AND COMMUNITY

In 2017, we continued our collaborative work to improve the human rights of workers in our supply chain. The risks to vulnerable groups are increasing in many of the countries we source from. The number of displaced people seeking refuge from conflict and looking for work is increasing, with refugees and migrant workers entering our supply chain. We have continued to work within this area by providing support and, where possible, offering remediation. By maintaining good direct relationships and collaborating through sharing information and resources with other retailers, brands, trade unions and NGOs we can work together in partnership to deliver real benefits to workers in our supply chains.

Examples of our collaborative work:



ACT was founded in 2015 and NEXT has maintained its commitment and contributions during 2017. ACT is a ground-breaking agreement between international brands, retailers and the global trade union, IndustriALL, working to improve workers' conditions, support processes to establish fair wages and ensure mature industrial relations in the garment industry. ACT is the first initiative on living wages in the garment sector that provides both a means of negotiating better working conditions as well as productivity improvements. It aims to develop mechanisms which link purchasing practices and support

suppliers to provide their workers with a living wage and working conditions that meet the retailers and brands requirements. ACT members have agreed the following principles

- All participants to assume their respective responsibilities in achieving freedom of association; collective bargaining and living wages
- Agreement that a living wage should be reached through collective bargaining between employers, workers and their representatives at a national industry level
- Workers must be free to exercise their right to organise and bargain collectively in accordance with International Labour Organisation (ILO) Conventions.

The ACT process is already underway in Cambodia and is planned to extend to Bangladesh, Myanmar and Pakistan.



We continue to value the support and additional expertise Shift (a not for profit organisation) provide to help us understand how human rights and modern slavery can impact our business and how we can work to further develop our approach and embed the UN Guiding Principles into our business. We have been part of their Business Learning Programme (BLP) since 2014 and benefit from the forum they create with other like minded companies from many industries. We have received tailored advice and support during the year on the implementation of these Principles through a facilitated workshop and attendance at their BLP to explore both the challenges and opportunities to embed human rights into supplier practice, strengthen supplier capacity building and training.

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We joined Fast Forward in 2016. It is a single audit approach for high risk areas of the UK, with all members sharing results. It aims to measure and improve labour standards, increase supplier transparency and protect vulnerable workers in the UK. During 2017 our COP team received training on the Fast Forward approach, and apparel suppliers who wish to work with NEXT have also undertaken the training; with their factories being audited by early 2018 under the Fast Forward audit approach.

Other organisations we continue to work with:



The Accord was established in May 2013 following the Rana Plaza building collapse, which led to the death of more than 1,100 people and injured more than 2,000. Over 200 brands have signed the Accord to date. It performs independent factory inspections in Bangladesh focusing on three key areas; fire risk, electrical installations and structural condition of buildings.

NEXT continues to source from Bangladesh, and importantly has supported factories and suppliers in achieving compliance to the requirements of the Accord as well as our principle standards. All factories manufacturing for NEXT are listed on the Accord website and have been inspected under the Accord inspection programme. During the year, NEXT has worked with 110 factories and at the end of the year 95% of the remediation actions had been satisfactorily completed with the support of our in-country COP team.

NEXT has supported the Accord with the development of a Safety Committee and Safety Training Programme which provides both training and the formation of worker representation for the first time in Bangladesh. This is becoming a central focus for the Accord to create a voice for formally communicating workers concerns and addressing and monitoring health, safety and human rights issues.

NEXT has joined the new 2018 Accord, which takes effect from 31st May 2018.



The Ethical Trading Initiative (ETI) is an alliance of companies, NGOs and trade unions, working collaboratively to ensure working conditions and rights of workers producing for the UK market meet or exceed international labour standards. NEXT continues to be a committed member of the ETI, since we joined 14 years ago, and this is one of the principle ethical communities we regularly engage with multiple stakeholders through meetings and working groups focusing on specific issues.



