

NEXT Sustainability Accounting Standards Board Disclosure

Executive Summary

In the year ended January 2021, NEXT carried out a full gap analysis against the Sustainability Accounting Standards Board (SASB) metrics for the Apparel, Accessories and Footwear industry ('Apparel'). Two things became clear as part of this review. The first is that we have a significant number of policies, procedures and controls in place to support us on our journey towards becoming a more sustainable retailer, and we have firm commitments in place to reduce our environmental and social impact throughout our supply chain. We also have some improvements to make. We have identified areas where we think we can improve, whether from a compliance perspective or the quality of our disclosures. This document sets out how we comply with the SASB metrics, together with the gaps we have found and our remediation plan to achieve full compliance with SASB reporting requirements.

The Apparel metrics cover four broad areas:

1. The Management of Chemicals in Products (Chemicals)
2. Environmental Impacts in the Supply Chain (Environment)
3. Labour Conditions in the Supply Chain (Labour)
4. Raw Materials Sourcing (Raw Materials)

Our initial gap analysis has shown that in the areas of Chemicals, Labour and Raw Materials we are well on our way to full compliance, with around 80% of the compliance metrics met. With regards to Chemicals, our key actions are to benchmark all our suppliers against the standards within the Zero Discharge Harmful Chemicals (ZDHC) initiative, update our Chemical policies and place them in the public domain.

For Labour and Raw Materials, our main efforts will be around improving our existing policies and internal metrics to closer align to the SASB requirements. While our compliance in these areas is good, we have more to do on disclosure. We have a plan in place to improve the accessibility of our policies and procedures to bridge this gap between compliance and disclosure, so that we can improve our level of disclosure by January 2022.

With regards to Environment, the level of disclosure required by SASB is extremely detailed and specific particularly with regard to waste water discharge where the main impact is at Tier 3 in our supply chain. We do not yet capture the level of data required. We are in the process of gaining membership of the Sustainable Apparel Coalition (SAC) and once we are a member, this will significantly improve our compliance metrics and enable us to learn the best in class standards for compliance and disclosure.

Our aspiration is to bring our compliance and reporting into line with each other by the year ended January 2022 and for complete conformity with all of the standards required by SASB by January 2023. These are lofty goals and we know that they will require a large amount of work. Within our supply chain we have over 3,000 fabric and yarn suppliers at our Tier 3 level and to fully document our impact within such a wide ranging supply chain may prove very onerous, even with joining the SAC.

NEXT will continue to work towards the compliance and reporting metrics set out within SASB but as part of our own wider corporate governance, rather than setting these as our only compliance targets.

SASB Accounting Metrics (Apparel)

Topic	Code	Accounting metric		Further details - page
Management of Chemicals in Products	CG-AA-250a.1	Discussion of processes to maintain compliance with restricted substances regulations	ARA* page 84	3
	CG-AA-250a.2	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products		3
Environmental Impacts in the Supply Chain	CG-AA-430a.1	Percentage of: (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 in compliance with wastewater discharge permits and/or contractual agreements		5
	CG-AA-430a.2	Percentage of: (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment or an equivalent environmental data assessment		5
Labour Conditions in the Supply Chain	CG-AA-430b.1	Percentage of: (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have been audited to labour code of conduct (3) percentage of total audits conducted by a third-party auditor	(1) 55% (2) <1% (3) 100%**	7
	CG-AA-430b.2	Priority non-conformance rate and associated corrective action rate for suppliers' labour code of conduct audits	ARA page 81	8
	CG-AA-430b.3	Description of the greatest (1) labour and (2) environmental, health, and safety risks in the supply chain	ARA (1) page 90 (2) pages 71 and 85	9
Raw Materials Sourcing	CG-AA-440a.1	Description of environmental and social risks associated with sourcing priority raw materials	ARA page 82	12
	CG-AA-440a.2	Percentage of raw materials third-party certified to an environmental and/or social sustainability standard, by standard	Cotton: 39% Better Cotton Timber: 36% FSC certified	14

* Annual Report and Accounts 2021 [ANNUAL REPORT & ACCOUNTS](#)

** NEXT employs its own Code of Practice team to carry out audits to determine whether our suppliers' facilities comply with our Code of Practice Principle Standards. To help provide independent oversight of the team, they report into our Company Secretary and regular updates of their work are provided to the NEXT plc Audit Committee. For the purposes of the SASB metrics we consider it is appropriate to classify their audits as equivalent to those conducted by third-party auditors.

