

CORPORATE RESPONSIBILITY REPORT 2017

FOCUS UPDATES

FOCUS 1: OUR SALIENT HUMAN RIGHTS ISSUES EXPLAINED

1. Forced Labour and Modern Slavery

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

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

A specific focus of our work is on our UK supply chain with regard to bonded labour, as well as the key sourcing countries that use migrant workers. During 2015 we held supplier conferences in 6 countries, including the UK, to communicate our requirements to our suppliers. This included emphasising the risks involved with illegal employment schemes and retention of wages, plus the importance of having in place effective grievance mechanisms to enable workers to voice concerns. In 2016 further supplier conferences were held in 10 countries to provide further information and training for our suppliers.

2. Fair Living Wages

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

Our work: In 2013, we met with other brands to explore a collaborative approach to establishing solutions to the issue of a fair living wage. In 2015, after several meetings and with support and guidance from a global trade union IndustriAll, the formal programme

known as ACT (Action, Collaboration and Transformation) was established. NEXT and 17 other brands signed a Memorandum of Understanding and agreed a set of Enabling Principles to work collaboratively to improve wages in the industry. This works by establishing industry led freedom of association and collective bargaining in key sourcing countries. An industry-wide agreement provides both a means of negotiating better working conditions as well as productivity improvements.

3. Discrimination

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

Our work: During our audits we carry out worker interviews to help us assess whether discrimination may be taking place. Recently, a major focus of our work has been in Turkey, one of our important sourcing locations. Turkey is receiving many refugees who are escaping conflict. Many of the refugees are women travelling with dependent children who are seeking safety and looking for employment. We have supported the UNHCR (The Office of the United Nations High Commissioner for Refugees) with funding as well as raising awareness with our suppliers in Turkey to encourage the employment of refugees where legally permitted, whilst ensuring no exploitation of these vulnerable families is taking place.

4. Freedom of Association (FoA)

Why important to NEXT: In a number of countries we source from, including Cambodia, China, India and Turkey, the freedom to join an independent trade union is restricted either by law or not recognised by ingrained management attitudes and practices. This restricts the

ability for workers to have a voice within their place of work and to contribute to the improvement of working conditions and practices.

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

5. Health and Safety

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

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

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6. Child Labour

Background: It is estimated that approximately 170 million children are currently working in the world, with more than half engaged in hazardous work.

Why important to NEXT: Each year our auditing team uncovers a small number of instances of persons too young to work within factories making our products. Globally the risk of child labour is growing, particularly in Turkey where Syrian children fleeing conflict have been found to be working in the clothing sector. Child labour is not as likely to occur in NEXT's Tier 1 factories due to our existing auditing processes.

Our work: We have established specific training and awareness raising for suppliers and factories in countries where there is a risk of child labour. This ensures our suppliers understand it is prohibited and we also seek to educate families, communities and business owners. In our key sourcing countries, including India, China and Turkey, we also work with NGOs to provide training to suppliers. Our global Code of Practice team has worked with local communities to better understand the root cause as to why children are working. We identified eight cases of child labour in 2016 and were able to apply our Child Labour Remediation Programme, in partnership with LESN, an NGO in China. Our approach is always to work with the supplier and factory to ensure that the child's welfare is the priority and that they are supported back into education until they reach legal working age. Solutions also need to consider the reason child labour was being used and work to prevent re-occurrence in the long term.

7. Access to Clean Water

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

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

8. Privacy and Data Security

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

Our work: We are committed to ensuring we protect our customers and employees privacy and dedicate significant resource to the development, maintenance and security of our systems. Systems vulnerability and penetration testing is carried out regularly to ensure the data is protected from corruption or unauthorised access or use.