British Retail Consortium

We are active participants in the BRC Ethical Labour Group where brands' ethical experts work collaboratively on the welfare and treatment of workers in the retail supply chain to develop and agree ways of working. Some examples of the areas of focus are:

- Exploring the potential for expansion of the modern slavery helpline
- Identifying agency worker risks in the supply chain
- Providing collective feedback on the 2017 Home Office consultation on UK Labour Market Enforcement



NEXT continues its membership of the Better Factories programme in Cambodia (BFC). It is a partnership programme between the International Labour Organisation (ILO) and the International Finance Corporation (IFC), with activities in seven countries around the world. During the year NEXT supported progress with the trade unions and their responsibilities to workers to ensure a competitive, safe and integrated industry; stronger collaboration between BFC and the government to enable strong enforcement against factories which maintain a low compliance rate (such as putting on hold or suspending

export licences) when no improvements are being made. Through the programme BFC has assessed over 500 factories and supported 165 factories with specific training. For factories which manufacture for NEXT, once the initial assessment has been carried out the NEXT COP team undertake any follow up audits to ensure corrective actions are completed.



We have continued to support Chinese NGO LESN with their training and support where cases of underage workers are identified. The focus is on supporting the identified underage worker, as well as aiming to prevent occurrence through awareness raising and training. LESN work with the supplier to ensure that there is sufficient support for the child and their family, that there is a return to education for the child and ongoing monitoring to ensure that the child stays in education.



KADAV is a women's solidarity NGO in Turkey which supports community work in areas such as gender-based violence, migrant women and female labour rights. Syrian refugees continue to migrate to Turkey, one of our key sourcing markets. Many have travelled to garment production hubs such as Istanbul where they seek employment in order to support their families. The COP team has developed a Syrian Refugee Remediation Programme which is implemented whenever Syrian workers are found in a factory. This programme sets out clear guidelines for suppliers and factories to follow to register refugees with a work permit so that they can work legally and achieve parity with Turkish workers. We are working with KADAV, based in Istanbul, supporting their training centre which assists people with vocational training and social aid. Syrian women can access day care for pre-school children, learn the basics of the Turkish language and attend training workshops on skills to enable

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self-employment and gain access to social workers, textile machines, trainers and translators. KADAV have provided specific training sessions on both child marriage and child labour issues to raise awareness and knowledge.



In New Delhi, India, we are working with an NGO, AIDER to support and protect vulnerable homeworkers with a programme which aims to improve transparency in this part of our supply chain via:

- The introduction of simple passbooks and dockets allows the homeworkers to track the work they have done and have greater visibility of the wages they receive.
- An ID card allows workers to qualify as an artisan and allows potential employers to recognise their skills and abilities.
- Community support through funding of a crèche to support homeworkers and their families. The facility also provides access to computer training and regular consultations/clinics with healthcare professionals.

AIDER arranges regular meetings between contractors and production teams to discuss order status and any supply chain issues which may impact on homeworkers. They also carry out visits to homeworkers to build community rapport and ensure that their voices are heard.

The crèche is run by AIDER, and supports 60 children of homeworkers in the region of Badarpur. In addition, up to 75 students can attend the computer centre at the crèche, where they can study for a certificate in basic computer and typing skills and a further 45 students can attend a new tuition centre focusing on academic skills.

FOCUS 5: COMMUNICATION

Supplier Communication: NEXT believes in working closely with our suppliers and factories to ensure that they understand our requirements.

We place high importance on one-to-one work with suppliers as we believe they help to strengthen our

partnerships and implement long term change. Meetings are regularly held at our global regional offices which allow suppliers and their factories to ask questions about our COP, agree on ways to address areas they may be struggling with, or discuss training opportunities. Having this contact (outside of the audit process) allows informal and productive conversations to take place. We aim to have initial conversations with new suppliers as early as possible in the relationship, so they are clear about our requirements and ensure that any new factories they are bringing into our supply chain will meet our COP.

We have a supplier portal which provides access to Code of Practice information for new suppliers even before they have access to our supplier communication system. All documents are translated into key languages to support our suppliers.

