
MODERN SLAVERY TRANSPARENCY STATEMENT 2018

INTRODUCTION

It is a priority for NEXT to ensure that we trade ethically, source responsibly and work to prevent modern slavery and human trafficking throughout our organisation and in our supply chain. We take seriously any allegation of human rights abuse in all its forms and will not tolerate human rights' abuse against individuals within NEXT's own organisation or our supply chain.

Modern slavery can take many different forms and is a complex issue. Modern slavery is considered as part of a broader human rights agenda within the business. NEXT has taken steps to identify areas where there are risks of modern slavery occurring within our business and supply chain and we are working to eliminate that possibility.

This is NEXT's second statement made under the Modern Slavery Act 2015 Section 54 and constitutes our group modern slavery statement for the 2017/2018 financial year.

OUR COMMITMENT

NEXT is committed to preventing modern slavery and human trafficking throughout our business and supply chain and to understanding the modern slavery risks that may be present. We do this by:

- continuing to take steps to find effective methods to eliminate slavery and human trafficking practices. We are working towards full transparency of our supply chain
- ensuring our policies and procedures are reviewed regularly and that we have development and training processes in place to enable our internal teams and our suppliers to have appropriate awareness and understanding of the issues and our responsibilities
- respecting internationally recognised human rights, ensuring the people who provide the products and services we buy and use are treated fairly, and that their fundamental human rights are protected and respected
- ensuring new suppliers understand our requirements before they commence working with us, and that existing suppliers comply with those requirements

Continuous improvement lies at the heart of our business. We aim to conduct our business in an ethical manner and to develop positive relationships with our suppliers to raise standards of working conditions in the factories where our products are made.

OUR BUSINESS

NEXT is a UK based retailer offering exciting, beautifully designed, wonderful quality clothing, footwear, accessories and home products. The Group is primarily comprised of:

- NEXT Retail, a chain of around 530 stores in the UK and Eire
- NEXT Online, an online and catalogue shopping business with over 4.9 million active customers and international websites serving approximately 70 countries
- NEXT International Retail, with around 200 mainly franchised stores across the world
- NEXT Sourcing, which designs, sources and buys NEXT branded products. This is our Hong Kong based internal sourcing agent which competes for business against other suppliers of NEXT branded products
- Lipsy, which designs and sells Lipsy and other branded fashion products. It trades from 46 stores, through NEXT online and wholesale and franchise channels

NEXT employs approximately 44,000 people.

OUR SUPPLY CHAIN

Our NEXT products are sourced from over 1,500 direct and indirect (i.e. sourced via agents) suppliers, with products manufactured in around 40 countries. In common with other retailers, NEXT's supply chain is both diverse and dynamic and our challenges in this area include dealing with changing political and economic landscapes. Our key priority of trading ethically and acting responsibly towards the workers in our own and our suppliers' factories is managed through our global specialist NEXT Code of Practice (COP) Team.

Our priority is to support factories, ensuring they understand the requirements and expectations of them. The COP Team works directly with both new and existing suppliers and their factories to ensure they demonstrate compliance with the requirements of our Auditing Standards. These Auditing Standards have been developed to support NEXT's COP Principle Standards, our ethical trading programme, which is aligned to the Ethical Trading Initiative (ETI) Base Code. NEXT has been a member of the ETI since 1998.

Our current focus continues to be on the identification of areas of our supply chains where there is greater risk for vulnerable workers and our COP Principle Standards clearly set out the minimum standards and requirements for our product suppliers in relation to workers' safety and human rights, employment and working conditions.

Auditing is an essential tool for identifying potential human rights risks. Around 93% of factories supplying our NEXT branded products were audited during the most recent financial year. Factory audit ratings are used as an internal metric and the feedback and results of audits are shared with our suppliers. Our priority is to support factories, ensuring they understand the requirements and expectations of them.

We use a large variety of raw materials and our aim is to ensure these materials are sourced and produced sustainably and responsibly. The product supply chains we work with are complex and making improvements in supply chain traceability and transparency is a focus for NEXT. We work closely with our suppliers in different parts of the supply chain to understand where raw materials come from and to identify responsible sourcing.

For further information on our supply chain please refer to our Corporate Responsibility Report available at www.nextplc.co.uk

OUR POLICIES

Our internal working practices and business policies are designed to ensure that people are treated with dignity and respect by upholding 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 business policies relating to modern slavery are published on our corporate website at www.nextplc.co.uk:

- Human Rights and Modern Slavery
- Whistleblowing for NEXT's third parties
- Code of Practice Principle Standards and Auditing Standards
- Health and Safety
- Anti-bribery

We also have the following employee related policies:

- Whistleblowing for employees

The NEXT COP Principle Standards comprise:

- No forced labour or modern slavery
- Freedom of association and the right to collective bargaining
- Safe and healthy working conditions
- No child labour
- Fair wages and benefits
- Lawful working conditions
- No discrimination practiced
- Employment security
- Respectful treatment of workers

Our Human Rights and Modern Slavery Policy reflects our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to identify, prevent or mitigate human rights' risks, slavery and human trafficking.