Management of Chemicals in Products

CG-AA-250a.1

Discussion of processes to maintain compliance with restricted substances regulations

We include information on our commitment to managing chemicals in our supply chain within our Corporate Responsibility Report (<https://www.nextplc.co.uk/corporate-responsibility>). Policies are in place regarding the use of chemicals and restricted substances by our suppliers.

Many products contain chemicals in one form or another, most of them harmless. To make sure our products do not contain chemicals which could be harmful to our customers, the workers who make our products or the environment, we require our suppliers to adhere to our Restricted Substance Standards (RSS). The RSS bans or states the limits for harmful chemicals used in or during the manufacture of our products. The RSS forms part of our technical requirements for the products manufactured by our suppliers. We also have a thorough due diligence programme in place to support compliance with our RSS. If products fail our requirements they are removed from sale and may be recalled from customers.

We work closely with our suppliers to help reduce the impact of their manufacturing processes on the environment. This work is underpinned by our 2025 Responsible Sourcing Strategy and the Zero Discharge of Hazardous Chemicals (ZDHC) Roadmap to Zero programme, to which we are a signatory. We have engaged with more than 350 (around 65%) of our wet processor suppliers to support the elimination of pollution from waste water in their operations via the ZDHC Gateway.

Following on from our gap analysis against the SASB metrics, NEXT recognises that we need to codify a formal Chemicals policy. This will be directly linked to the ZDHC programme and reference all substances that may appear on a Restricted Substance List. It is our current aim to make this information available by the year ending January 2022.

Our work focuses on the United Nations Sustainable Development Goals (SDGs) that are most material to our business operations and products. There are 17 SDGs and we align our work and reporting against the 9 SDGs that are most material to our business operations and products. One of these 9 SDGs is Responsible Consumption and Production (SDG 12) and we are working to ensure our product materials are sourced and produced sustainably and responsibly.

CG-AA-250a.2

Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products

As discussed above, we are engaging our suppliers in the ZDHC programme and intend to publish our own policy in respect of chemical use by January 2022. This will include our risk based approach to the use of chemicals and other hazardous materials in our products.

We use a large variety of raw materials and processes in our supply chain. Through our 2025 Responsible Sourcing Strategy, we are working to ensure these materials are sourced and produced sustainably and responsibly. This responsibility extends to ensuring items and other environmentally damaging products are dealt with appropriately when they are no longer wanted by the customer. An

example of this work is where we provide customers with solutions to recycle difficult to recycle products such as mattresses and furniture.

We have undertaken a pilot programme to help us determine the best way to measure the social and environmental performance of fabric processors in our supply chain. For this pilot, we selected a number of our largest Tier 3 fabric suppliers and our Code of Practice (COP) team carried out on-site audits to check compliance with our COP Auditing Standards. The COP audit was completed along with a chemical management evaluation and inventory review. A total of 19 sites were visited across our key sourcing locations and the main issues we found related to fire safety, chemical labelling and general health and safety. Our COP team completed follow up visits to monitor progress on remediation areas. As a ZDHC signatory, we are committed to promoting industry-wide change in responsible chemical management. We will review the findings of this pilot and agree on the next steps to move the work forward within this Tier of our supply chain.

Environmental Impacts in the Supply Chain

CG-AA-430a.1

Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 in compliance with wastewater discharge permits and/or contractual agreements

Water demand already exceeds supply in many parts of the world, including parts of the UK, and it is anticipated many more areas will experience this issue in the future. For NEXT, our direct operations are not a major consumer of water, however, we have installed automated meter reading meters in around 280 stores. During 2020 we directly used 254,264m³ A in our UK and Eire operations. In addition, the third-party café concessions operating within our stores used a further 36,699m³ of water, totalling 290,963m³ (2019: 356,383m³). In our extended supply chain, operations such as laundries, mills and tanneries use large quantities of water so responsible water management is vital to ensure there is sufficiently safe, clean water for the local communities to use.