Internal Communication: Our internal training programme includes presenting to new starters in our product teams as part of the NEXT Buying Academy. This ensures that as they develop their careers with NEXT, COP considerations alongside value, speed and delivery are all vital components of a supplier's performance, and acts to reinforce the impact buying decisions can have on suppliers.

Annual product team presentations provide updates on our auditing programme, current ethical trade issues and compliance progress. Supplier performance data is used to aid the product selection process and determine where business is placed. Individual factory non-compliance issues are managed and remediated through joint meetings held with the relevant product team and supplier. This collaborative approach has resulted in the delivery of positive progress and has built closer relationships with suppliers to resolve issues.

FOCUS 6: RESPONSIBLE SOURCING OF RAW MATERIALS

Making improvements in supply chain traceability and transparency is important to NEXT and we are working closely with our suppliers in different parts of the supply chain to understand where the raw materials come from and to identify where we can support

improvements in the supply chain. We are making good progress in mapping our supply chain back to raw material and are focusing on understanding Tier 3 suppliers. Our plan is to complete this by 2020.

Traceability: Our products are sourced from many hundreds of suppliers across the world and this leads to challenges in tracing the original source of all products to ensure they are sourced responsibly. Whilst we do not source raw materials directly, we are committed to working with our suppliers to develop improved traceability and visibility of the entire supply chain. It is important that raw materials are sourced in ways which support their replenishment and protect natural habitats, as their harvesting and production can have a significant impact on people and cause damage to environments and ecosystems if not managed correctly. For animal based raw materials we are committed to ensuring good animal welfare standards are delivered in line with our Animal Welfare Policy. We use independently verified certification schemes wherever possible.

Timber: NEXT are committed to the responsible sourcing of timber and timber containing products. Our vision is to work with our supply chains to deliver products which only come from the most sustainable sources using verified certification schemes such as Forest Stewardship Council (FSC). This is in addition to being able to demonstrate all timber products comply with the requirements of the European Timber Regulations. We assess each product against the criteria of our Timber Policy, and evaluate the information provided, and from this are able to better understand where our risks and opportunities lie. Currently over 30% of the timber we source comes from certified sources. In addition, to develop our due diligence process further, we have a programme for auditing and species testing to support and assess our suppliers. During 2018 we aim to set a target for 100% of timber to come from the most sustainable and certified sources by 2025.

Animal Welfare: Our Animal Welfare Policy, developed with support from the RSPCA, provides clear guidance regarding the animal derived materials

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used in the products we sell. Our policy states we will not use any real fur. NEXT is a Fur Free Alliance listed retailer. Feather and down are used in some of our Home and clothing products as filling materials, and from 2016 onwards have only been sourced from certified sources such as under the Responsible Down Standard (RDS). These standards provide verification that the welfare of the geese and ducks is maintained to the required standards and the feather and down we use does not come from sources that practice live plucking or force feeding. We are working with our buying teams to certify our product suppliers to the RDS standard to provide a fully certified supply chain from raw material to finished products. For our own brand cosmetic products we do not support testing on animals and do not carry out or commission such testing as we operate a fixed cut-off date of testing for ingredients in our products of 1998.

Cotton and Textiles: Cotton is one of our most significant raw materials, both in terms of volume used and the associated environmental and social issues linked with it. Our policy bans the use of cotton from Uzbekistan or Turkmenistan in the products we sell due to the forced labour situation at harvest. In addition we are monitoring the work undertaken by the Responsible Sourcing Network campaign. Our aim is to work with our supply chain to only source cotton from sustainable sources using verified certifications.



In January 2017 NEXT became a member of the Better Cotton Initiative (BCI), BCI exists to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future. We planned to source 3% of our cotton as Better Cotton in 2017, but achieved 5%. For 2018 our target is to source 10% and we are working with our buying teams and suppliers to convert more cotton going forwards and aim to set a new target for the business in 2019.