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FOCUS 2: UN GUIDING PRINCIPLES REPORTING FRAMEWORK INDEX

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

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

SECTION OF THE FRAMEWORK	PAGE LOCATION IN OUR CR REPORT OR FOCUS UPDATES
PART A: GOVERNANCE OF RESPECT FOR HUMAN RIGHTS	
A1 POLICY COMMITMENT	4, 5, 8-10
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A2 EMBEDDING RESPECT FOR HUMAN RIGHTS	2, 4, 5, 6, 8-10 Focus 1
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PART B: DEFENDING THE FOCUS OF REPORTING	
B1 STATEMENT OF SALIENT ISSUES	8
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B3 CHOICE OF FOCAL GEOGRAPHIES	Not Applicable
B4 ADDITIONAL SEVERE IMPACTS	3, 14-15 Focus 4, 7, 8
PART C: MANAGEMENT OF SALIENT HUMAN RIGHTS ISSUES	
C1 SPECIFIC POLICIES	8, 11 Focus 3 Modern Slavery Transparency Statement
C1.1	10, 11-13
C2 STAKEHOLDER ENGAGEMENT	8-10, 11-13 Focus 3, 4, 5, 6, 7, 8
C2.1	8-10
C2.2	Focus 4, 6
C2.3	10 Focus 1, 4
C3 ASSESSING IMPACTS	9-10
C3.1	None Identified
C3.2	Focus 1, 4
C4 INTEGRATING FINDINGS AND TAKING ACTION	10
C4.1	10 Focus 5
C4.2	2, 7, 10
C4.3	11-13 Focus 1, 3, 4
C5 TRACKING PERFORMANCE	11-13 Focus 3, 4
C5.1	Focus 1, 4
C6 REMEDIATION	11-13 Focus 3, 4
C6.1	Focus 3 Whistleblowing Policy
C6.2	11-13 Focus 3
C6.3	11-18 Focus 3
C6.4	11-12 Focus 1
C6.5	Focus 1

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FOCUS 3: OUR AUDITING APPROACH

Our Dedicated NEXT Code of Practice (COP) Team:

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

Our Approach to Auditing: Our aim is to ensure new suppliers understand our requirements before they commence working with NEXT, and existing suppliers take responsibility for maintaining compliance within all their production locations.

The 'audit day' provides a picture of how well a supplier is complying with our requirements, and our team is focused on the importance of the relationship we build with our suppliers both before and after the audit.

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

We place emphasis on having local auditors within our team who speak the workers' language wherever possible. We know this is critical to building a relationship of trust between the

auditor and the workers. We have had experience of workers contacting our auditors following the audit day with additional information or to convey issues of concern.

At the end of the audit, a closing meeting takes place where the auditor provides verbal feedback on any action points that have been identified. The factory management has the opportunity to discuss the findings and next steps with the auditor. The timescales for completion of each action are agreed. The audit rating is then confirmed with the factory. A written report summarising all findings, agreed actions and timescales is provided to the factory and acts as the corrective action plan for them to implement. Where there are a number of actions to take, the supplier continues to work with the NEXT team to take these actions. This helps build the relationship between NEXT and its supplier, and helps convey that NEXT is working with these suppliers over the longer-term.

FOCUS 4: PARTNERSHIP, ENGAGEMENT AND COLLABORATION

During 2016, we continued our collaborative work to improve the human rights of workers in our supply chain. The risks to vulnerable groups are increasing in many of the countries we source from. The displacement of people seeking refuge from conflict and looking for work is increasing with refugees and migrant workers entering our supply chain. We have been working to manage the risks associated with this group of workers by providing support and, where possible, offering remediation. By maintaining good direct relationships and undertaking collaborative work through sharing information and resources with other retailers, brands, trade unions and NGOs we can work together in partnership to deliver real benefits to workers in our supply chains.

Examples of our collaborative work:



ACT was founded in 2015 and its aims are to improve workers' conditions, support processes to establish fair wages and

ensure mature industrial relations in the garment industry. With support and guidance from the global trade union, IndustriAll, it is an initiative of international brands, retailers and manufacturers. NEXT and 17 other partner brands have agreed a set of Enabling Principles to work collaboratively to improve wages in the industry by establishing industry-led freedom of association and collective bargaining in key sourcing countries. ACT is the first initiative on living wages in the garment sector that provides both a means of negotiating better working conditions as well as productivity improvements. ACT will develop mechanisms which link purchasing practices and support suppliers to provide their workers with a living wage and working conditions that meet the retailers and brands requirements. It will also work with suppliers to help implement best practice training on manufacturing standards and systems, human resources and wage management systems in factories supplying our products. The ACT process is already underway in Cambodia and is planned to extend to Bangladesh, Myanmar and Pakistan.



We recognised the need to work with special partners who are able to support NEXT with additional expertise to help us understand the requirements to manage legislation such as human rights and modern slavery and how they impact our business. Shift (a not for profit organisation based in Boston, Massachusetts) invited NEXT to join their Business Learning Programme (BLP) in 2014. Shift is the leading centre of expertise on the UNGP with its experts working globally to embed the Guiding Principles into practice. We have received tailored advice and support on the implementation of these Principles through training workshops and attendance at their BLP to identify our salient issues. In addition, Shift supported NEXT to develop its Human Rights and Modern Slavery Policy.