We are working with suppliers to help reduce the impact of manufacturing processes on the environment through our 2025 Responsible Sourcing Strategy. We have engaged with more than 350 (around 65%) of our wet processor suppliers to support the elimination of pollution from waste water in their operations via the ZDHC Gateway.

Currently our COP audit teams focus on all of our Tier 1 suppliers to ensure they are meeting the requirements of our COP Principle Standards. This is measured through our Auditing Standards which provide detailed information to help our suppliers fulfil their obligations to workers and NEXT and is a contractual condition of doing business with us. These standards cover wastewater management and if a supplier is found by our auditors to be non-compliant in relation to wastewater discharge management, this will form part of the corrective action plan we ask the supplier to put in place. We understand that our work will need to be expanded to include relevant suppliers beyond Tier 1.

Typically our wet processors are within Tier 3 of our supply chain so the determination of facility compliance with permits and/or contractual agreements should be aligned with the Sustainable Apparel Coalition's (SAC) Higg Facility Environment Module (FEM). NEXT is not yet a member of the SAC and therefore does not have the visibility of these standards, but we will be joining the SAC during 2021. This will provide us with the opportunity to assess our Tier 1 and 2 supplier facilities against these standards where appropriate. The main focus will be at our Tier 3 level e.g. dye houses, printing etc., as this is the level of our supply chain with the greatest wastewater discharge. NEXT is also committed to auditing and reporting against these standards for Tier 3 where possible and appropriate to do so.

CG-AA-430a.2

Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment or an equivalent environmental data assessment

In our executive summary, we highlighted that the SASB Environmental metrics are very specific to compliance with the SAC and specifically the Higg FEM. As noted above, NEXT has not complied with this metric as we are not yet a member of the SAC. This will be rectified in the next 12 months and we will start to report against these standards by requiring our suppliers to provide their data via Higg.

Our aspiration is to bring our compliance and reporting into line with each other by the year ended January 2022 and for complete conformity with all of the standards required by SASB by January 2023. It is worth highlighting that within our supply chain we have over 3,000 fabric suppliers and factories at Tier 3 alone. Even with membership of SAC, to bring onboard all of these suppliers is a very large task, particularly with their geographical spread. To fully document all of our impact within such a wide ranging supply chain may prove onerous, even after joining the SAC.

Labour Conditions in the Supply Chain

CG-AA-430b.1

Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have been audited to labour code of conduct, (3) percentage of total audits conducted by a third-party auditor

It is a priority for NEXT to ensure we trade ethically, source responsibly and work to prevent modern slavery and human rights issues throughout our organisation and in our supply chain. 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 seriously any allegation of human rights abuse in all its forms and will not tolerate human rights abuse anywhere in our operations.

Our drive to support ethical trading in our supply chain includes:

- Working with our suppliers to ensure they understand our requirements and COP Principle Standards
- Encouraging regular meetings with individual suppliers to share information and develop relationships
- Our own in-house global Code of Practice (COP) team which comprises approximately 50 employees that administer our COP programme based on the Ethical Trading Initiative Base Code (ETI) and International Labour Organisation Conventions

COP Principle Standards are monitored through audits by our Code of Practice team which generally take place unannounced. Our auditing standards provide detailed information to help our suppliers fulfil their obligations. Our audit plan prioritises the human rights of workers in our supply chain and is risk-based, taking into account geographic location, ethical reputation, the type of manufacturing process and the factory's most recent audit rating. Where we find areas for improvement during an audit, we create a Corrective Action Plan which is agreed with the supplier and factory management. Follow up reviews are undertaken to monitor progress under the Corrective Action Plan.

