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CORPORATE
RESPONSIBILITY REPORT
TO JANUARY 2020



INTRODUCTION

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About this Report

This report covers the continuing social, ethical and environmental related activities undertaken by NEXT (including all of the Next plc group of companies) during the financial year ending 25 January 2020. The main focus is on our business in the United Kingdom (UK) and Eire which accounted for around 83% of our turnover in the year.

Where we state 2020, we are referring to our financial year ending 25 January 2020 and where we state 2019 we refer to our financial year ending 26 January 2019.

This report is published on our website at nextplc.co.uk and is available to employees on our intranet.



About NEXT

NEXT is a UK based retailer offering exciting, beautifully designed, excellent quality clothing, footwear, accessories and homeware.

NEXT Online

- Over 5 million active customers globally
- Websites serving over 70 countries

NEXT Retail

- Around 500 stores in the UK and Eire
- 748,000m² trading space

NEXT Finance

- Provides £1.4bn of customer credit for NEXT customers to purchase products online and in our stores

NEXT International Retail

- 185 franchised stores
- 3 wholly owned NEXT stores in Europe
- Operates in 31 countries

Lipsy

- Designs and sells Lipsy and other branded fashion products
- Trades through NEXT Online, from 42 NEXT stores and through wholesale and franchise channels

NEXT Distribution

- 8 UK warehouses, 7 UK distribution centres and 2 international hubs
- NEXT owned distribution fleet

NEXT Sourcing

- Designs and sources NEXT branded products
- Global sourcing locations including a Hong Kong Head Office

NEXT Employees

- Around 40,000 employees globally

Further details of our Business Model, Strategy and Objectives are located [here](#)

WELCOME TO OUR 2020 CORPORATE RESPONSIBILITY REPORT



Welcome

As an international retailer, NEXT's operations impact a number of stakeholder groups. Our approach to corporate responsibility is to strive to make this impact a positive one.

The conduct of our operations is underpinned by certain principles to ensure that we do business responsibly and deal with our stakeholders in a respectful manner. We seek always to:

- Act in an ethical manner
- Recognise, respect and protect human rights
- Develop positive relationships with our suppliers and business partners
- Recruit and retain responsible employees
- Take responsibility for our impact on the environment
- Deliver value to our customers
- Deliver support through donations to charities and community organisations

The ongoing global Coronavirus pandemic reflects how interconnected the world has become. From a corporate perspective, it also demonstrates the importance of maintaining strong stakeholder relationships. Find out more about our approach [here](#).

Our corporate responsibility focus this year has been to review and revise our salient human rights risks to ensure our priorities and approach remain relevant. During the year, our Code of Practice team launched revised auditing standards to our product suppliers to enhance the good labour standards in our supply chain. Having our own team is key to NEXT establishing direct relationships and building trust with our suppliers, as well as delivering a direct understanding of issues at source and the drivers of non-compliance.

Operating in the retail sector means that our business touches on a number of global issues such as responsible sourcing, human rights and climate change. We continue to implement the United Nations Guiding Principles on Business and Human Rights; respect for human rights is a fundamental

part of how NEXT operates as a responsible business. We also continue to develop our approach to doing business responsibly and within this report you can read about how we:

- Work with suppliers to help reduce the impact of manufacturing processes on the environment through our 2025 Responsible Sourcing Strategy
- Achieved a 35% reduction against our new 2030 Scope 1 and Scope 2 carbon reduction targets
- Engaged over 150 of our largest suppliers in the ZDHC (Zero Discharge of Hazardous Chemicals) programme to support the elimination of pollution from waste water in their operation

Our work also focuses on the United Nations Sustainable Development Goals (SDGs) that are most material to our business operations and products. We have the greatest opportunity in these nine areas to address our impact, including innovation to reduce our use of finite natural resources.

In the year ahead, we will continue to focus on reducing the impact of packaging and enhancing transparency around where and how we source our products. In addition, our Corporate Responsibility agenda includes developing our approach to the health and welfare of our employees, climate change, waste and resource use.

This report contains significant data which has been assured by PwC, and their independent assurance report can be found on pages 32 and 33.

We hope you find this report useful and interesting and we welcome your feedback on our Corporate Responsibility Report. See page 8 for how to contact us.

Amanda James
Group Finance Director
1 May 2020

AT A GLANCE

NEXT is listed in the FTSE4Good Index. The index is designed to measure the performance of companies demonstrating strong environmental, social and governance (ESG) practices. We are rated AA (Leader) within MSCI ESG Ratings analysis

Our Suppliers

It is a key priority for NEXT to ensure we trade ethically, source responsibly and work to assure the safety and human rights of the workers within our global product supply chain and service suppliers' global operations.

- 99% of all factories manufacturing NEXT product were audited during the year
- 98% of NEXT branded products (by value) delivered from compliant factories
- 46 employees in our NEXT in-house global Code of Practice team
- Around 1.5 million workers in our Tier 1 supply chain
- Supported 29 factories to successfully remediate critical issues found during our COP audits
- Tier 1 factory site listing updated on our corporate website during the year
- Launched revised auditing standards to suppliers

Our Customers and Products

Our commitment is to offer exciting, beautifully designed, excellent quality products that are well made, functional, safe and responsibly sourced and which provide outstanding value to meet or exceed our customers' expectations.

- Customers in over 70 countries
- Over 5 million active global Online customers
- Received over 300,000 customer experience responses
- 34% of cotton (by weight) bought as Better Cotton through the BCI¹
- Assisted customers to donate their unwanted furniture to the British Heart Foundation to raise over £1.3 million since our partnership started in 2016



Human Rights and Modern Slavery

Respect for human rights is a fundamental part of how NEXT operates as a responsible business. Any instance of forced labour is unacceptable.

- Fourth Modern Slavery Transparency Statement published
- Completed review of our salient human rights risks
- Over 400 new employees successfully completed our bespoke online training
- Delivered face to face training sessions for over 200 overseas employees based in NEXT sourcing offices
- Worked with 15 factories to successfully remediate modern slavery issues

Our People

Our workforce is integral to achieving our business objectives. We believe an engaged workforce is vital to achieving our aims and we recognise that helping to support their health and wellbeing is a priority. We strive to create a workplace in which everyone is treated with dignity and respect.

- NEXT employs over 40,000 people globally
- 44% of NEXT plc Board directors are female
- Around 19,000 employees participated in Company pension schemes
- Around 8,600 employees held options or awards over 6.4 million NEXT plc shares

Environment

NEXT is working to reduce the impact of our operations on the environment. We are creating more sustainable ways of doing business whilst continuing to reduce our operational carbon footprint and delivering better resource efficiency.

- 35% reduction achieved against our 50% absolute Scope 1 & 2 carbon reduction target by 2030
- 96% diversion of waste from landfill achieved
- NEXT carbon footprint is 171,310 tonnes CO₂e
- Electricity consumption reduced by 32% since 2007²
- RE100³ signatory. 100% of electricity purchased for our UK and Eire operations is REGO⁵ backed renewable electricity

Community

Our approach is to make an impact by working with a wide range of charities and organisations.

- Over 400 registered charities supported
- Charitable donations over £3.4 million⁴
- Over 330 tonnes of furniture diverted to charity for reuse to create value
- Over £825,000 raised for charities from the sale of our reusable carrier bags in England, Scotland and Wales

1 Better Cotton Initiative
2 Our first targets were introduced in 2007
3 See page 27 for more details
4 Financial and product donations
5 Renewable Energy Guarantees of Origin

RESPONSIBLE SOURCING STRATEGY

Our Responsible Sourcing Strategy sets out our ambition to source 100% of the main raw materials we use through known, responsible or certified routes by 2025

Overview

The raw materials used in our products come from the world's natural resources and we are committed to responsible sourcing and building full transparency to trace the raw materials back to source. The raw materials used in our products must be sourced in a way that respects the people, animals and environment in our supply chain.

The main raw materials used in our products are cotton, wool, man-made cellulosics (such as viscose), polyester, timber and leather. We recognise these materials can have wide-ranging environmental and social risks associated with their production and extraction.

Our ambition is to source 100% of our main raw materials through known, responsible or certified routes by 2025.

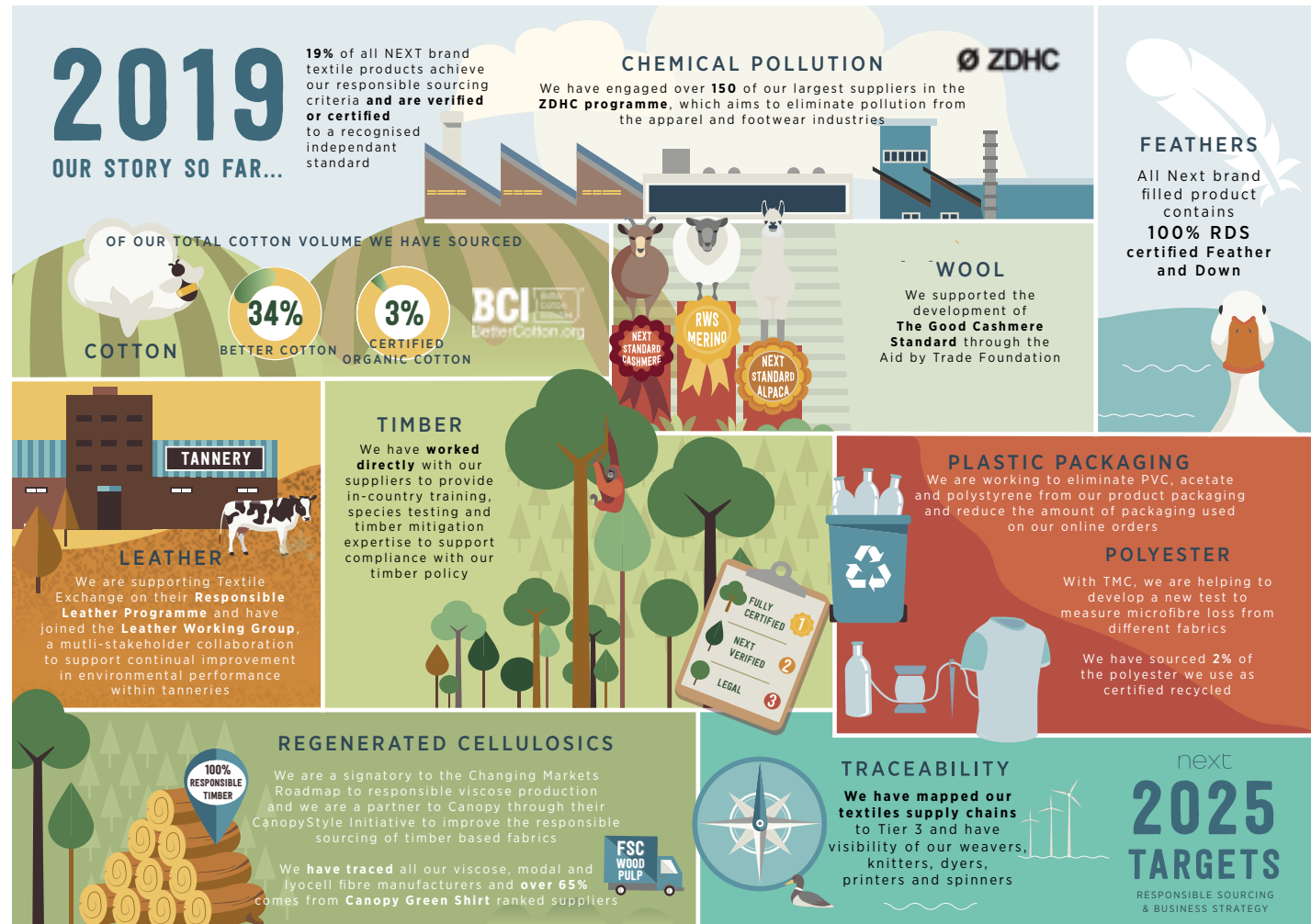
Whilst we do not source raw materials directly, we are:

- Working with our suppliers to ensure that we can trace their routes. This enables us to source products in ways which support the replenishment of raw materials, respect the human rights of workers involved in their manufacture and protect natural habitats
- Training our product teams and working with our suppliers to help reduce the impact of manufacturing processes on the environment and on the health of those working and living in communities around our production sites through our responsible sourcing requirements
- Working with expert consultancies, trusted schemes and certification providers to increase transparency in how our products have been sourced and manufactured. This will enable us to give our customers increased confidence in the products we sell

Environment and Resource Use

NEXT is working to reduce the direct impact of its business operations on the natural environment. Our priority is to minimise our impact by reducing the carbon intensity of our activities and the natural resources we use, as land and fossil fuels are finite resources.