Leather: We want to work to develop a more transparent leather supply chain as it is recognised that leather has a considerable environmental footprint at

all stages from animal farming to hide processing through to manufacturing the final product. The leather used in our products must be a by-product of the food industry, and our long term aim is only to use leather from known and well managed sources. Our work will focus on working to overcome the impacts of the leather tanning process as this is where we have the most leverage with our suppliers. Collaboration is also an important approach and we continue to work with other retailers within the Ganges Leather Buyers Platform, a programme run by WWF, which aims to reduce pollution from tanneries along the Ganges in India. There are a large number of tanneries along the Ganges and many do not have suitable water and pollution management practices to prevent harmful waste from reaching the river. Following on from the fact-finding visit to Kanpur, India in 2016, which included meeting with Government departments to request their engagement to ensure sufficient water treatment plants are built to prevent untreated waste water entering the Ganges and impacting on local communities, we are pleased to report good progress being made. The Indian Central and State Governments have provided £4.4 million to build a new centralised water treatment plant for tanneries in Kanpur. In addition 40 tanneries have undertaken initial audits and 10 larger tanneries are now working towards longer term improvements with the aim of becoming Leather Working Group (LWG) certified. A Tannery Improvement tool has been developed and will be trialled in 2018. This will be used by all retailers in the Platform to share findings and assist the tanneries to improve their processes in relation to the use of chemicals and water treatment.

FOCUS 7: PRODUCT SAFETY AND LEGISLATION COMPLIANCE

Our product safety standards have been developed to comply with relevant consumer legislation and compliance requirements. Technologists in our Product teams work closely with our suppliers to provide expert guidance so the right materials are chosen to manufacture high quality, durable products in factories with robust product safety processes. Our technologists from Head Office and our global sourcing offices visit our suppliers to monitor

production. Products are inspected upon receipt into our UK warehouse to ensure they meets our specifications.

The safety of children is an issue that is of very high importance for many retailers and suppliers. Through BSI (British Standards Institute) and CEN (European Committee for Standardisation), NEXT is an active participant in the Working Groups responsible for developing standards to ensure the safety of children's clothing.

Our Childrenswear division focuses on safety throughout all stages of development and production; starting at the design stage with a risk assessment to ensure all products achieve the standards we require. Our safety standards are based as a minimum, on the highest legal European standards.

If we are not satisfied with a product's safety, or if a product fails to comply with legal requirements, NEXT has an established procedure in place to recall a product as the safety of our customers is our priority. Through the Product Safety Forum, chaired by our Business Risk Manager, any product recalls are reviewed to ensure the corrective actions undertaken are robust.

Our in-house product testing laboratory, based at Head Office, is used to undertake testing for our Product teams to support their assessment decisions and product reviews to ensure products perform to our requirements.

It is important to us that our products do not contain chemicals which could be harmful for our customers, the workers who make our products or for the environment. NEXT has strict Restricted Substance Standards (RSS) which state the limits for harmful chemicals used in or during the manufacture of our products. The RSS requirements form part of our technical requirements for the products manufactured by our suppliers.

We have developed our RSS requirements from EU legal standards; recommendations by industry experts; pressure group focus and customer feedback.

Our RSS requirements have been updated to be in line with any changes that have come into force from new legislation during the year. They are also continually developed in anticipation

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of emerging legislation and other information concerning new potentially hazardous chemicals, not yet captured by legislation. We keep ourselves updated with the latest information about hazardous chemicals and continually review information from pressure groups, authorities and scientific reports. Our suppliers are kept up to date with these developments, so changes in legislation can be implemented quickly.

Our Chemical Management Standards programme is aimed at suppliers further back in our supply chain e.g. fabric mills and wet processing such as dyeing, printing, finishing, laundering of textiles and tanning and dyeing of leather. The issue of pollution from global manufacturing sites in developing industrial nations is one NEXT takes seriously, and during 2017, NEXT started to train our suppliers by providing specially designed online Chemical Management training modules developed to help educate suppliers on good practices to reduce and eliminate the discharge of hazardous chemicals from their production processes into the environment wherever possible. The training will continue into 2018 as it is offered to more of our supply chain.