Our auditing approach and COP strategy are built on investing time and resources in our new and existing suppliers at Tier 1 and beyond. We support them through effective communication and working collaboratively to ensure they understand our requirements. Before an audit takes place we explain our requirements, the audit process and our Cat 1–6 rating system. Our priority is to encourage honesty and transparency with factory management. This approach has helped to uncover many important issues by the factory management showing us their accurate records, rather than what they think we want to see.

The auditing process is a vital due diligence tool:

- Providing assurance that our suppliers understand their responsibility to comply with our ethical standards
- We seek to conduct all audits on an unannounced basis as this means we are more likely to see a true picture of how a factory operates
- We support suppliers to improve whilst maintaining a business relationship. We will work with their factories, wherever we can, to bring them up to our standards rather than walk away and terminate the relationship. This delivers a better outcome for the workers

- Where we find areas for improvement we create a Corrective Action Plan which we agree with the supplier and factory management and conduct regular re-audits to verify improvements

Our priority is always to support factories in resolving issues, but we will not continue to work with them indefinitely if there is no willingness on their part to address the issues and improve

We also record the number of Tier 1 audits in the UK carried out by third party auditors as part of our membership of Fast Forward.

During the year we audited 55% of our Tier 1 factories and a relatively small number of our Tier 2 factories. The COP team carried out almost 1,500 audits. This was a reduction on the previous year due to travel prohibition, restrictions on access and factory closures combined with lockdowns. Despite this, and with the inclusion of virtual audits, we were able to audit more than 900 Tier 1 manufacturing sites. Of the audits conducted, 96% related to Tier 1 suppliers and 4% related to Tier 2 suppliers. A breakdown of audits by rating and frequency of audits is provided in the illustration below.



CG-AA-430b.2

Priority non-conformance rate and associated corrective action rate for suppliers' labour code of conduct audits

During the year, we found Cat 6 (critical) human rights, modern slavery or social issues in 35 factories. With our COP team's support, 24 factories (14 relating to modern slavery) have been able to

successfully remediate to resolve the issues uncovered. Unfortunately, during the year we had to disengage with 11 factories (4 relating to modern slavery) that refused to satisfactorily rectify their critical non-compliance with our Code. This is an encouraging improvement from last year when we disengaged with 22 factories. This reflects the work we complete with our suppliers to support them through the remediation process and ensure that changes are implemented which ultimately benefit their workers. We currently have partial coverage in this area.

Within our CR Report we declare the breakdown of audits undertaken at Tier 1 and 2 by percentage for each Category rating.

CG-AA-430b.3

Description of the greatest (1) labour and (2) environmental, health, and safety risks in the supply chain

We have reviewed our current salient human rights risks with support from SHIFT (the US not for profit organisation and centre of expertise on the United Nations Guiding Principles). We combined the knowledge and experience gained from working with our global supply chain and business partners, together with learnings from affected stakeholders and NGOs to assess what presents the greatest risks to people by looking at our business through a “salience lens” to ensure our priorities and approach remains relevant. The review included workshops with key senior management to map risks according to severity and likelihood, as well as considering factors such as supply chain tier, geographical location and vulnerability of impacted groups.

As a result of the review, our revised salient human rights risks were identified as:

- Freedom of association and collective bargaining
- Health and safety, including mental health
- Children’s rights
- Modern slavery, including wage retention
- Wage levels, including fair wages
- Harassment and discrimination
- Water, sanitation and health
- Working hours
- Privacy and data security

Whilst no new salient risks have been identified, their definitions have expanded to reflect and include additional factors recognised as being relevant from developments in this evolving area. We have assessed why we believe these are salient issues, who the potentially affected stakeholders are and what actions we should take.

NEXT’s Human Rights and Modern Slavery Policy and our latest Modern Slavery Transparency Statement provides more detail of our modern slavery risks, activities and plans.

Human rights issues evolve and our approach to tackling them must also evolve, including the development of relevant skills in our Code of Practice (COP) team. It is important that we regularly review our COP processes and procedures to ensure we integrate indicators for new or emerging issues within our COP audits and provide training where needed.