Further details on our strategy can be found [here](#).



SUSTAINABLE DEVELOPMENT GOALS



NEXT and the United Nations Sustainable Development Goals

We are committed to the aims of the United Nations Sustainable Development Goals (SDGs) launched in 2015 and a framework of international priority areas which cover a broad range of social and economic development issues. They are set through to 2030 and the initiatives aim to tackle the biggest global challenges and form a shared global agenda for environmental improvement, social empowerment and greater equality.

NEXT's Alignment to SDGs

Through our business activities, we impact directly or indirectly on all SDGs. There are a total of 17 global goals; NEXT has aligned our reporting against the 9 SDGs that are most material to our business operations and the products we sell. These are our priority goals where we have the greatest opportunity to contribute and to build upon the work we have been doing for some years as we:

- Recognise our role and responsibility by adopting the UN Guiding Principles on Human Rights
- Take into account our impacts across our whole supply chain and focus on areas where our impacts are greatest

NEXT has a role to play in reaching these SDGs and communicating our performance against them through our own direct actions and through collaboration with others.

We summarise on the next page the key activities that NEXT is undertaking in relation to the 9 SDGs.

In March 2018 NEXT became a member of the British Retail Consortium (BRC) "Better Retail, Better World" initiative. Using the SDGs as a framework, clear, transparent and measurable goals have been developed to drive action in the British retail industry. The initiative provides opportunities for collaboration with other leading UK based retailers to contribute positively to addressing social, economic and environmental issues, including modern slavery and decent work, sustainable economic growth, inequalities, climate change and responsible consumption and production.

The Task Force on Climate-Related Financial Disclosures

When setting our approach to identify climate-related risks and opportunities, NEXT considers the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) and the eleven recommended climate-related disclosures across four competency areas: Governance; Strategy; Risk Management; Metrics and Targets.

TCFD is a voluntary framework, and we aim to align our reporting with the requirements of the TCFD over time. Following our gap analysis prepared during 2018, we are undertaking a detailed review to identify the key risks and opportunities posed to NEXT by climate change and how they may impact our business in the future. From this we will:





- Develop our understanding through the creation of a series of scenarios to categorise risks and opportunities along with their associated financial impacts
- Report on our planned activities following the scenario analysis to determine the potential financial impacts on our current business model
- Develop our management responses to the scenario findings

We recognise risks and opportunities can arise from the physical impacts of climate change (more frequent or extreme weather events) but also from regulatory, technological or market trends as society transitions to a low carbon economy. Through the use of climate scenario analysis we will test the resilience of our business and have identified a number of transitionary and physical risks and opportunities for consideration to help determine what our management response should be.

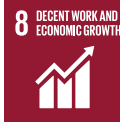




To find out more please see [Our Customers and Products](#) and [Environment](#) sections.

SUSTAINABLE DEVELOPMENT GOALS CONTINUED

NEXT's SDG Key Focus Areas

SDG	What NEXT are doing	Further information see pages
	<ul style="list-style-type: none"> Our COP team works to ensure that workers in our global supply chains are paid correctly by their employers Provide employees with financial wellbeing support in areas such as managing debt and financial planning 	12-16 22-25
	<ul style="list-style-type: none"> Implement the UN Guiding Principles (UNGP) on Business and Human Rights to work to ensure our workers have safe working conditions Provide health and wellbeing support to our employees and recognise the importance of specific areas such as positive mental wellbeing Implement chemical management programmes with product related suppliers for the use of clean chemicals in the supply chain. As a signatory to ZDHC we will work collaboratively with others to develop this further 	12-16 22-25 17-21
	<ul style="list-style-type: none"> At NEXT, 68% of employees and 44% of our Board directors are female Within our supply chain, gender equality is a fundamental human right. For example, NEXT supports KADAV, a non-government organisation (NGO) based in Istanbul, Turkey, which works with predominantly Syrian women to provide them with access to childcare, Turkish language lessons, vocational training and social support 	22-25 12-16
	<ul style="list-style-type: none"> As a retailer, the majority of our water use is in our supply chain so by mapping our supply chain this serves to identify at-risk locations and those suppliers we can work with to improve water efficiency NEXT strives to ensure that workers in our global product supply chains have access to clean water and sanitation NEXT implements chemical management programmes with suppliers for the use of clean chemicals in the supply chain to manage effluent in order to prevent contamination of waterways 	17-21 12-16 17-21

NEXT's SDG Key Focus Areas

SDG	What NEXT are doing	Further information see pages
	<ul style="list-style-type: none"> NEXT is currently a member of the Ethical Trading Initiative (ETI), Bangladesh Accord and ACT (Action, Collaboration and Transformation). These programmes help to address identified human rights and modern slavery impacts within our supply chain Continue to support the fight against modern slavery by implementing the UN Guiding Principles on Business and Human Rights Look for opportunities to help disadvantaged members of society into employment 	12-16 12-16 22-25
	<ul style="list-style-type: none"> We use a large variety of raw materials. Through our 2025 Responsible Sourcing Strategy we are working to ensure these materials are sourced and produced sustainably and responsibly Provide customers with solutions to recycle difficult to recycle products such as mattresses and furniture 	17-21 17-21
	<ul style="list-style-type: none"> Our carbon emissions target is to reduce our Scope 1 & 2 carbon emissions by 50% by 2030, and to date we have achieved a 35% reduction against the 2016/17 baseline NEXT works to reduce our direct carbon emissions across the business. Our current target of diverting at least 95% of our waste from landfill by 2020 is already being achieved NEXT is committed to minimising our environmental impact by reducing the carbon intensity of our activities 	26-29 26-29 26-29
	<ul style="list-style-type: none"> NEXT is committed to the protection of natural resources and will source all land based raw materials responsibly 	17-21
	<ul style="list-style-type: none"> Underpins all of our responsible business activities 	CR Report

STAKEHOLDERS, GOVERNANCE AND MATERIALITY

A wide range of social, ethical and environmental issues can have an impact on the NEXT business. This report covers the issues we recognise as being the most important to our business and are of principal concern to our stakeholders

Stakeholder Engagement

Stakeholder engagement is important to NEXT, both formally through meetings and informally.

Our teams play an important role in managing our stakeholder engagement in a proactive, respectful and professional manner. NEXT must also ensure that new and emerging issues, risks and requirements are carefully considered, assessed and appropriately acted upon.

Our key stakeholders and our engagement activities are summarised in the table opposite.



Key Stakeholders	How we engage
Suppliers*	<ul style="list-style-type: none"> • Visits and meetings both at NEXT offices and their factories • NEXT COP supplier audits • Training workshops • Conferences
Customers*	<ul style="list-style-type: none"> • Customer feedback via online messaging • Communication with NEXT Customer Contact Centres • Direct customer contact and market research activities • Social media • Monitoring customer returns
Workforce*	<ul style="list-style-type: none"> • Workforce communication forums • Workforce engagement surveys • Training and development
Environment*	<ul style="list-style-type: none"> • Visits and meetings with NGOs • Representation on trade association working groups • Participation in surveys
Community*	<ul style="list-style-type: none"> • Develop and agree longer term support with a range of charities to assist their ongoing work • Respond to requests for assistance

* Indicates stakeholder groups potentially affected by human rights risks.

Key Stakeholders	How we engage
Shareholders	<ul style="list-style-type: none"> • Meetings and investor roadshows • Respond to queries and requests for information • Ethical investment surveys; sustainability benchmarks and indices
Government	<ul style="list-style-type: none"> • Responses to Parliamentary Committees inquiries such as the Environmental Audit Committee • Meetings and dialogue with trade associations

STAKEHOLDERS, GOVERNANCE AND MATERIALITY CONTINUED

Governance and Risk Management

A robust governance structure, clear risk management and internal controls framework, are embedded throughout the business and are core to our Corporate Responsibility approach.

The Group Finance Director has responsibility for all corporate responsibility matters, including human rights and modern slavery. She receives regular updates from the Head of Corporate Responsibility and Sustainable Development. Regular updates are also provided to the Audit Committee. In addition, the Head of Supplier Ethical Compliance provides monthly updates to the Product teams and at least annually to the Audit Committee, reporting on the performance of our global supply chain as measured against our Code of Practice [Principle Standards](#) (as detailed in 'Our Suppliers').

As part of the NEXT risk management process, detailed risk registers are maintained by each business area and used to identify, evaluate, manage, measure and monitor risks. Specific corporate responsibility risks are therefore recorded, considered and managed as part of this process. In addition, the impact of corporate responsibility risk factors is also included, where appropriate, in the NEXT plc directors' assessment and review of NEXT's principal risks. NEXT's principal risks are detailed in the Strategic Report section of our latest Annual Report.

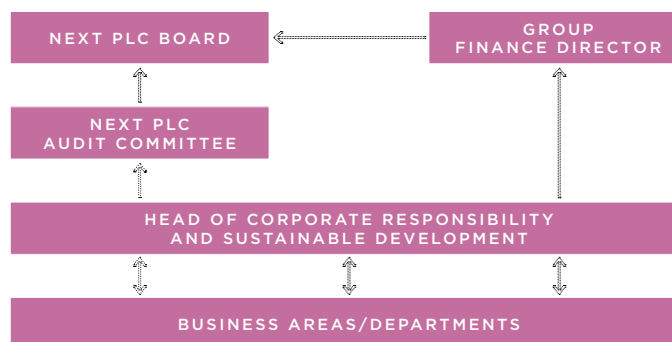
Legal Compliance

During the year we had no environmental or health and safety prosecutions and no work-related fatalities.

Further Information

For further information on certain areas of this report you will find a direct link to additional details in a section called Our Approach. Alternatively, the information can be found on our corporate website, nextplc.co.uk

Our Governance Framework

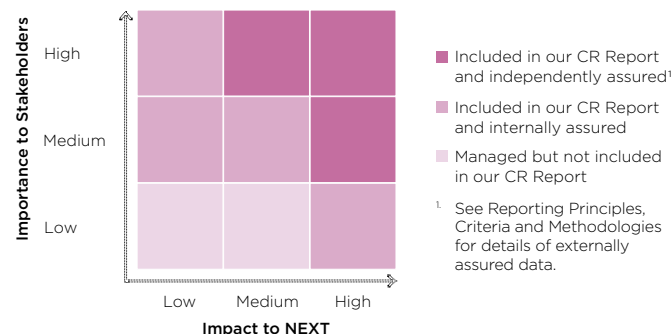


Understanding Materiality

NEXT has determined materiality as the threshold at which environmental, social, economic and governance related issues become sufficiently important that they should be included within this report.