The main principles of our Chemical Management Standards and training are:

- Clean Chemistry: using cleaner chemicals to lead to cleaner production, cleaner effluent and cleaner emissions
- Transparency: encourage chemical manufacturers to provide full disclosure of chemicals being used on NEXT products
- Traceability: encourage manufacturers to maintain a chemical inventory of all chemicals used
- Trust: with these principles of clean chemistry in place trust is built with suppliers within our supply chain

As part of our ongoing due diligence programme, we select products each month for testing in accordance with the requirements of our RSS, and test the products via two independent laboratories. Our suppliers are advised of the results, and if the products fail our requirements, they are withdrawn from sale and may be recalled from customers.

REACH Update: In line with REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals), we have a programme in place to register all relevant chemicals NEXT imports into the EU in finished products where we import over 1 tonne per year per chemical, before the REACH deadline of 31st May 2018.

FOCUS 8: RECYCLING UNWANTED PRODUCTS

Mattress recycling for customers:

Mattresses are a difficult waste stream to manage with most old mattresses going to landfill. We offer a solution where customers can request we remove and recycle their old mattress when their new mattress is being delivered. During the year, working with our specialist provider The Furniture Recycling Group (TFRG) we have been able to recycle over 4,700 mattresses diverting over 180 tonnes from landfill.

Sofa and furniture recycling for customers:

As part of our target to divert waste from landfill, and to support our customers, we identified sofas and furniture as challenging waste streams for customers. During the year, working with around 100 of our Home stores in partnership with British Heart Foundation (BHF) we have been able to help customers donate their unwanted furniture when purchasing something new from NEXT. BHF have been able to arrange over 4,400 collections from customers and have been able to use the donated sofas and furniture to raise funds of over £500,000 for their cause. During 2018 we plan to roll out this service to all Home stores on mainland UK.

FOCUS 9: HEALTH, SAFETY AND WELLBEING

Corporate Safety Objectives: Safety programmes and objectives for each division of the business are agreed and set every three years and are reviewed regularly at divisional safety meetings by each Divisional Director and twice a year by our Chief Executive.

NEXT wants to keep improving its health and safety performance. To ensure we do this we refine and relaunch our company safety statement and set of safety objectives every three years

across all divisions.

Our 2018-2020 safety objectives set out our planned risk improvements, which along with the day to day health and safety objectives help us achieve our goal of becoming a healthier and safer place for everyone – employees, customers, contractors and visitors:

- Increase focus and training for site managers
- Avoid unnecessary safety rules and controls by ensuring we get the safety requirements for the business right at the start
- Communication to be clear so the business knows ‘safety matters’
- Accident reporting to be designed to understand the real cause of the accident and identify how to prevent re-occurrence
- Safety training to be regularly reviewed and improved where required
- Review how we monitor safety management including prevention techniques
- Safety rules and procedures should be easy to understand by all
- Improve effectiveness of floor walks to identify and rectify any issues found in a timely manner
- Continue to support our health and wellbeing programmes and increase our focus on how we help and manage those suffering from mental ill-health
- Focus on the controls in place for our higher risk activities and hazards

Health, Welfare and Wellbeing:

During the year, NEXT spent over £1 million on health and welfare provisions across the business providing help and support to our employees when they need it. We have developed activities and opportunities to help employees manage their own health and wellbeing by offering advice and guidance to employees on a wide range of wellbeing subject matters. Within our warehousing operation our in-house occupational health team were awarded excellence for the Workplace Wellbeing Charter, a national award for health, safety and wellbeing, within one of our sites and have plans to roll the initiative out to more sites during 2018.