COLLABORATION

Our business cannot tackle modern slavery alone, so it is important and valuable for NEXT to work with others to develop solutions for some of the more complex and systemic problems found within global supply chains. We believe that by maintaining strong direct relationships and undertaking collaborative work such as sharing information and resources with other retailers, brands, trade unions and non-governmental organisations, we are all able to deliver real benefits to workers in our supply chains. We value the expertise of professional partners such as SHIFT, (a US not for profit organisation) and are active members of their Business Learning Programme which is supporting our approach to implementing the UN Guiding Principles on Business and Human Rights (UNGPs). We have also been a member of the Fast Forward programme since 2016. This programme aims to measure and improve labour standards, increase supplier transparency and protect vulnerable workers in the UK. It uses a single audit approach for high risk areas of the UK, with all members sharing results.

NEXT is also a member of the Ethical Trading Initiative, Bangladesh Accord and ACT (Action, Collaboration and Transformation). ACT is an initiative between international brands and retailers, manufacturers, and trade unions to address the issue of living wages in the textile and garment supply chain in Cambodia.

OUR GOVERNANCE AND DUE DILIGENCE APPROACH

NEXT has clear policies and monitoring processes in place combined with robust supply chain management. We review and update these policies and practices regularly as we learn from our experiences.

Our COP auditing process is a vital due diligence tool as it delivers assurance that our suppliers and their factories understand their responsibility to comply with our ethical standards. In addition to COP auditing, our strategy is built on investing time and resources to support effective communication and working collaboratively with our suppliers to help prevent issues arising or resolving issues we have identified.

We continue to use the UNGP Reporting Framework to help us build a more detailed picture and better understand the salient human rights issues across our business (i.e. those human rights that stand out because they are at risk of the most severe negative impact through the company's activities or business relationships). Through our work, we and other retailers have recognised the need for an independent helpline for victims of modern slavery to provide support and information when most needed. We are currently engaging with The UK Modern Slavery Helpline, run by the charity UNSEEN.

We have implemented extensive training and awareness programmes to ensure both internal and external parties clearly understand the issues, our required standards and their obligations and responsibilities.

The NEXT Risk Management and Internal Controls framework is embedded throughout the business. Each business area is responsible for preparing and maintaining operational risk registers, which include risks relating to human rights, modern slavery and bribery. Business area directors review and approve their own operational risk registers at least annually. We also have a Human Rights and Modern Slavery Steering Group comprising relevant senior managers. Our overall risk framework is discussed and agreed by the Audit Committee on a regular basis. Any significant matters are communicated to the Board.

KEY ACTIONS TO DATE

Over the last year NEXT has:



IMPROVED GOVERNANCE POLICIES

- issued written communication of our policy on human rights and modern slavery to over 1,300 of our main direct suppliers, agents and their suppliers, together accounting for over 87% by value of NEXT products purchased
- relunched our employee and third party whistleblowing policies and procedures. Our whistleblowing policy for third parties is published on our corporate website at www.nextplc.co.uk
- adopted updated contract terms with appropriate modern slavery prevention clauses in relation to the supply of our NEXT product and in new services and goods not for resale supplier contracts



CONTINUED DEVELOPMENT OF RISK PROFILE

- continued to build a more detailed picture of the risks in our key supply chains to provide us with a deeper understanding of the potential human rights issues across our business
- established full visibility of those third parties who supply us with NEXT branded product (our Tier 1 suppliers and factories)
- made good progress in establishing full transparency of Tier 2 suppliers. Examples include reworkers, factories supplying Tier 1 third parties with ancillary items such as trims, labels and packaging, and authorised sub-contractors such as laundries and homeworkers

Details of our salient Human Rights issues are included in our Corporate Responsibility Report at www.nextplc.co.uk



IMPROVED SUPPLY CHAIN TRANSPARENCY

- published our Tier 1 factory listing of third parties who supply NEXT product on our corporate website at www.nextplc.co.uk
- require that suppliers declare on our portal system all sub-contractors who produce materials, trims and undertake processes relating to NEXT branded products



PROVIDED AWARENESS TRAINING

- continued to roll out online training to relevant employees. Since its launch in April 2017, 93% of our relevant UK employees have successfully completed the course. In December 2017 we rolled out our online training course to relevant overseas employees and 96% have so far successfully completed the course
- delivered face to face awareness presentations to employees responsible for sourcing our products, both in the UK and overseas
- completed face to face training and awareness presentations to over 50% of our product suppliers and associated Tier 1 factories across the 11 countries who source the majority of our product. To date over 900 supplier and factory representatives have attended these presentations
- produced modern slavery awareness booklets to accompany our training, for both our employees and third parties. These provide an ongoing reference guide on our human rights and modern slavery policy, approach and procedures

OUR FUTURE PLANS

Over the coming year we plan to focus on the following areas:

RISK ANALYSIS

- Further develop our risk analysis relating to our Tier 2 product related third parties and suppliers of services and goods not for resale

AWARENESS TRAINING

- Commence a communication programme with suppliers of third party branded products, services and goods not for resale
- Continue to undertake awareness presentations with key suppliers where appropriate
- Roll out local language versions of our online training course to overseas employees where appropriate

COMPLIANCE

- Update legal contracts to include appropriate modern slavery prevention clauses for those existing suppliers and business partners for services and goods not for resale categorised as a potentially higher modern slavery risk
- Further enhance our Code of Practice supplier audits in respect of human rights and modern slavery risks
- Develop performance indicators to track our activities and results in relation to managing modern slavery risks

This statement has been approved by the Board of Next plc.



AMANDA JAMES
GROUP FINANCE DIRECTOR, NEXT PLC

2nd May 2018