This threshold is determined by understanding:

- How important these issues are to our key stakeholders
- The impact of these issues on our business



Assurance of Report Content

PwC has been commissioned to provide independent assurance in accordance with the ISAE 3000 (Revised) and ISAE 3410 Assurance Standards. A copy of their report is on pages 32 and 33.

Where you see the symbol the data has been assured by PwC.

Reporting Principles, Criteria and Methodology

For further information on this please refer to: nextplc.co.uk/corporate-responsibility

Contact Us

We welcome your comments and feedback on our corporate responsibility performance. Contact us via our corporate website at nextplc.co.uk/contact-us or in writing to:

Joanne Poynor

Head of Corporate Responsibility

NEXT plc

Legislation and Sustainable Development

Desford Road

Enderby

Leicester

LE19 4AT



HUMAN RIGHTS AND MODERN SLAVERY

Respect for human rights is a fundamental part of how NEXT operates as a responsible business. Any instance of forced labour is unacceptable

Highlights

- Fourth Modern Slavery Transparency Statement published
- Completed review of our salient human rights risks
- Over 400 new employees successfully completed our bespoke online training
- Delivered face to face training sessions for over 200 overseas employees based in NEXT sourcing offices
- Worked with 15 factories to successfully remediate modern slavery issues

Aligned SDGs



Our Approach

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 approach is to implement the **United Nations Guiding Principles on Business and Human Rights (UNGPs)** and this influences our work on all aspects of the supply chain. It helps us to recognise and manage the risk of harm associated with

unsatisfactory working conditions, discrimination, modern slavery, human trafficking and forced or bonded labour, particularly to the most vulnerable and exploited, such as women and children.

A company's "salient" human rights issues are the human rights that are at risk of the most severe negative impact through its activities or business relationships.

(UNGP Reporting Framework)

During 2019, we reviewed our current salient human rights risks with support from SHIFT (a US not for profit organisation and centre of expertise on the UNGPs). 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.

Find out more [here](#)

See a copy of the NEXT [Human Rights and Modern Slavery Policy](#) and our latest [Modern Slavery Transparency Statement](#), which provides more detail of our modern slavery risks, activities and plans.

Our Key Considerations

1. Human rights issues evolve over time, therefore our approach to tackling them must also evolve, including development of relevant skills in our Code of Practice (COP) team
2. We recognise the importance of regularly reviewing our COP processes and procedures to ensure we integrate indicators for new or emerging issues within our COP audits and provide training where needed
3. 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
4. Our Modern Slavery 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. We have also incorporated incident reporting management and additional reporting to support the group's objectives
5. 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
6. 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



HUMAN RIGHTS AND MODERN SLAVERY CONTINUED

UN Guiding Principles Reporting Framework Index

This report aims to align with the UN Guiding Principles Reporting Framework. The Reporting Index is designed to identify how and where the framework disclosures are addressed.

Find out more [here](#)

What we have been working on during the year

Training and Awareness

- Over 400 new employees successfully completed our updated bespoke online training course
- To date over 3,400 employees globally have completed the course
- Delivered training and new guidance material for 262 of our overseas employees based in our key sourcing locations
- Revised the guidance booklet for our UK employees
- Provided face to face training for over 40 UK shopfitting, maintenance and facilities suppliers
- Launched an online portal for our third-party brands, providing information on our approach to supply chain risks and guidance for the brands on best practice

Collaboration

- NEXT is a signatory to the Retailer Protocol for Handling Reported Cases of Modern Slavery and the Apparel and General Merchandise Public/Private Protocol to tackle labour exploitation in the UK supply chain
- We continue to be an official partner of Unseen – the UK national modern slavery helpline. This collaborative approach is essential in helping to mitigate risks and manage emerging threats. During 2019, in total Unseen has taken 7,000 calls, 2,000 web reports and 100 submissions via an app, indicating 4,500 potential victims. None of the reports to Unseen related to NEXT

- In South India we are working with other brands to increase awareness of employment rights of workers in fabric mills
- We participated in meetings of the Leicester, Leicestershire and Rutland Modern Slavery Action Group, a multi-agency partnership
- Along with other UK retailers, we are participating in a project led by SHIFT which aims to increase understanding of 'final mile delivery' in the logistics sector focusing on respecting human rights

Active Management and Remediation

- Worked with 15 factories to successfully remediate modern slavery risks
- Disengaged 8 factories where remediation had not been achieved to an acceptable level

Case Study: Wage Retention

Our priority is to ensure workers receive all wages they are owed. During 2019 we developed and issued a Wage Retention Policy which provides suppliers with clear guidelines on their responsibilities to manage wage issues effectively, our remediation process and actions in the event a wage retention issue is identified, which are to:

- Discuss and agree with the factory a plan for paying the workers all monies owed
- Confirm via documentation review and worker interviews the agreed plans have been actioned
- Continue to monitor the factory and if they do not meet our requirements, future business may be put on hold until the issue is successfully resolved

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

In addition our Code of Practice team, located in our key sourcing locations, are on hand to support with supplier meetings and presentations to raise awareness of our requirements and support suppliers to understand their responsibilities.



HUMAN RIGHTS AND MODERN SLAVERY CONTINUED

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

Through a project which commenced in July 2018 working with NGO partner SAVE (Social Awareness and Voluntary Action), two mills, five villages and two other retailers, training has been developed and delivered to over 950 people with the aim of:

- Improving life skills and employment rights awareness
- Improving relationships between workers and managers in the mills
- Supporting the mills to implement more effective policies and procedures such as grievance handling
- Training agents who recruit workers for the mills on effective recruitment practices and supporting them to develop a code of conduct for recruitment

In addition, awareness-raising in the five villages was offered covering issues which might affect female workers and local communities such as labour laws, gender inequality and personal health. Over 8,000 community members were reached through these activities.

Phase 2 of the project commenced at the end of 2019 working with the same two retailers and NGO partner READ (Rights Education and Development Centre). We will provide an update in future reports.

Case Study: Leicester, Leicestershire and Rutland Modern Slavery Action Group (LLRMSAG)

During the year we participated in meetings of LLRMSAG, a multi-agency partnership that brings together different agencies and organisations committed to sharing intelligence and working collaboratively to reduce the prevalence of modern slavery and human trafficking in the region. Partners in the group include:

- Gangmasters and Labour Abuse Authority (GLAA)
- De Montfort University, Leicester
- Diocese of Leicester
- Local Authorities

Looking ahead – we will:

- Develop and implement a country risk analysis of our top 10 sourcing countries
- Carry out supplier presentations globally covering NEXT and Lipsy product related suppliers, agency labour providers and other higher risk goods and service providers
- Register Home product third-party brands on our bespoke online portal
- Explore areas beyond product supply chain for focussed awareness raising





OUR SUPPLIERS

It is a key priority for NEXT to ensure we trade ethically, source responsibly and work to assure the safety and human rights of the workers within our product global supply chain and service suppliers' global operations

Highlights

- 99% of all factories manufacturing NEXT product were audited during the year
- 98% of NEXT branded products (by value) delivered from compliant factories
- 46 employees in our NEXT in-house global COP team
- Around 1.5 million workers in our Tier 1 supply chain
- Supported 29 factories to successfully remediate critical issues found during our COP audits
- Tier 1 factory site listing updated on our corporate website during the year
- Launched revised auditing standards to suppliers

Aligned SDGs



Our Approach

Our ethical trading priorities are to:

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

NEXT Code of Practice Standards

Our Code of Practice (COP) is based on the Ethical Trading Initiative (ETI) Base Code and includes the most relevant international standards with respect to labour practices (as set out in the International Labour Organisation Conventions).

The COP Principle Standards form the basis of our ethical trading programme, which is an integral part of our business, and set out the minimum standards and requirements for our suppliers in relation to:

- Workers' safety and human rights
- Employment and working conditions

Implementation of and compliance with our Principle Standards is measured through our Auditing Standards which provide detailed information to help our suppliers fulfil their obligations to their workers and NEXT and is a contractual condition of business for all product suppliers.

We are committed to taking all reasonable and practical steps to ensure NEXT products are made by workers who are treated honestly and fairly for the work they undertake and whose human rights and wellbeing are respected. We work with both suppliers and external experts to address and resolve issues within our supply chain and to raise standards.

During 2019, we reviewed and updated our Auditing Standards and re-launched to our suppliers via our [Online Supplier Portal](#)

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

Supplier Payments

NEXT has been a voluntary signatory to the Prompt Payment Code since 2012. NEXT has calculated and uploaded relevant supplier data onto the HMRC government portal under the 'Duty to report on payment practices and performance' legislation under Section 3 of the Small Business, Enterprise and Employment Act 2015.

Transparency

Traceability and visibility of our supply chain is a key priority for NEXT. Suppliers are contractually required to declare to NEXT all Tier 1 and 2 sites where NEXT branded products or components will be manufactured to ensure the facility is audited and meets our requirements as unauthorised subcontracting is a major non-compliance indicator within our COP.

Following the launch of new functionality in our online system at the end of 2018, we have communicated to our suppliers the importance of supply chain transparency. Through our system, suppliers provide information about additional aspects of their extended Tier 2 supply chain such as component and packaging suppliers, particularly where the NEXT brand is applied. This is providing improved visibility of our supply chain and has resulted in our auditing team undertaking over 300 audits at Tier 2 sites.

In support of supply chain transparency, we publish our Tier 1 list of manufacturing sites and aim to update the listing twice a year. The latest listing can be found at nextplc.co.uk

Case Study: Pilot Audits of Tier 3 Suppliers

Suppliers declared where their Tier 3 fabrics, yarns and other materials are sourced and our COP team carried out on-site assessments at selected fabric processing sites. The purpose of the pilot was to help NEXT determine the best way to measure the social and environmental performance of fabric processors in our supply chain. A full 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 with the main issues being found relating 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 next steps to move the work forward within this Tier of our supply chain.



OUR SUPPLIERS CONTINUED

Performance Data

During the year we audited 99% of the factories manufacturing NEXT branded products, with some sites requiring follow up visits to review progress against agreed action plans or support with training.

With 98% of the factories producing NEXT branded products achieving a Cat 1-3 (compliant) rating we can re-audit them less frequently. This has allowed us to audit over 300 Tier 2 factories, which is 12% of the total audits completed. In addition, we audited some of our largest Tier 3 fabric and yarn suppliers as part of a pilot scheme as we gain further visibility of our supply chain.