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We became a member of the Fast Forward programme during 2016. It aims to measure and improve labour standards, increase supplier transparency and protect vulnerable workers in the UK. It is a single audit approach for high risk areas of the UK, with all members sharing audit results.

Other organisations we continue to work with:



Over 200 brands have now signed the Accord, which performs independent factory inspections in Bangladesh focusing on three key areas of fire risks, electrical installations and structural conditions of buildings following the Rana Plaza building collapse in 2013 which led to the death of more than 1100 people and injured more than 2000.

NEXT has continued to source from Bangladesh, and importantly has supported factories and suppliers in achieving compliance to the requirements of the Accord as well as our COP. All factories manufacturing for NEXT are listed on the Accord website and have been inspected. In 2016, the Accord required NEXT to manage the remediation in 35 factories:

- 8 factories have completed the required improvements
- 27 factories are being supported within an agreed plan to meet the required improvements

During 2016 NEXT supported the Accord with the development of a Safety Committee and Safety Training Programme which provides both training and the formation of worker representation for the first time in Bangladesh. This is becoming a central focus for the Accord to create a voice for formally communicating workers concerns and addressing and monitoring health, safety and human rights issues.



The Ethical Trading Initiative (ETI) is an alliance of companies, NGOs and trade unions, working collaboratively to ensure working conditions and rights of workers producing for the UK market meet or exceed international labour standards. NEXT continues to be a committed member of the ETI, since we joined 13 years ago, and this is the principle ethical community within which we regularly engage with multiple stakeholders through meetings and working groups focusing on specific issues. We participate in groups such as the Apparel and Textiles Turkey Programme and the Leicester Working Group.



NEXT continues its membership of the Better Factories programme in Cambodia. Better Work is a partnership programme between the International Labour Organisation (ILO) and the International Finance Corporation (IFC), with activities in seven countries around the world. There are many global brands who are now members.



In China, NEXT works with and supports INNO an NGO, who develop and manage worker helplines, providing help and advice for workers in our supply chain to be able to report workplace concerns. During 2016, over 100 calls were received from workers typically looking for advice relating to social issues.



We have continued to support Chinese NGO LESN with their training and support where cases of underage workers are identified. The focus is on supporting

the identified underage worker, as well as aiming to prevent occurrence through awareness raising and training. LESN work with the supplier to ensure that there is sufficient support for the child and their family, that there is a return to education for the child and ongoing monitoring to ensure that the child stays in education.



KADAV is a women's solidarity NGO which supports work in areas such as gender-based violence, migrant women and female labour rights. See Focus 6 for more details.

FOCUS 5: COMMUNICATION

Supplier Communication: NEXT believes in working closely with our suppliers and factories to ensure that they understand our requirements. Over the past year we have worked with our supply base in a number of ways in order to strengthen our partnerships and implement long term change.

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

There were eight supplier presentations held in 2016 in our main sourcing locations including the UK, focusing on the importance of human rights and modern slavery within their factories. Over 850 Tier 1 delegates attended.

In 2015 we launched a supplier portal which provides access to Code of Practice information for new suppliers before they have access to our supplier

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communication system. In 2016 we started updating all COP documents which will include translations in key languages and this has now been completed.

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

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

FOCUS 6: WORKING IN THE COMMUNITY

Our community work has a particular focus on women and children, as these are often the most vulnerable members of society. There are two key projects currently in place:

India: Our programme to support and protect vulnerable homeworkers in New Delhi aims to improve transparency in this part of our supply chain via:

- The introduction of simple passbooks and docketts allows the homeworkers to track the work they have done and the wages they receive.
- An ID card allows workers to qualify as an artisan and allows potential employers to recognise their skills and abilities.
- Community support through funding of a crèche to support homeworkers and their families. The facility also

provides access to computer training and regular consultations/clinics with healthcare professionals.

The crèche is run by our NGO partner, AIDER, and supports 60 children of homeworkers in the region of Badarpur. In addition, up to 75 students can attend the computer centre at the crèche, where they can study for a certificate in basic computer and typing skills.

AIDER arranges regular meetings between contractors and production teams to discuss order status and any supply chain issues which may impact on homeworkers. They also carry out visits to homeworkers to build community rapport and ensure that their voices are heard. In January 2017 a member of the Ministry for Women and Children visited AIDER and met with students to understand more about the progress made on this project.