CORPORATE RESPONSIBILITY REPORT 2018
FOCUS UPDATES (CONTINUED)

FOCUS 10: TRAINING, DEVELOPMENT AND LISTENING TO OUR EMPLOYEES

Our integrated training teams ensure relevant and appropriate training and development is provided by supporting:

- Job role specific training covering the technical, operational and skills training required, ensuring employees are able to perform their job effectively, and their knowledge and skills are up to date
- Individually tailored training to support both an employee's individual needs and specific business requirements
- Training in areas such as health and safety, first aid and manual handling to ensure our employees work in a safe environment

Some examples of our training and development across the business are:

Warehouses and Regional Service Centres: During the year we have hosted a number of events such as Career Roadshows and Helping Hands which took place in all our sites to raise awareness and provide information about how to progress your career at NEXT Distribution.

Within our Life Long Learning Centres located in our main warehouse sites we have continued to support employees to complete courses in Maths, English, ICT, Skill Swaps and many other creative non-work related activities. Working with the Union of Shop, Distribution and Allied Workers (USDAW) each centre is supported by two Union Learning Representatives. Their role is to work with USDAW, the tutors and our employees and provide course information and a clear point of contact for the learners.

The Engineering Academy was launched in 2013 with four apprentices who graduated during 2016 and a further two graduated during 2017. We work with AMRC (Advanced Manufacturing Research Centre) which is based at the University of Sheffield and who are specialist providers of Engineering Apprenticeships. With NEXT they jointly support the delivery of the programme, supporting the assessment, functional training and delivery of additional skills required to complete the framework leading to NVQ Level 2 qualifications.

Experienced NEXT engineers from within warehousing mentor the apprentices to support them to practically apply their learning in the workplace as well as passing on their skills and knowledge to support high levels of competency and performance.

We continue to support the local community around our warehouses:

- **Project Search:** working with Doncaster Council to give young adults with learning difficulties a year long work experience programme within our warehouses with the intention to offer a permanent role within NEXT at the end of the placement. Eight students completed the programme in 2017 and secured permanent positions and in 2018 we have a new intake of young people working with us. We believe we are the first logistics company in the UK to offer such placements. We have supported a project in partnership with Business in the Community and the Prince's Trust to provide work experience for long term unemployed or disadvantaged people to help them get back into work.
- **Local schools and colleges:** working closely with a local high school we held a Careers Fayre for over 200 pupils aged 14 to showcase and raise awareness of the varied careers opportunities within our Distribution division. In addition we offer a range of support from placements to assisting students to develop their understanding and skills in writing their CV, presentation skills, interview preparation and undertaking mock interviews to support their transition from school to the workplace. We have attended a number of college careers fairs to help promote opportunities at NEXT.

Retail - service focused: We have continued to focus on our aim of delivering great service to our customers by ensuring our employees receive the training and development they need to develop and progress, and perform their roles effectively.

Online - Customer Services: With a focus on managing exceptional service, we have given our newly promoted managers a three module skills programme to support their

development. Working in a call centre environment is fast paced so we have provided resilience skills training to support our managers development. We also work within the community, developing links with local schools and colleges around Leicestershire to raise awareness of careers opportunities, deliver workshops to support CV writing and help with interview preparation and practice.

Head Office: attracting employees: During the year there has been great interest from students applying for trainee roles in our Fashion and Home areas. This has been driven primarily from our established relationships with key universities within the UK and we remain an Employer of Choice for Fashion students.

Encouraging top talent to come to NEXT for our Buying and Merchandising schemes and graduate Design internships has been a real success in 2017. It has led us to build upon the success of our Buying competition, which includes a live project as part of the curriculum. The winners are offered a full time position once they have graduated. We have reviewed and refreshed our Design placements to establish new relationships with key universities and introduced an Assessment Centre recruitment approach. This will continue to develop in 2018 as we intend to work with more key universities across the UK and further review and progress our Design placement offering.

NEXT continues to sponsor and support the Fashion Retail Academy (FRA) in London. We have had a number of successful work experience placements across Buying, and continue to provide work experience as part of the programmes offered.