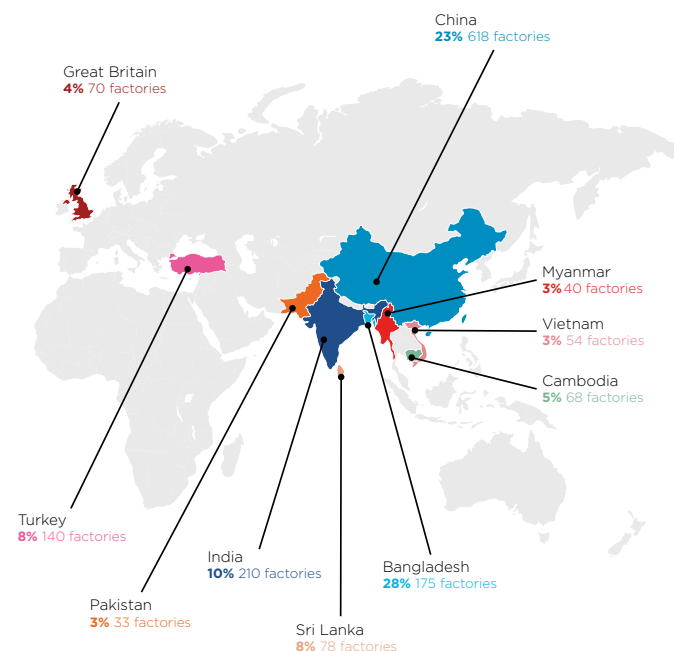
	2020	2019
NEXT global COP team members	46	47
Countries where products are manufactured	41	43
Suppliers worked with ¹	625	610
Factory sites used	1,707	1,768
Factory sites audited	1,574	1,736
Total audits completed	2,417	2,073
% factories audited	99	98
% factories who have achieved a Cat 1-3 rating (by value)	98	96
Factories disengaged for non-compliance with our Code	22	30

¹ Represents suppliers directly engaged with i.e. not sourced via an agent.

Our approach is to conduct our audits on an unannounced basis apart from the initial introduction audits we undertake with a new supplier. During the year, 82% of all audits were unannounced. The remaining audits were either initial visits to assess potential new suppliers or re-visits to ensure agreed improvements were being actioned to the agreed timescales.

Where are NEXT Products Made?

We sourced our products from over 40 countries during 2019, with 10 countries producing 95% of our products (by units). These countries are:



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





OUR SUPPLIERS CONTINUED

Our Dedicated NEXT Code of Practice Team

NEXT Global COP Team

- **46** people based in **12 key sourcing locations**
- **Work directly with new and existing suppliers and their factories** to ensure they understand our requirements
- **On the ground presence** enables quick response if issues occur and allow the building of strong relationships with our suppliers by being able to offer one to one meetings, training and support even before orders are placed by our product teams
- **Focus on problem prevention and on development of trust**

Our Auditing Approach

Our COP strategy is built on investing time and resources in our new and existing suppliers. 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 Cat 1-6 rating system. Our priority is to encourage honesty and transparency with factory management. This approach has helped to uncover a number of 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 the 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

During the year, we found Cat 6 (critical) human rights, modern slavery or social issues in 66 factories. With our COP team's support, 44 factories (15 relating to modern slavery) have been able to successfully remediate to resolve the issues uncovered. Unfortunately, during the year we had to disengage with 22 factories (8 relating to modern slavery) that refused to satisfactorily rectify their critical non-compliance with our Code. This is an encouraging improvement on last year when we disengaged with 30 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.

Find out more [here](#)

Case Study: Capacity Building and Remediation

Having identified a case of unauthorised subcontracting with a supplier in India, rather than apply a direct financial penalty on the supplier concerned, it was agreed it would be better to invest the money within the local community.

The supplier set up an educational training centre with 15 computers and two teachers in the community to provide computer training to the children of local workers. We maintain regular contact with both the supplier and the centre. To date, around 70 children have completed a computer course and the centre also provides training for students on interview skills and has launched a spoken English course.

Whilst audits continue to be our main tool to monitor adherence to our COP Standards, we recognise for trusted key suppliers there can be an alternative approach which can help to provide a better picture of a factory's overall performance and approach to ethical matters. As an initial step we have developed a Supplier Empowerment Programme (SEP) pilot with an established supplier who demonstrates a positive attitude towards transparency and open communication.





OUR SUPPLIERS CONTINUED

Case Study: Supplier Empowerment Programme (SEP) Project in Pakistan

At the end of 2018, in partnership with one of our key suppliers in Pakistan, we commenced a SEP focusing on three areas:

- Worker training
- Worker and management dialogue to develop a robust grievance mechanism process
- Chemical management systems

Instead of carrying out formal COP audits, we visit the supplier each month to monitor progress against six agreed initiatives. We have been pleased to see a number of measurable improvements during the year:

- 45% increase in worker committee meetings
- 23% increase in the number of employees trained to raise awareness of modern slavery, machinery safety and first aid
- 9% reduction in employee turnover
- 50% reduction in employee grievances – evidenced through worker feedback surveys and improved access to remedy for raised grievances

In addition, WWF is also a partner within the project and have completed energy/environmental audits to identify opportunities for improvement for the supplier to work on. These have led to:

- 10% reduction in water consumption
- 10% reduction in electricity and thermal energy consumption

The SEP will continue to run throughout 2020, with the potential to include additional suppliers during the year.

Partnering for Change

It is important and valuable to work with others to develop solutions for some of the more complex and systemic problems found within global supply chains that we can not solve alone. 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 NGOs) we are all able to work together in partnership to deliver real benefits to workers in our supply chains. This includes our work within communities where we support projects with a particular focus on women and children, as these are often the most vulnerable members of society.

Worker health and safety continues to be a priority for NEXT and one area where a collaborative approach can help to drive change. We are a member of the Better Factories Cambodia (BFC), and have joined global brands and other stakeholders to form a BFC Transportation Working Group. Through this group, we supported a pilot programme which ran until May 2019 to help workers travel safely to and from work. Positive feedback and outcomes from all involved parties included:

- Reaching over 24,000 people in five factories through training and workshops
- 85% of workers reporting their knowledge on road safety increased with safety helmet usage increased from 29% to 53%

Further projects on road safety for factory workers in Cambodia are being planned for 2020.

Find out more [here](#)





OUR SUPPLIERS CONTINUED

Communication is Key

NEXT aims to work 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; share information via our Supplier Portal to support their on-boarding 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 to NEXT. Internal communication with our product teams is vital to the success and effectiveness of managing the ethical standards we expect from our suppliers.

Find out more [here](#)

During 2019, we carried out supplier seminars in several of our key sourcing countries for over 300 NEXT product related suppliers. We provided an update on our activities and our requirements of them in relation to:

- Modern slavery
- Salient human rights risks
- Compliance reporting
- Supply chain transparency
- Risks of unauthorised subcontracting
- Projects and collaborative work

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.

SDG 5 - Gender Equality remains an important social development issue. During 2019, in collaboration with the ETI (Ethical Trading Initiative), we have been exploring in-country projects to engage with which will support our aims in this area. We have identified a project in China which will support capacity building work and will include gender equality awareness training.

Case Study: Everyone's Business App

In collaboration with Carnstone, M&S, Pentland and Sainsbury's, an app was developed and launched during 2019.

It is used by our employees when visiting suppliers' factories and helps them to spot potential issues in the supply chain by guiding them through a set of questions covering health and safety standards, working conditions and site facilities.

We held briefing sessions across the business and have around 200 registered users from our commercial teams. Since the launch, 80 visit reports have been submitted, 37 of which raised one or more concerns about a site for the COP team to follow up.

We are pleased how the app has helped to further engage our teams in our CR agenda and increase interaction between COP and product teams.

This collaborative approach has resulted in the delivery of positive progress and has built closer relationships with suppliers to resolve issues.

Looking ahead - we will:

- Carry out global supplier presentations with a particular focus on higher risk countries and supply chain issues such as migrant labour
- Continue to capture detailed Tier 2 third-party information to increase supply chain transparency
- Identify further fabric suppliers and wet processors to audit
- Commence an in-country project which incorporates gender equality as a focus
- Develop our approach to grievance mechanisms for workers within our supply chain





OUR CUSTOMERS AND PRODUCTS

Our commitment is to offer exciting, beautifully designed, excellent quality products that are well made, functional, safe and responsibly sourced and which provide outstanding value to meet or exceed our customers' expectations

Highlights

- Customers in over 70 countries
- Over 5 million active global Online customers
- 34% of cotton bought as Better Cotton through BCI
- Received over 300,000 customer experience responses
- Assisted customers to donate their unwanted furniture to British Heart Foundation to raise over £1.3 million since our partnership started in 2016

Aligned SDGs



Our Approach

Our priority is to ensure our products are:

- Excellent quality
- Safe, functional and fit for their intended purpose
- Responsibly sourced in line with our Responsible Sourcing Strategy
- Free from harmful substances
- Fully compliant with appropriate legislation and our own requirements where these go beyond legislation

In addition, we:

- Aim to provide the highest standards of customer experience, regardless of whether our customers shop in-store or online
- Support our customers to donate difficult to recycle unwanted products

Product Safety and Legislation Compliance

- Our product safety standards are based on a range of legislation and compliance requirements to satisfy our customers' expectations
- Technologists in our Product teams work closely with our suppliers to provide expert guidance to ensure the right materials are chosen to manufacture high quality, durable products in factories with robust product safety processes
- Our technical team comprises of around 300 global employees, with technologists from Head Office and our global sourcing offices visiting our suppliers to ensure our sourcing and production standards are being met
- All products are inspected upon receipt into our UK warehouses by our 54 strong quality assurance team, to ensure they meet our requirements
- Suppliers to NEXT have direct access via our online Supplier Portal to our full range of technical manuals and quality, safety, ethical and responsible sourcing standards

NEXT also works with our third-party brands we sell via LABEL to ensure all products offered for sale are safe for their intended end use. We require brands to be able to demonstrate compliance with all applicable legislation and standards through risk assessment, certification and testing as well as being able to show the product has been sourced from factories which are compliant with the ETI Base Code.

Find out more [here](#)

Customer Engagement and Experience

NEXT endeavours to provide a high quality service to our customers; whether customers are shopping in our stores or online we must be welcoming, safe and accessible to all.

It is important we understand what our customers think of NEXT to ensure we can respond to their needs and opinions.

- We received around 9 million contacts from our customers during the year via online, post or telephone. Queries and issues are in relation to our products, operations, policies or the service we provide

- Over 95% of Online customers stated they were happy with their experience of shopping with NEXT
- Next Loves to Listen is our online survey and is available to every customer who shops in our stores or collects their Online order from one of our stores. We received over 300,000 responses during the year providing ongoing feedback which helps us to improve our in-store experience and level of customer service
- We also conduct customer interviews and online surveys, accompanied store visits and run customer discussion groups



We believe we have robust procedures in place to monitor, evaluate and respond to customer feedback where necessary. For example, our Customer Services team, based in our Customer Contact Centres, works closely with relevant departments and senior management to ensure customers' queries and issues are fed back into the business. Teams use this and other data from the business to review how products or customer experience could be improved.



Supporting Accessibility

There are an estimated 14.1 million¹ people living with a disability in the UK. We recognise that everyone's accessibility needs are different, which is why we have developed our relationship with AccessAble. During the year their trained surveyors visited and reviewed new and re-developed NEXT stores as well as our online contact centres. Detailed, independently assessed accessibility guides have been published on both AccessAble's and our websites for all our stores across the UK and Ireland.

We use the findings from the surveys to further improve the accessibility of all our premises as and when we refurbish them. More information about AccessAble is available at [accessable.co.uk](https://www.accessable.co.uk)

¹ Source: Family Resources Survey 2018/19 (Department for Work and Pensions).



OUR CUSTOMERS AND PRODUCTS CONTINUED

Responsible Sourcing of 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 cellulose (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.