We are committed to building knowledge and awareness and have developed a range of training and awareness initiatives for our employees, suppliers, business partners and service providers.

Our ESG Steering Group, comprising relevant senior management, meets regularly and co-ordinates actions across the business. We have introduced representatives from our product teams to the group to broaden our perspective and increase internal collaboration.

Where human rights issues occur in our supply chain, we recognise the value in identifying them and being transparent about how we have tackled them, including what worked and what didn't. Collaboration is vital to achieving change. Our in-country COP teams have direct links with on the ground NGOs and trade unions which help to broaden our understanding of root causes and sustainable solutions.

Wage retention is one of our key indicators for potential human rights and modern slavery risks along with:

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

To support our suppliers we have a number of policies and tools available to help address issues we identify. Policies and guidance are available on our supplier portal including:

- 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 to their basic human rights, 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 involve 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 can not be withheld for any reason Also our Code of Practice team, located in our key sourcing locations, are on hand to support supplier meetings and presentations to raise awareness of our requirements and support suppliers to understand their responsibilities.

NEXT works closely with our suppliers to ensure they understand our requirements and develop their business and factories to be compliant. Our approach is to meet new suppliers as soon as possible to explain our requirements and to share information via our Supplier Portal to support their onboarding process and ongoing relationship with NEXT. We also hold regular meetings with individual suppliers and supplier conferences to share information and provide the opportunity for suppliers to ask questions. Internal communication with our product teams is also key to the success and effectiveness of managing the ethical standards we expect from our suppliers.

We launched our revised Auditing Standards to suppliers during 2019, providing them with detailed information on the standards we expect of factories making NEXT products. The Auditing Standards are available via our Supplier Portal to allow suppliers to check their factories' performance before even

introducing them to NEXT and also to support their factories in the remediation of any identified issues raised during an audit. In addition, we held a modern slavery awareness session for 42 of our Shopfitting, Maintenance and Facility suppliers to raise awareness of both the risks and our requirements within this industry sector.

Coronavirus - Summary of Impact on our Corporate Responsibility

Throughout the COVID pandemic we have continued to carefully manage the significant changes and overall downturn in sales. Like virtually all other retailers, NEXT had to take the difficult decision to cancel some orders in late March/early April 2020. Once the initial adjustments had taken place some orders were reinstated and we continued to place new orders for both the Spring 2021 and Autumn 2021 seasons, based on revised forecasts. Our payment terms have not changed and in some limited cases where we have been made aware of suppliers in financial difficulty, we have paid earlier than usual.

Our in-country Code of Practice teams have continued to track changes in each country and maintain regular contact with our suppliers and their factories. Auditing of factories in line with our Principle Standards and Auditing Standards has continued in person wherever possible, supported by virtual audits where travel restrictions are in place. We have communicated revised guidelines for prevention of COVID infections and to ensure workers are working in safe conditions. We provide additional support and advice when appropriate.

We also check to ensure workers are being paid and treated honestly and fairly for the work they have undertaken for NEXT. Our approach includes checks in cases of redundancy/layoff to ensure that workers receive what is owed to them, as well as ensuring that workers' human rights, freedom of association and wellbeing is being consistently maintained and respected. In instances where we have established non-compliance, we are working with all relevant stakeholders to ensure that appropriate remediation is undertaken.

NEXT is working collaboratively with various NGOs, communities and partners that include the Ethical Trading Initiative, British Retail Consortium, ACT (Action, Collaboration and Transformation) and the International Labour Organisation, and partnering with other brands to provide support for workers during the pandemic.

Raw Materials Sourcing

CG-AA-440a.1

Description of environmental and social risks associated with sourcing priority raw materials

The raw materials used in our products come from the world's natural resources. We are committed to responsible and sustainable business principles and practices including responsible sourcing. Each stage of the supply chain has an environmental and social impact, from sourcing the materials through to customer use and disposal.

Our 2025 Responsible Sourcing Strategy, launched in 2018, sets out our ambition to source 100% of our main raw materials through known, responsible or certified routes by 2025 and work with our suppliers to help to reduce the impact of manufacturing processes on the environment and on the health of those working and living in communities around the sites where our products are made.