 CORPORATE RESPONSIBILITY REPORT 2018
 FOCUS UPDATES (CONTINUED)

FOCUS 11: ENERGY EFFICIENCY

Within the majority of our stores, we have half-hourly modem meters and automated meter readers (AMR) installed. Both types of meter pass 'live' electricity consumption information to a central data collection facility which allows us to actively track energy performance and monitor consumption per store to ensure our stores are operating efficiently.

We have used 4% less electricity during the year which is as a result of a number of measures such as:

- On-going energy efficiency programmes and using energy efficient technologies
- Installing building management systems as we open new stores – we have 503 stores with this system in operation which automatically manages key store functions such as when store lighting is activated and air conditioning can run on fan only setting for specific periods whilst maintaining a comfortable shopping environment
- We continue to install energy efficient LED lighting schemes across all areas of the store

During the year we have continued to roll out the installation of improved lighting schemes to replace the existing lighting with highly energy efficient LED (Light Emitting Diode) bulbs to illuminate all areas of our stores including the selling areas. This delivers a reduction in energy demand for the lighting installation as well as the overall electricity consumption for these stores as LED lighting consumes less electricity and creates less heat, which means air conditioning requirements are reduced. The business continues to review our operations to identify where efficiencies can be introduced which can deliver savings in the future.

A small number of stores and also our nursery at Head Office have solar PV panels, which provide a proportion of the energy needed. In addition, we have an a 2.5MW PV array at one of our warehouses which became operational during 2016 and now provides all the energy needed to run this site with any excess being exported to the grid. Our

Energy team continue to investigate opportunities to benefit from the development of larger scale PV arrays, but currently in the locations which are of interest to NEXT, there are operational challenges with the network to overcome before we would be able to progress further. Gas is used predominantly for heating purposes within the business. We are showing an 11% decrease year on year which is mainly due to warmer weather conditions experienced within our reporting year as well as improved monitoring. We have now removed the gas supply from all stores where we identified it was no longer needed and have operate AMR meters in around 160 sites to monitor consumption and ensure accurate billing.

FOCUS 12: DISTRIBUTION EFFICIENCY

Delivery efficiency: Over 50% of our Online customers choose to have their order delivered to a retail store of their choice to collect. This allows delivery efficiencies to be achieved by our fleet and along with delivery schedule efficiency improvements has resulted in a reduction of the overall number of vehicles we operate.

With the delivery choices we offer and to ensure our stores are fully stocked we use double-deck trailers, which reduces the overall number of vehicle deliveries required, and the associated CO2e emissions. Our double-deck trailers have an aerodynamic front bulkhead which increases fuel efficiency. We use these trailers predominantly to move product to our distribution centres located around the UK, as we are able to move 50% more products compared to using a single-deck trailer for the same journey. We are also using more double-deck trailers for direct deliveries to stores both in the UK and Ireland where possible.

Our Logistics and Distribution operations use computerised planning for each route or journey, as well as utilising empty space on vehicles by consolidating loads across Retail and Online, returning Online customers' returned items and back hauling waste materials to our recycling centre to maximise efficiency.

Driver Training: How our vehicles are driven is key to the overall efficiency of the fleet, so we operate a four seater training vehicle to improve the training

we are able to provide. This vehicle allows team training for drivers and so the trainers are able to provide their support more effectively. Our training programme works to help improve driving style and fuel efficiency, with techniques such as maintaining constant speeds, smooth accelerating and braking. Drivers who need more support will work directly with a trainer who provides more in-depth training to help improve their personal performance.

Engines are fitted with a three minute cut off mechanism, where the engine automatically turns off if the vehicle is stationary and the engine is idling for three minutes.

Each driver's performance is analysed daily on a number of areas, including the actual distance travelled to review how they have driven against the planned distance and the amount of fuel used. If their performance exceeds the plan for the routes travelled, they undergo an individual de-brief at the end of their working day to understand why the discrepancy occurred and how it can be prevented going forward.