Find out more [here](#)

Sustainable Clothing Action Plan (SCAP)

NEXT became a signatory of SCAP's 2020 commitment in 2012. Each year we use SCAP's assessment tool to calculate the environmental footprint of NEXT brand products sold. See [Our Environment](#) for more information.

Traceability

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 which 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

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.

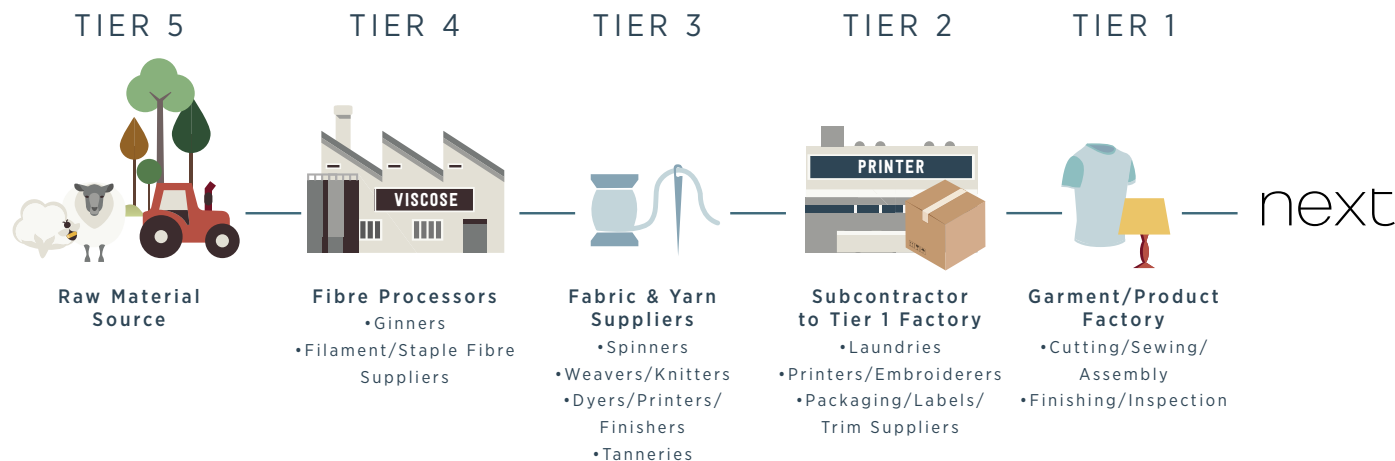
Our policy bans the use of cotton from Uzbekistan or Turkmenistan due to the forced labour situation at harvest and we monitor the work undertaken by the Responsible Sourcing Network campaign around this issue.

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 2019, we sourced 34% 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

Find out more [here](#)





OUR CUSTOMERS AND PRODUCTS CONTINUED

Case Study: One Woman's Journey to Improve the Lives of Rural Women

In 2019 we sourced 34% of our cotton as Better Cotton and our investment enabled BCI, along with its partners, to help to:

- Train over 1,100 farmers
- Support Better Cotton production on over 19,000 hectares of land
- Save an estimated 7,900,000m³ of water
- Avoid the use of an estimated 5,115kg of pesticides

Better Cotton is produced in 21 countries around the world and our sourcing is helping to support BCI Co-ordinators who work directly with the farmers. Co-ordinators like Tata Djire, an agronomist in Mali, who has spent her career helping small-holder farmers and women understand how adopting practices in line with the [Better Cotton Principles and Criteria](#) could help them raise their yields and reduce their costs. Becoming a BCI Co-ordinator gave her a significant opportunity to build on her life's passion – supporting women farmers and rural women. Overcoming entrenched cultural norms and helping women become more financially independent is a tough challenge.

“Through BCI, we have supported women farmers – from more efficient harvesting techniques to raising their awareness of the importance of equal pay through special role play sketches for radio and television. We have also trained more than 2,000 women in leadership, which has given rise to the emergence of women leaders capable of promoting the interests of women in the cotton sector.”
Tata Djire, 2019



Timber

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.

Our vision is to work with our supply chain to deliver 100% of our 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 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.

Find out more [here](#)

Microfibres

We recognise that understanding microfibre pollution, its sources and effects is an ongoing challenge for the textile industry. As a 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 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 is in the process of being finalised and once released will help develop a better understanding of fibre fragmentation and allow TMC and its members to work collaboratively towards robust industry-based solutions.

Man-made Cellulosic Fibres

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 13% of the 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 over 80% of our MMCF back to fibre producer, with over 65% 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.

Find out more [here](#)



OUR CUSTOMERS AND PRODUCTS CONTINUED



Leather

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.

Leather Working Group (LWG)

NEXT has become a member of the 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.

Through the WWF leather buyers platform, we supported the development of an auditing protocol which 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.

Find out more [here](#)

Animal Welfare

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 [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.

Chemical Management

All our products contain chemicals in one form or another. Whilst the majority of chemicals are harmless, it remains an [area of focus that our products do not contain chemicals which could be harmful to our customers, the workers who make our products or the environment](#). This is not only important in the countries where our products are made, but also where they are sold and eventually disposed of.

Therefore, NEXT has strict [Restricted Substance Standards \(RSS\)](#) which ban or state 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. In addition, we have a thorough due diligence programme in place which spot checks for compliance with our RSS. The results are used to raise awareness internally and with our suppliers. If products fail our requirements they are removed from sale and may be recalled from customers.

Case Study: ZDHC Chemical Management Improvement Project



NEXT collaborated with ZDHC to support a chemical management improvement project at one of our key suppliers in Bangladesh.

The aim was to raise awareness about ZDHC and provide thorough chemical management training to build knowledge for both the suppliers' employees and also our ZDHC ambassadors based in Bangladesh.

The project involved a three day visit by ZDHC personnel to provide both training and complete an assessment of the factory's current chemical management practices to the ZDHC framework. Areas for improvement were identified and agreed through a detailed action plan. A follow-up visit one month later monitored the improvements being made by the suppliers. We will look to support this project in other key sourcing locations.

Find out more [here](#)



OUR CUSTOMERS AND PRODUCTS CONTINUED

NEXT joined the ZDHC (Zero Discharge of Hazardous Chemicals) roadmap to zero programme in 2018 and during 2019 we developed and communicated our guidelines on implementing the ZDHC programme to our technologists and key external Tier 3 wet processors. In the UK and our sourcing offices we have established ZDHC ambassadors who act as the main contact point for our suppliers.

By December 2019, 157 of our wet processors were signed up to the ZDHC Gateway, the platform used by ZDHC to share key information. During 2020, we will roll out the programme to our main dyers, printers and laundries.

Helping Our Customers to Recycle for Reuse Their Unwanted Products

Home products such as mattresses, sofas and furniture can be difficult products for our customers to manage when they no longer want them, with many going unnecessarily to landfill. We have identified opportunities to help our customers by partnering with different charitable organisations to provide solutions and help raise funds to support their aims, such as the [British Heart Foundation \(BHF\)](#). Our customers' donated furniture and home products have helped BHF raise over £1.3 million since we started to work with them in 2016.

Find out more [here](#)

Continuing Our Circular Economy Journey

The circular economy is an economic system aimed at designing out waste and maximising the reuse of resources along the whole supply chain. Examples of our current activities include:

- Working to reduce the packaging we use, both in-store and online, and explore how we can take back packaging to reuse in our supply chain
- Through our responsible sourcing strategy working to reduce impact and help drive efficiency with our Tier 3 suppliers as well as our commitment to source our key raw materials responsibly by 2025

- Developing takeback schemes to ensure valuable resources are kept in circulation, including a mattress recycling programme and help for customers to donate unwanted furniture for reuse. We recognise there is much more to do and that collaboration across the industry is vital.

During 2020, we will bring our existing work together to determine what the circular economy means for NEXT. To support this we are working with external experts to help build a circular economy framework covering the product life cycle; from the way we design our products, through to how they are delivered to our customers and what happens to those products at the end of their useful life.

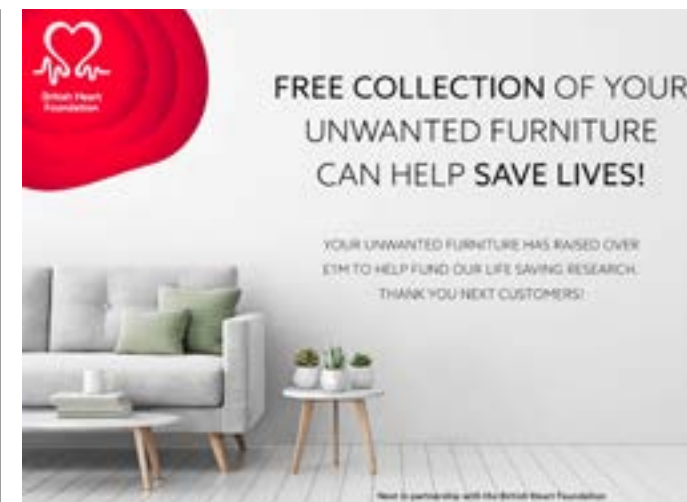
We will consider the impact our designs and product development can have on the environment and what choices we can make when developing our products, such as:

- Product durability and longevity
- Responsibly sourced materials
- Safe processing to protect workers and the environment

The framework will provide a practical tool to engage our Product teams and help to set future product category specific circular economy plans. We will report our progress in future reports.

Looking ahead – we will:

- Monitor progress of our 2025 Responsible Sourcing Strategy to increase the number of products meeting our Responsible Sourcing requirements
- Continue to map our supply chain back to raw material to improve traceability
- Develop a circular economy framework for NEXT
- Engage our main dyers, printers and laundries on the ZDHC Gateway Platform



“Our partnership with NEXT continues to provide much needed furniture items for the British Heart Foundation’s (BHF) 180 home stores. We are delighted that our partnership with NEXT and their customers has raised over £1.3m to date. This is an incredible contribution to the work of the BHF, which could fund a five year research programme into heart attacks including salaries, equipment and lab materials needed for the project. Not only has the partnership raised much-needed funds to help us beat heartbreak, but you have also helped to divert 346 tonnes of furniture from the waste stream, by enabling BHF to extend the life of your customers pre-loved items with a new home.”

Karen O'Donoghue
Head of Retail Partnerships, BHF



OUR PEOPLE

Our employees are integral to achieving our business objectives. We believe engaged employees are vital to achieving our aims and we recognise that helping to support their health and wellbeing is a priority. We strive to create a workplace in which everyone is treated with dignity and respect

Highlights

- NEXT employs over 40,000 people globally
- 44% of NEXT plc Board directors are female
- Around 19,000 employees participated in Company pension schemes
- Around 8,600 employees held options or awards in over 6.4 million NEXT plc shares

Aligned SDGs



Our Approach

To encourage a successful business, it is important to create an environment that enables us to attract and retain the right people to work at every level throughout NEXT. These are people who are committed to working together and who support our business approach of honesty, respect and encouragement.

Our priority is to provide an environment where our workforce is:

- Safe, supported and respected
- Treated fairly and taken care of
- Listened to
- Motivated to achieve their full potential

We are committed to achieving excellence in the areas of health and safety, wellbeing and the protection of our workforce in their working environment and we expect our people to manage all aspects of our business safely.