The main raw materials used in our products sourced in the highest volumes are cotton, wool, man-made cellulosic (such as viscose), polyester, timber, feather and down and leather. We recognise these can have wide-ranging environmental and social risks associated with their production and extraction. To support our 2025 Responsible Sourcing Strategy, we have a range of policies and commitments which guide our responsible sourcing approach and have developed an internal guide for our Product teams to help them navigate the complexities of sourcing responsibly. We are currently expanding the guide further to provide clear guidance for our teams if they want to promote particular sustainability features to our customers, either on a product label or in online copy.

NEXT became a signatory of the Sustainable Clothing Action Plan (SCAP) 2020 commitment in 2012. Each year we use SCAP's assessment tool to calculate the environmental footprint of NEXT brand products sold. In addition, launching in 2021, we are a signatory to Textile 2030, a collaborative framework initiative to deliver against industry led collective targets on carbon and water and develop a clear pathway for circularity.

The complexity of supply chains means traceability can be challenging but we are committed to building full transparency to trace the raw materials we use back to source. Whilst we do not source raw materials directly, we are working with our suppliers to ensure we have traceable routes. This will enable us to source products in ways that support their replenishment, respect human rights 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.

We are making good progress and now have good visibility of our Tier 3 suppliers. We are now focusing on understanding our Tier 4 & 5 suppliers, but recognise it will take some time to achieve. In line with our 2025 Responsible Sourcing Strategy, we will work to deliver full transparency by 2025.

Cotton is NEXT's most significant raw material, both in terms of volume used and the associated environmental and social issues linked with its production as conventional cotton farming uses large amounts of water and pesticides. Our policy bans the use of cotton from Uzbekistan, Turkmenistan and the Xinjiang region in China due to the forced labour situation at harvest and we monitor the work undertaken by the Responsible Sourcing Network campaign and others around this issue. We continue to monitor global situations such as those in China to ensure the ethical sourcing of cotton.

Our 2025 target is to source 100% of our cotton from responsible sources which we define as Better Cotton (BCI), recycled, certified organic or Fairtrade certified cotton. During 2020, we sourced 39% of our cotton as Better Cotton and 3% as certified organic, NEXT is committed to sourcing cotton that is produced through better farming practices. We have defined responsible sources of cotton as those that have been cultivated to meet at least one of the following principles:

- Reducing water use
- Reducing the dependency on pesticides and synthetic fertilisers
- Improving social conditions for farmers
- Supporting the economic sustainability of farmers

NEXT is committed to the responsible sourcing of timber and products containing timber. We aim to reduce our impact and to increase social and environmental benefits by using only responsibly sourced wood and paper, and in 2020, we sourced 36% of our timber based products as certified. Our vision is to work with our supply chain to deliver 100% of our timber based products from responsible or certified responsible sources by 2025 as part of our Responsible Sourcing Strategy.

Forests are important as they absorb carbon in the atmosphere. We are focused on ensuring our products never contribute to deforestation. As a minimum, we risk assess all timber products to verify that the material used was harvested, traded and transported in compliance with the applicable legislation in the country of origin in line with the UK and EU Timber Regulation (995/2010).

We assess each product against the criteria of our Timber Policy and evaluate the information provided. Using this information helps us understand where our risks and opportunities lie. To develop our due diligence process further, we also have a programme for auditing and species testing to support and assess our suppliers. During the year we have worked directly with our suppliers to provide in-country training and timber mitigation expertise as well as undertaking species testing to support compliance with our timber policy.

We recognise that understanding microfibre pollution, its sources and effects is an ongoing challenge for the textile industry. As an active member of The Microfibre Consortium (TMC), we are contributing to the development of practical solutions for the textile industry to minimise fibre fragmentation from textile manufacturing and product life cycle. We believe collaboration is required to develop good, robust solutions to:

- Develop a new testing methodology
- Develop aligned industry tools to create solutions
- Understand how recycled fibres may influence fibre fragmentation

Through our UKAS accredited in-house laboratory we have supported the development of a new testing methodology to assess fibre shedding from different materials. NEXT is supporting this work as a participating laboratory and during the year has provided testing results as part of the overall validation process. The testing methodology has now been finalised and is being used to develop a better understanding of fibre fragmentation and allow TMC and its members to work collaboratively towards robust industry-based solutions.