We continue to trial a number of vehicles, trailers, accessories and systems that potentially offer improved driving efficiency, use of alternative fuels, performance and driver safety and based on the results achieved will invest to improve the fleet in the future.

 CORPORATE RESPONSIBILITY REPORT 2018
 FOCUS UPDATES (CONTINUED)

Driving Safely: Driving safely is a priority for the business, both for our drivers as well as other road users. In addition to the training and assessments undertaken by our drivers we use equipment to support them whilst driving, such as:

- In-cab cameras linked to the vehicle's telematics provide an alert back at the depot should an incident occur during the journey
- An early warning system for lane departure that can also warn the driver about hazards around their vehicle, read road signs and even apply the vehicle brakes where necessary
- A safety feature to help eliminate the danger of a forward collision, ensuring the NEXT lorry maintains a safe distance from the vehicle in front by scanning the road ahead. If the vehicle in front brakes heavily or another vehicle cuts in front of the NEXT vehicle it will automatically slow down or even stop

FOCUS 13: WASTE, RECYCLING AND WATER

We remain committed to working to reduce wherever possible the amount of waste we generate from within our operations as we continue to grow as a business, and to reuse or recycle more of the waste we do produce to divert it from landfill.

We have an ongoing programme of reduction, reuse and recycling which we manage with the support of our employees across the business. Within our retail stores our employees play a vital role in effectively separating and segregating recyclable materials for return to our in-house recycling centre and so minimising the waste being sent to landfill.

Our in-house recycling centre receives materials for recycling from around 400 of our stores. The materials include cardboard, polythene, returned carrier bags, Online packaging, broken clothes hangers, polystyrene and used gift cards. Once the materials are received they are segregated and baled, before being sent for recycling. Improved procedures within the recycling centre have ensured we have been able to control how these

materials are handled when they are received to ensure we maximise the quantity to be recycled.

Coat hanger Recycling: We have reused and recycled the coat hangers on which our product is displayed in our retail stores for a number of years in collaboration with our hanger supplier. In 2017, 197 tonnes of hangers were re-used within the supply chain and 207 tonnes were granulated to be remade into new hangers.

Product Packaging: Packaging is essential to protect products during transit as well as before and after purchase by the customer. We are working to reduce the amount of waste produced, for both ourselves and our customers, by reviewing the amount of packaging used on our products, the types of materials used which are easier to recycle, and where possible reducing it to ensure it is the right size for the product. Our Warehouse Quality teams and stores identify product they feel contains too much packaging for review by our technical teams who then determine the opportunity to develop reduced packaging methods with our suppliers.

Direct water use at Next: In our stores we install as standard a range of water saving features such as percussion taps and toilets with reduced flush capacities. At our Head Office, we have installed a urinal system that uses minimum amounts of water to help deliver water savings. We fit water meters to improve consumption and reporting accuracy and we now have over 90% of our properties in the UK and Ireland fitted with water meters.

Indirect water use within the supply chain: NEXT is a signatory to the Sustainable Clothing Action Plan (SCAP), led by waste reduction agency WRAP (Waste and Resources Action Programme), alongside other major retailers, brands, recyclers, NGOs and charities. The collective action of the SCAP 2020 Commitment is aimed at improving the sustainability of clothing across its whole life cycle through a programme which looks at how to reduce the impacts of clothing whilst meeting customers' expectations. The

SCAP footprinting tool allows retailers to measure the carbon, water and waste impacts of their clothing sales in a consistent manner and we are able to use this information internally to support our responsible sourcing approach.

We use a large variety of raw materials in our products and our aim is to ensure these materials are sourced and produced sustainably and responsibly. Our principal raw materials are cotton, wool, cellulosics (such as viscose), polyester, leather and timber. We are mapping our supply chain focusing on these principal raw materials to improve their traceability and to understand their potential impacts within a water risk assessment.

Find out more about how we are [working to source responsibly](#).