Find out more [here](#)

Diversity and Inclusion

NEXT is an equal opportunities employer and will continue to ensure it offers career opportunities without discrimination. Full consideration is given to applicants for employment from disabled persons, having regard to their particular aptitudes and abilities. NEXT continues the employment wherever possible of any person who becomes disabled during their employment with us, and opportunities for training, career development and promotion do not operate to the detriment of disabled employees.

Within three of NEXT's UK Distribution sites we are supporting Project SEARCH. This project is supporting 20 students to build skills and experience in NEXT whilst continuing to study their school curriculum to give the students the skills they need to obtain paid employment. Now in its sixth year, the programme is aimed at 17-24 year olds with severe learning difficulties who otherwise might not get an opportunity for full-time paid employment.



Employment positions throughout the Company are filled with the candidates who possess the most appropriate skills and competencies relevant for the particular job role. NEXT's policy is to treat all employees fairly and equally regardless of gender, sexual orientation, marital status, race, colour, nationality, religion, ethnic or national origin, age, disability or union membership status. During the year, we signed up to Level 1 of the Disability Confident Scheme which supports employers to make the most of the talents disabled people can bring to the workplace.

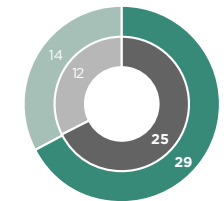
Although we do not set specific targets for diversity, women currently represent 44% of our Board and the charts to the right show the gender mix of the Group's employees at the end of the financial year.

Please also refer to the latest NEXT Gender Pay Report at nextplc.co.uk

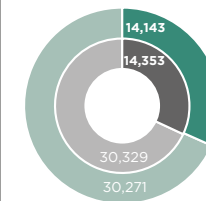
Directors of NEXT plc



Subsidiary directors and other senior managers



Total employees



2020 **2019**
 ● Male ● Male
 ● Female ● Female

NEXT Pension Arrangements

As at January 2020, active members of the 2013 NEXT Group Pension Plan stood at:

Number of Employees	Final Salary Section*		Money Purchase Section*	
	2020	2019	2020	2019
NEXT UK Pension Scheme	751	814	4,418	4,841

* Pensions data relates to NEXT plc operations in the UK, excluding NEXT International and NEXT Sourcing

NEXT has implemented the UK's auto enrolment pension scheme. This is provided by The Peoples' Pension/B&CE.

At January 2020 14,390 (2019: 13,118) employees were also participating in the Group's auto enrolment defined contribution scheme.



OUR PEOPLE CONTINUED

Rewards and Benefits

We believe in rewarding all employees with fair and competitive salaries, along with the opportunity to gain additional pay in the form of a bonus depending on the Company (or in some cases store or individual) performance.

Sharesave: NEXT has operated a Sharesave scheme for many years. All UK & Eire employees have the opportunity to save money over three or five years to buy NEXT plc shares at a discounted price. At the end of the savings period, the participant has the opportunity to buy the shares at a price fixed at the start of the scheme, usually at a 20% discount to the share price at the time of grant. At January 2020, approximately 8,600 employees were participating in our Sharesave scheme holding options or awards in respect of 6.4m shares in NEXT.

NEXT Steps – our workplace nursery: Our purpose-built Head Office Child Care Nursery called “NEXT Steps” continues to flourish with an “Outstanding” OFSTED rating. It currently has over 230 children registered to attend. This is part of our on-going commitment to supporting our employees with their pre-school childcare arrangements.

Find out more [here](#)



Health, Safety and Employee Wellbeing Strategy and Objectives

Our goal is to make NEXT a healthier and safer place for everyone. We expect our people to manage all aspects of our business safely.

NEXT reviews its Company safety statement and safety objectives every three years which also includes safety programmes and objectives for each division of the business. These are reviewed regularly at divisional safety meetings by relevant divisional directors and twice a year by our Chief Executive.

Our objectives were revised and updated for 2018–2020 and focus on four priorities:

- Competence – people knowing how to work safely
- Communication – talking about health and safety
- Culture – health and safety is everyone’s responsibility
- Controls – having effective procedures that manage risk
- We are on target to deliver against these objectives by the end of 2020, by which time a new series will be ready for launch in 2021

Find out more [here](#)

NEXT Mental Wellbeing Charter

When we talk about mental wellbeing we mean:

‘Where you are able to achieve your potential, cope with normal day to day pressures, thrive and be productive in all aspects of your life’.

Find out more [here](#)



Employee Wellbeing

NEXT is an inspiring, exciting and rewarding place to work and we want everyone to feel able to be creative, productive and engaged. We aim to have a culture that promotes and enables all our employees to achieve positive mental wellbeing.

In 2018 we launched our Mental Wellbeing Charter, endorsed at Board level and aimed to improve the way we identify and help those suffering from mental ill-health.

Case Study: Wellbeing In Retail

Funded by the John Lewis Partnership, Tesco, Sainsbury’s, ASOS, the Co-op, Marks & Spencer and NEXT and developed with the expertise of Samaritans, Wellbeing in Retail aims to support the mental health and wellbeing of retail workers.

The guide will help retail workers look after their own mental health, give advice on how to support others who may be struggling and signpost where to go for extra help.

Retail is the largest private sector employer in the UK and the development of this website was inspired by joint research from the John Lewis Partnership, Marks & Spencer, Co-op and NEXT, which revealed that:

- Over 50% of the 2,000 retail workers questioned could not recognise the signs of someone needing emotional support
- Around 25% would not feel confident approaching an upset colleague

The Wellbeing in Retail website features practical information and suggestions, activities and resources that can be accessed whenever and however workers need it and is accessible via desktop, phone or tablet. Tools such as breathing techniques, the Samaritans listening wheel, mood barometer, films from mental health experts and case studies are available.

Find out more information on the new Wellbeing in Retail training tool [here](#)



OUR PEOPLE CONTINUED

Our Wellbeing Programme is embedded across the business and is making a difference by improving many employees' general wellbeing as well as the way we identify and help those suffering from mental ill-health.

In 2019 we:

- Extended our mental health awareness training to include all managers responsible for a team
- Increased our number of mental health first aiders across the business and created support networks to ensure their own wellbeing is monitored and maintained. The network acts as a platform for innovation and development of our ongoing wellbeing journey
- Introduced Understanding and Building Resilience sessions for over 100 managers in our Warehouses and Distribution Operations
- As part of our Employee Assistance Programme (EAP) we have provided all employees with free access to the THRIVE app. The app helps employees manage and prevent stress, anxiety and related conditions through games which can be used to aid relaxation before a stressful situation or on a more regular basis to help employees day-to-day life
- Offered the services of a qualified psychotherapist at our Head Office site. We are now using our psychotherapy service to confidentially identify trends that would benefit from the creation of support programmes. We will develop this further during 2020
- Continued to support employees with access to financial wellbeing sessions to help manage debt and assist with financial planning
- Helped employees to 'give back' in a social stem cell donation programme during the year and we intend to extend this social involvement further going forward

The programme has already helped us identify significantly more people at much earlier stages of mental ill-health than would previously have been possible. It is now an integral element of our wider Wellbeing strategy which includes a diverse array of activities such as a flu vaccination campaign, stay active challenges, healthy eating campaigns and menus in our restaurants and regular free fresh fruit drops around Head Office.



Case study: Lifestyle Checkpoint

We have 5 lifestyle checkpoint machines which are used across the business and move between our different sites. During the year employees in warehousing, Head Office and our UK call centres have used the machines which provide information relating to an individual's current health and have been instrumental in helping at least four employees to address potentially life threatening conditions.



Accident Reporting

We report work-related accidents in accordance with the Reporting of Injuries, Diseases and Dangerous Occurrence Regulations (RIDDOR) per 100,000 hours worked for employee accidents, and per 100,000 transactions for customer accidents.

	RIDDOR accident rate	
	2020	2019
Employees in Retail Stores/100,000 hrs worked	0.21	0.20
Customers in Retail Stores/100,000 transactions*	0.01	0.01
Employees in Warehouses/100,000 hrs worked	0.36	0.36
Employee in Regional Service Centres/ 100,000 hrs worked	0.56	0.45

* Transactions include customer parcel collections where the customer collects from a retail store.

During the year, some of our initiatives across the business have included:

Retail Stores: Whilst the number of RIDDOR reportable accidents is low, we work to identify opportunities to further enhance the safety of our stores by:

- Introducing a new accident reporting system which simplifies reporting, is easier to access and better tracks employees who are off work for a prolonged periods
- Supporting our employees where English is not their first language we have undertaken a review to address any compliance or training shortcomings
- Developing a manager toolkit and training programme to support managers when recruiting and working with employees with special needs
- Implementing new safety procedures for double deck trailer deliveries

Warehouses and Distribution Locations: Our warehouses are highly automated and primarily reliant on our team of expert engineers to ensure they run smoothly and safely, whilst our Regional Service Centres are more traditional warehousing operations where the key risks relate to workplace transport, MHE (Material Handling Equipment) movement as well as manual handling. We have seen a small increase in the number of accidents from a very low base of 14 to 18 in Distribution locations and whilst we have been unable to identify any common themes we will work to identify opportunities to further enhance the safety of our warehouse and distribution centres.

During the year some of our key projects included:

- Improving fire detection systems in our manual handling equipment battery charging areas
- Introducing the use of improved safety knives to reduce injuries in cutting/opening activities
- Implementing improved procedures for opening container doors when unloading by introducing a restraining strap at the rear doors
- Retrofitting roller shutter doors with a series of secondary fall arrest devices to prevent them from falling directly to the ground



OUR PEOPLE CONTINUED

Training and Development

Our employees are able to access a range of development tools or job-specific training appropriate to their needs through the focused and integrated training teams within each area of the business. We believe that offering learning and development opportunities will help to ensure our employees feel supported and equipped to carry out their role to the best of their ability.

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

- Job role-specific training covering technical, operational and skills training
- Individually tailored training to address 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
- During the year a new online tool was put in place to facilitate ongoing, meaningful performance and development conversations between managers and teams. The tool also provides a forum for positive and constructive feedback by individuals, peers and managers. Around 3,000 employees are currently using the tool; it will be rolled out more widely during 2020.

Find out more [here](#)

Employee Engagement

It is important that we have an open and honest culture, communicating effectively with our employees and providing opportunities for them to interact, and feedback ideas and views which are captured and considered in our decision making. Employees are kept informed of performance and strategy through regular updates from members of the Board. Next has a number of effective workforce engagement mechanisms in place across the group. This includes an employee forum made up of elected representatives from head office who attend meetings at least twice a year with directors and senior managers. These forums encourage open discussion on business issues, policies and the working environment. In addition, employees are kept informed of

performance and strategy through regular presentations and updates from members of the board.

During 2019, we supplemented this employee engagement with meetings of the group's Workforce Focus forum attended by workforce representatives, our chief executive, a non-executive director and our group HR Director. The meetings allow effective engagement and open discussion on key business issues, policies and the working environment in different parts of the business, with actions agreed on issues raised.