Wood is the main raw material used to make man-made cellulosic fibres (MMCF) such as viscose, lyocell and modal which are made from the dissolved wood pulp of trees and accounts for 12% of the textile fibres we source. To ensure these wood-based fabrics are responsibly sourced, NEXT is committed to ensuring the wood comes from responsibly managed forests and is working with Canopy

through their CanopyStyle Initiative to improve the sustainable sourcing of these fabrics and improve the transparency of our MMCF supply chains.

During the year we maintained our progress towards achieving greater supply chain transparency by tracing 100% of our MMCF back to fibre producers, with over 96% coming from Canopy Green Shirt ranked suppliers. The production of MMCF is chemically intensive and NEXT is working to ensure the MMCF it uses comes from producers who are eliminating pollution.

In July 2018, NEXT committed to the Roadmap Towards Responsible Viscose and Modal Fibre Manufacturing as set out by the Changing Markets Foundation. This year we became a supporter of Canopy's Next Generation Vision for Viscose which supports the investment in, creation and purchase of products made from low-impact alternative fibres such as waste textiles. This move to circular alternatives such as waste textiles will support the end of sourcing from ancient and endangered forests.

The process of tanning leather requires significant amounts of water and energy and is chemically intensive which can have negative health implications for workers as well as pollute the land and waterways surrounding the tanneries.

NEXT has become a member of the Leather Working Group (LWG), a multi-stakeholder organisation that promotes environmental best practice in the leather manufacturing industry. As part of our 2025 strategy, we are committed to only sourcing leather from tanneries that have an LWG audit but recognise to reach this ambition some tanneries will require help to work towards meeting the requirements of an LWG audit. During 2020, around 20% of the leather we used came from LWG rated tanneries.

Through the WWF leather buyers platform, we supported the development of an auditing protocol that is aligned to LWG audit requirements which we have shared, where needed, with the tanneries used by our suppliers. By collaborating with LWG we can support and contribute to the ongoing work as well as use the LWG environmental audit protocol to assess our leather supply chain and ensure tanneries operate in a way that is safer for people and the environment.

Our Animal Welfare Policy, developed with support from the RSPCA, provides clear guidance regarding the animal-derived materials used in the products we sell. Our policy states that NEXT will not use any real fur and all feathers and down used for filled products must be sourced as Responsible Down Standard (RDS).

In addition, for our own brand cosmetics and toiletries products, we do not support testing on animals and have never carried out any animal testing or commissioned others to do so. We operate a fixed cut-off date of testing which means raw materials tested after 1998 are not allowed in our products

We have completed the Higg's Brand and Retail (BRM) module at the request of some of our wholesale partners. As we are in the process of joining SAC, going forward we will be able to report against this from 2022 onwards.

CG-AA-440a.2

Percentage of raw materials third-party certified to an environmental and/or social sustainability standard, by standard

As discussed in detail above, and in line with our Responsible Sourcing Strategy we source products whose materials are subject to third party certification, or are sourced from known or responsible sources. NEXT discloses and reports on these certifications. The SASB metrics expect that these are reported on by weight, by reference to our main raw materials. However, NEXT currently reports on the number of items contracted, not weight. We do not believe that this would have a material impact on either our compliance or disclosure metrics.

Forward Looking Statements

Certain statements in this document are forward looking statements. These statements may contain the words “anticipate”, “believe”, “intend”, “aim”, “expects”, “will”, or words of similar meaning. By their nature, forward looking statements involve risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by those statements. As such, undue reliance should not be placed on forward looking statements. Except as required by applicable law or regulation, NEXT plc disclaims any obligation or undertaking to update these statements to reflect events occurring after the date these statements were published.