Through our Recruit Reward Retain forum we have listened and made changes to:

- Long service awards – to recognise achievements more frequently
- Holiday plus – the ability to purchase additional days holiday up to a set amount
- Introduction of Moments That Matter – created to support working parents and starting with enhanced support for returning to work mothers

Looking ahead – we will:

- Roll out an online development and performance tool to more employees
- Enhance our mental wellbeing programme through identification of trends to develop support programme
- Further develop our workforce engagement
- Continue to identify opportunities to develop safe working conditions for our employees





ENVIRONMENT

As a responsible business, we are working to create more sustainable ways of doing business whilst continuing to reduce our operational carbon footprint and improving resource efficiency

Highlights

- 35% reduction achieved against absolute Scope 1 and 2 carbon reduction target by 2030
- 96% diversion of waste from landfill achieved
- NEXT carbon footprint is 171,310 tonnes CO₂e
- Electricity consumption reduced by 32% since 2007*
- RE 100 signatory

* We introduced our first targets in 2007

Aligned SDGs



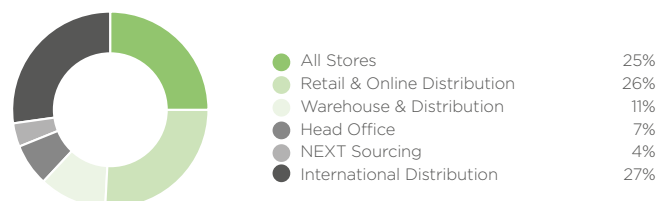
Our Approach

Climate change is widely regarded as one of the greatest global challenges society faces and we take our responsibilities in this area seriously. In 2018, the Intergovernmental Panel for Climate Change report found that urgent changes are needed if we are to reduce the effects of climate change; and estimated that we have only 12 years to work to minimise the worst impacts.

We have achieved a 35% reduction against our new 2030 Scope 1 and 2 target. We are continuing to reduce the impact of our business operations, by creating more sustainable ways of doing business to conserve energy, save money, improve resource efficiency and reduce the carbon intensity of our activities and the natural resources we use. This is achieved through the development and operation of good business practices to manage resources more efficiently throughout their life cycle.

We need to consider the impact of our supply chains to help make a real difference on climate change and you can read more about what we are doing in [Our Customers and Products](#)

NEXT Group Operational Global Direct CO₂e Footprint



Our Priorities

Our priorities for our key operational activities are to:

- Work with our suppliers to reduce the environmental impacts of the products we sell
- Improve energy efficiency and identify further opportunities to reduce energy use in our buildings
- Work to increase the amount of waste diverted for recycling and identify opportunities to minimise the waste produced
- Increase the efficiency of our owned delivery fleet, including the introduction of alternative fuels
- Offer services for customers that make use of their products when they no longer need them
- Identify opportunities to further improve the sustainability of our packaging and reduce its use

Global Carbon Footprint

In order to help us understand the impact of our direct business we measure our global carbon footprint produced from the operational activities of NEXT where we have direct control. Our total carbon emissions have increased as a result of the growth in our international business.

Find out more [here](#)

PwC provides independent assurance regarding our carbon footprint calculations. Please refer to their Independent Assurance Report on pages 32 to 33.

NEXT Group Operational CO₂e Emissions

Next Group Operational CO ₂ e emissions	2020 Tonnes	2019 Tonnes	% Change
Scope 1 ^(A)	45,739	46,911	-2
Scope 2 ^(A)	60,440	70,693	-15
Scope 3 ^(A)	65,131	42,763 ²	52
Total gross emissions ^(A)	171,310	160,367 ²	7

Scope 1 - Direct emissions from NEXT Group operations	2020 Tonnes	2019 Tonnes	% Change
Gas heating (stores, offices, warehouse)	8,466	9,332	-9
NEXT owned distribution vehicles	33,634	33,552	0
NEXT owned cars	1,939	1,924	1
Building (diesel oil, refrigerant gases)	1,700	2,103	-19
Total: Scope 1 ^(A)	45,739	46,911	-2

Scope 2 - Indirect emissions from NEXT Group energy consumption ¹	2020 Tonnes	2019 Tonnes	% Change
Total: Scope 2 ^(A)	60,440	70,693	-15

Scope 3 - Other Indirect emissions from NEXT Group operations	2020 Tonnes	2019 Tonnes	% Change
Waste (stores, offices, warehouse)	739	735	1
Business travel	7,388	8,151	-9
Third-party distribution vehicles	10,247	10,793	-5
International Directory Distribution	46,657	22,982	103
Water	100	102 ²	-2
Total: Scope 3 ^(A)	65,131	42,763 ²	52

Note: The methodology used to calculate our emissions is based on operational control compliance with WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standards (Revised) and have been calculated using the revised carbon convention factors published by BEIS in June 2019. For International electricity, 2019 IEA Scope 2 factors have been used.

¹ Calculated using location-based methodology

² Restatement of water used in prior year



ENVIRONMENT CONTINUED

Scope 2 Emissions Market Based and Location Based

In addition to the location-based figure required by legislation in the UK and most GHG benchmarks, we also calculate a market-based figure allowing for deductions from the procurement of renewable energy. This lower market-based figure is calculated and can be shown in voluntary reporting if certified renewables are purchased. We purchase our renewable energy via certified sources and our supply is backed by the Renewable Energy Guarantees of Origin (REGO), which means a proportion of our suppliers certified renewable energy is ring-fenced for us.

NEXT Group Operational CO₂e Emissions

	2020	2019
Scope 1 ^(A)	45,739	46,911
Scope 2 ^(A)	60,440	70,693
Total: Scope 1 and 2 emissions - Location-based ^(A)	106,179	117,604
Intensity metric: tonnes of CO₂e per £m of sales - Location-based ^(A)	24.34	27.86
Total: Scope 1 and 2 emissions - Market-based ^(A)	6,909	7,150

CO₂e emissions relating to assured data in UK & Eire for stores, warehouses and offices

	2020	2019	% Change
Electricity usage kWh ^(A)	216,506,531	238,963,827	-9
Gas usage kWh ^(A)	45,551,005	49,912,544	-9
Total kWh	262,057,536	288,876,371	-9
Total floorspace m ²	1,451,375	1,409,193	3
Tonnes CO₂e	63,283	80,025	-21

Note: electricity includes the proportion re-charged to concessions operating in NEXT stores

External Benchmarks

We participate in the CDP climate change external benchmark annually. For 2019, we achieved a B Grade, which CDP class as Management – taking coordinated action on climate issues. Our latest submission can be found [here](#).

NEXT Carbon Reduction Target to 2030

We recognise that current global emission trends are not aligned with international commitments such as the 2015 Paris Agreement whereby 195 countries (including the UK) commit to keep the world's global temperature rise below 2°C. In 2018 the Intergovernmental Panel on Climate Change (IPPC) released a report outlining the need to accelerate decarbonisation limit the temperature rise to 1.5°C.

In 2019, we launched a new target focusing on our global Scope 1 and 2 emissions developed in alignment with the current Science Based Target (SBT) footprint approach.

We are currently reviewing our total Scope 3 emissions, including the impact of our products, and are working towards setting a Scope 3 target which will be in line with SBT methodology. This will inform our approach to setting a formal SBT in the future.

In addition, following the UK Government's new laws outlining plans for the UK to reach net-zero carbon emissions by 2050 inline with the IPPCs recommendation to limit temperature rise to 1.5°C, we are working with the BRC and other members to determine what actions can and should be taken by retailers in addition to a SBT commitment. We will update on this in future reports.

Our targets are to:

- Reduce Scope 1 and 2 absolute carbon emissions by 50% by 2030 against a 2016/17 baseline
Progress – achieved 35% reduction ^(A)
- Divert more than 95% of operational waste from landfill
Progress – achieved 96% reduction



NEXT is a signatory to RE100, a global initiative led by The Climate Group in partnership with CDP (Carbon Disclosure Project) and has set a 100% renewable electricity target for our global operations by 2030. The electricity NEXT purchases directly for our UK and Eire operations is 100% renewable, backed by the Renewable Energy Guarantees of Origin (REGO) scheme, and accounts for 94% of our global usage. We are pleased to be working with the RE100 initiative with the aim of converting our remaining 6% to be 100% renewable. Our manufacturing operations in Sri Lanka represents the majority of the remaining 5%.

“By committing to source 100% renewable electricity for its global operations, NEXT is taking a positive step forward. It's great to see NEXT focusing its strategy in countries like Sri Lanka, where sourcing renewable is still challenging – sending out a clear demand signal that will help shift the market.”

Sam Kimmins
Head of RE100, The Climate Group



ENVIRONMENT CONTINUED



Energy Efficiency

Our priority is to work to improve energy efficiency as this reduces both carbon emissions and costs for our business. During the year we **reduced our electricity consumption by 9% whilst our overall floorspace increased by 3%.**

- We actively track energy performance via a central data collection facility. Consumption data is passed through half-hourly modem meters and automated meter readers (AMR) installed in our properties to ensure our stores are operating efficiently
- Our Head Office, warehouses and 97% of our stores, all have building management systems installed. These manage key functions such as when lighting and air conditioning is activated, directly helping to manage consumption
- LED lighting is fitted as standard in our new stores and the majority of our existing stores
- Solar PV is installed in a small number of stores and in our Head Office nursery. One of our main warehouse sites operates solar PV which provides all the energy needed to run this site, with any excess being exported to the grid. We continue to look for further viable opportunities to install solar PV
- Gas is used predominantly for heating and has been removed from all stores where it is no longer needed, with AMR meters in 144 sites to monitor consumption and ensure accurate billing

Distribution Efficiency

The transport and distribution of products in the UK to NEXT Retail stores and NEXT Online customers accounts for 26% of our CO₂e emissions. Our approach is to use our vehicles as efficiently as possible to support both our retail and online businesses. During the year we have revised our delivery schedule routes to support the growth in online sales, whilst working to minimise increases in fuel use. We have delivered a **12% increase in distance travelled and only a 2% increase in overall fuel consumption** whilst delivering and collecting products and online customer parcels to our stores. We are also continuing to investigate alternative fuel options, including electric vehicles.

Find out more [here](#)

Waste and Recycling

UK and Eire – Waste and Recycling	2020 Tonnes	2019 Tonnes	% Change
Total ^(A)	30,227	29,031	4
Materials diverted for recycling ^(A)	29,105	27,632	5
General waste sent to landfill	1,122	1,399	-20
% recycled	96%*	95%	1

* Includes Head Office waste and recycling

During 2020 we **diverted 96% of the waste materials** we created to recycling or reuse.

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

Specifically, 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.

Find out more [here](#)

Water Use

Demand for water 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 operation is not a major consumer of water, however, we have installed AMR meters in around 350 stores. During 2020 we directly used 237,116m³ ^(A) in our UK and Eire operations. In addition, the third-party café concessions operating within our stores used a further 72,592m³ of water, totalling 309,708m³ (2019¹: 340,088m³).

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 sufficient safe, clean water for the local communities to use. We are working directly with our suppliers through the ZDHC programme. To find out more see Our [Customers and Products](#) section.

¹ Restatement of water used in prior year.



ENVIRONMENT CONTINUED

Product Life Cycle Management

As a general rule, NEXT does not destroy unsold or returned clothing. The only exception to this is the rare situation when a product is found to be unsafe. In this situation, we believe the only responsible action is to destroy it, usually by sending the product to our 'energy from waste' route. This is the process of generating energy in the form of electricity and/or heat by burning waste.

Find out more [here](#)

Measuring the Environmental Impact of the Products we Sell

NEXT has been a signatory of WRAP's¹ Sustainable Clothing Action Plan (SCAP) since 2012. This is a UK collaborative framework and voluntary commitment to deliver industry-led targets to 2020 to improve the sustainability of textiles across its entire life cycle.

The SCAP fibre footprint calculator tool allows each signatory to measure progress in a consistent manner based on their fibre submission and delivers progress against carbon, water and waste targets per tonne of clothing sales at both an individual and combined signatories' level.

We use the tool to calculate the embodied emissions of our products over the whole product life cycle (from raw material sourcing to product end of life) and use the information to inform our responsible sourcing decisions. Also, it helps to build visibility of our value chain to fully understand our Scope 3 impacts and support our 2025 Responsible Sourcing Strategy.

We are working hard to achieve our SCAP targets and in 2019, per tonne of clothing, we reduced our carbon footprint by 25% and water footprint by 43% against our 2012 position.

Find out more [here](#)

¹ Waste Resources Action Plan



Packaging

Packaging is essential to protect products from damage. In some cases, reducing packaging may create more damaged and waste products, so it is important the right balance is found.

We are working to reduce the amount of waste produced, for ourselves and our customers, and our approach is to:

- Eliminate unnecessary or problematic packaging without compromising on quality
- Increase the recyclability of packaging by working towards all packaging being reusable or recyclable
- Reduce the environmental impact by working to eliminate more damaging materials such as PVC, acetate and polystyrene which are more difficult to recycle
- Develop plastic packaging with a minimum of 30% post consumer recycled content
- Label packaging with recycling information to help customers when they are disposing of it

Find out more [here](#)

Looking ahead – we will:

- Monitor progress of our carbon reduction targets to 2030, identifying opportunities to further improve carbon emissions and diversion of waste from landfill
- Work towards setting a Scope 3 emissions target (other indirect emissions such as third-party distribution vehicles)
- Work towards setting a SBT incorporating net-zero requirements as they become clearer
- Continue to identify opportunities to reduce the amount of waste created and simplify the materials used
- Continue to identify opportunities to reduce our packaging and further improve sustainable sourcing of our packaging materials



COMMUNITY

Our approach is to make a difference and we believe we are able to make an impact by working with a wide range of charities and organisations

Highlights

- Over 400 registered charities supported
- Charitable donation over £3.4 million
- Over 330 tonnes of furniture diverted for reuse to Doncaster Refurnish to create value
- Over £825,000 raised for charities from the sale of our reusable carrier bags in England, Scotland and Wales

Aligned SDGs



Our Approach

We offer support to a wide range of charities and organisations and our priorities are to:

- Offer a donation that is of most benefit to a charity, whether it be a financial donation or the offer of products that can be used to realise funding
- Support individual charities over a number of years with a specified annual donation as this commitment helps them to plan their work with confidence
- Focus our resources on charitable projects that benefit communities across the UK and Eire working with children, caring for the sick and people with disabilities, healthcare, medical research and community support
- Work to identify and develop new relationships with charities and organisations

Charitable Donations

To ensure we can measure and monitor our overall community investment, we calculate the value of our non-financial contributions from products donated by the business. This figure is added to our financial contributions, to arrive at a total sum contributed for the year. Our charity and sponsorship programme is made up of donations to:

- **Registered charities** – we have offered support to over 400 charities during the year
- **Commercial support and sponsorship** – we offer commercial support and sponsorship to a small number of organisations. We also support local sporting teams of all ages, especially where there is direct employee involvement with the team
- **Individual requests/local and national groups and organisations** – we are able to help groups and organisations who do not have charitable status through these donations

Performance

	2020 £000	2019 £000
NEXT Plc has offered financial support to:		
Registered Charities	1,069	1,153
Commercial support & sponsorship	95	96
Individual requests, local and national groups and organisations	8	21

	2020 £000	2019 £000
This support has been supplemented with the following activities:		
Gifts in kind – donations of products	1,963	2,136
Charity link sales	208	211
Employee fundraising	97	61
NEXT charity events	7	29
Total Support (incl. employee fundraising)	3,447	3,707

Payroll Giving

A scheme which is available to all UK based employees and allows people paid through PAYE to make tax-efficient donations to any UK registered charity. During the year **our employees donated around £21,000 to charities of their choice.**





COMMUNITY CONTINUED

Community Support

Through long-term strategic partnerships, we aim to offer support to the most vulnerable people within our communities. As part of our target to divert our waste from landfill, we continue to identify and divert products which previously may have been disposed of via landfill and offer them for reuse to a group of registered charities and social enterprise organisations. These organisations can reuse and recirculate products and materials as well as create value from the products to benefit their aims.

One of our key partners is [Doncaster Refurnish](#), a social enterprise charity which is located near our main warehouses. We have worked in partnership to support their valuable work in the community since 2008. They aim to help the community around Doncaster by creating employment and educational opportunities.

Through NEXT's donation of unsellable, damaged furniture and home accessories, Refurnish has been able to generate over £0.7million to provide much needed services in the community with the additional benefit of diverting 330 tonnes of product we were unable to sell for reuse.

As well as creating full-time employment, Refurnish encourages both volunteering and paid work placements for people of all ages and backgrounds, and during the year has been able to support over 100 training work placements. People with learning difficulties and disabilities and the long term unemployed all benefit from becoming engaged within the project to help them achieve their aspirations, learn new skills and develop new knowledge and confidence.

During 2019, both NEXT and Doncaster Refurnish have supported the 2019 Doncaster Flood Recovery Programme helping those most vulnerable with the offer of products most suited to their particular needs.

If you would like to find out more about the work Doncaster Refurnish undertake, please go to: refurnish.co.uk.

"The NEXT Refurnish partnership provides a great deal of public benefit, especially during this year, where both organisations have supported the 2019 Doncaster Flood Recovery Programme, helping those most vulnerable at their lowest ebb. We're more than just a furniture reuse project. Thinking sustainably and acting locally, we dissect the waste stream, maximise resources, add value and give more public benefit back to our community."

Andy Simpson
CEO of Refurnish

Carrier Bags

NEXT continues to support and encourage our customers to reduce their use of carrier bags by using the most appropriate size of bag for their purchase or placing the purchase in the customer's own bag. During the year, in line with legislation, we introduced a reusable carrier bag for customers to purchase, with the proceeds raised going to our nominated charities across England, Scotland and Wales. We support both environmental and health charities who focus on care for life-limited children, young people and their families. In Northern Ireland, the monies raised are paid to the Government who use the proceeds to fund environmental projects.

During 2019 we introduced a reusable carrier bag made from 100% recycled materials from post-consumer waste. The bag has performed well and we plan to make our reusable carrier bags from post-consumer waste in the future.

Our reusable carrier bags can be returned to our stores by customers when worn out and replaced for free, and we will ensure they are recycled through our in-house recycling centre. We aim to reuse the recycled material in our own bags in the future which will create a closed-loop system.

Find out more [here](#)

Case Study: WWF-UK Supported by NEXT Carrier Bag Funding

Funding from carrier bag sales is contributing to WWF UK marine work. The WWF UK Marine Policy teams' vision is that the seas and coasts around the UK are clean, healthy, safe and thriving with wildlife, and that this is achieved through effective policies and legislation. The team is based around the UK in WWF's offices in Woking, Edinburgh and Cardiff, focusing on key issues such as supporting nature, climate-friendly fisheries and seafood, fully protecting a third of UK oceans and restoring coastal habitats like seagrass. Their strong reputation and brand allow them into key decision-making processes which help to shape the way our seas are managed.



INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF NEXT PLC

The Board of Directors of NEXT plc (“NEXT”) engaged us to provide limited assurance on the information described below and set out in NEXT’s Corporate Responsibility Report for the year ended 25 January 2020 (the “CR Report”)



Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 25 January 2020 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

This conclusion is to be read in the context of what we say in the remainder of our report.

Selected Information

The scope of our work was limited to assurance over the information marked with the symbol **A** in the CR Report (the “Selected Information”). The Selected Information is summarised in Appendix 1.

We assessed the Selected Information using NEXT’s “Reporting Principles, Criteria and Methodologies” online document¹ (the “Reporting Criteria”) at www.nextplc.co.uk/corporate-responsibility.

Our assurance does not extend to information in respect of earlier periods or to any other information included in the CR Report.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) ‘Assurance Engagements other than Audits and Reviews of Historical Financial Information’ and, in respect of the greenhouse gas emissions, in accordance with International Standard on Assurance Engagements 3410 ‘Assurance Engagements on Greenhouse Gas Statements’, issued by the International Auditing and Assurance Standards Board.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Our Independence and Quality Control

We applied the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply International Standard on Quality Control (UK)¹ and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our work was carried out by an independent and multi-disciplinary team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies

The Selected Information needs to be read and understood together with the Reporting Criteria, which NEXT is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time. The Reporting Criteria used for the reporting of the Selected Information are as at 25 January 2020.

¹ The maintenance and integrity of NEXT’s website is the responsibility of the Directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on NEXT’s website.

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- made enquiries of NEXT’s management, including the Corporate Responsibility (CR) team and those with responsibility for CR management and group CR reporting;
- evaluated the design of the key structures, systems, processes and controls for managing, recording and reporting the Selected Information. This included visits to three sites to understand the key processes and controls for reporting performance data to the corporate responsibility team;
- performed limited substantive testing on a selective basis of the Selected Information to check that data had been appropriately measured, recorded, collated and reported;
- re-performed the calculation to convert underlying activity data into carbon dioxide equivalent emissions;
- considered the disclosure and presentation of the Selected Information;
- reviewed the Reporting Criteria to ensure assumptions and judgements have been clearly disclosed; and
- communicated findings and recommendations in a report to senior management.

We have not performed any assurance procedures over the gathering and processing of data by third-party providers of distribution services.

NEXT’s responsibilities

The Directors of NEXT are responsible for:

- designing, implementing and maintaining internal controls over information relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing objective Reporting Criteria for preparing the Selected Information;

INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF NEXT PLC CONTINUED

- measuring and reporting the Selected Information based on the Reporting Criteria; and
- the content of the CR report.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Directors of NEXT.

This report, including our conclusions, has been prepared solely for the Board of Directors of NEXT in accordance with the agreement between us, to assist the Directors in reporting NEXT's corporate responsibility performance and activities. We permit this report to be disclosed in the CR report for the year ended 25 January 2020, to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors and NEXT for our work or this report except where terms are expressly agreed between us in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
1 May 2020

Appendix 1: Selected Information subject to limited assurance procedures

Performance Indicator	Unit	Reported Performance (Selected Information)	Page Reference
Carbon emissions			
Scope 1: Direct CO ₂ e emissions from NEXT Group operations, including International Directory operations	tCO ₂ e	45,739	26
Scope 2 (location-based): In-direct CO ₂ e emissions from NEXT Group energy consumption, including International Directory operations	tCO ₂ e	60,440	26
Scope 2 (market-based): In-direct CO ₂ e emissions from NEXT Group energy consumption, including International Directory operations	tCO ₂ e	6,909	27
Scope 3: Other in-direct CO ₂ e emissions from NEXT Group operations, including International Directory operations	tCO ₂ e	65,131	26
Scope 1 and 2 carbon emission reduction percentage against a 2016/17 baseline	%	35	27
Scope 1 and 2 emission intensity based on revenue	tCO ₂ e per £m sales	24.34	27
Energy			
Gas usage from NEXT Group operations	kWh	45,551,005	27
Electricity usage from NEXT Group operations	kWh	216,506,531	27
Waste and recycling			
Waste generated (stores, offices and warehouses, including Head Office)	Tonnes	30,227	28
Waste recycled (stores, offices and warehouses, including Head Office)	Tonnes	29,105	28
Water			
Water consumption	m ³	237,116	28