Turkey: Syrian refugees continue to migrate to Turkey, one of our key sourcing markets. Many have travelled to garment production hubs such as Istanbul where they seek employment in order to support their families. The COP team has developed a Syrian Refugee Remediation Programme which is implemented whenever Syrian workers are found in a factory. This programme sets out clear guidelines for suppliers and factories to follow to register refugees with a work permit so that they can work legally and achieve parity with Turkish workers. We are working with an NGO, KADAV, based in Istanbul, supporting their training centre which assists over 160 people with vocational training and social aid. Syrian women can access day care for pre-school children, learn the basics of the Turkish language and attend training workshops on skills to enable self-employment and gain access to social workers, textile machines, trainers and translators.

In November 2016 a delegation of the UK government, the Joint Committee on Human Rights (JCHR), travelled to Turkey to understand more about the current situation in the garment sector. NEXT was one of the brands that presented to the JCHR on current risks in Turkey, our due diligence process and how we

have implemented our remediation programme.

FOCUS 7: RESPONSIBLE SOURCING OF RAW MATERIALS

Making improvements in supply chain traceability and transparency is important to NEXT and we are working closely with our suppliers in different parts of the supply chain to understand where the raw materials come from and to identify where we can support improvements in the supply chain. We have started to map our supply chain back to raw material and plan to complete this by 2020.

Traceability: Our products are sourced from many hundreds of suppliers across the world and this leads to challenges in tracing the original source of all products to ensure they are sourced responsibly. Whilst we do not source any raw materials directly, we are committed to working with our suppliers to develop improved traceability and visibility of the entire supply chain. It is important that raw materials are sourced in ways which 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; support their replenishment and ensure good animal welfare standards are delivered in line with our Animal Welfare Policy. We will use independently verified certification schemes wherever possible.

Timber: Our product technologists work closely with our suppliers and use a due diligence system database for assessing, managing and mitigating our timber products. We have further developed the system to make it easier for suppliers to share their data with us. We assess each product against the criteria of our Timber Policy, and evaluate the information provided, and from this are able to better understand where our risks and opportunities lie. Currently over 30% of the timber we source comes from certified sources, we are pleased with this progress. In addition to develop our due diligence process further we have introduced a programme for auditing and species testing to support and assess our suppliers.

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Animal Welfare: Our Animal Welfare Policy, developed with support from the RSPCA, provides clear guidance on all issues in relation to the products we sell, including beauty products, the use of real fur and animal skins, feathers and down. Our policy states we will not use any real fur. NEXT is a Fur Free Alliance listed retailer. Feather and down are used in some of our Home and clothing products as filling materials, however we recognise the potential animal welfare risks associated with geese and duck farming. In 2016, we committed that 100% of our feather and down will be sourced from certified sources such as the Responsible Down Standard (RDS) by 2019. These standards provide verification that the feather and down safeguards the welfare of geese and ducks and the feather and down we use does not come from sources that practice live plucking or force feeding. We are working with our buying teams and suppliers to be able to source from certified routes. For our own brand cosmetic products we do not support testing on animals and do not carry out or commission such testing as we operate a fixed cut-off date of testing for ingredients in our products of 1998.

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



In January 2017 NEXT became a proud member of the Better Cotton Initiative (BCI), BCI exists to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future. We have committed to sourcing 3% of our cotton as Better Cotton by 2018. We are working with our buying teams and suppliers to convert more

cotton going forwards and aim to set a target for the business in 2018.

Leather: We want to work to a more transparent leather supply chain as it is recognised that leather has a considerable environmental footprint at all stages from animal farming to hide processing through to manufacturing the final product. The leather used in our products must be a by-product of the food industry, and our long term aim is only to use leather from known and well managed sources. Our work will focus on working to overcome the impacts of the leather tanning process as this is where we have the most leverage with our suppliers. Collaboration is also an important approach and in 2016 we joined the Ganges Leather Buyers Platform, a programme run by WWF, which aims to reduce pollution from tanneries along the Ganges in India. There are a large number of tanneries along the Ganges and many do not have suitable water and pollution management practices to prevent harmful waste from reaching the river. With other brands and retailers we conducted a fact-finding visit in 2016 including meeting with Government departments to request their engagement to ensure sufficient water treatment plants are built to prevent untreated waste water entering the Ganges and impacting on local communities. Together we are developing a tannery auditing protocol that all retailers in the Platform can use, share findings and assist the tanneries to improve their processes in relation to the use of chemicals and water treatment.

FOCUS 8: PRODUCT SAFETY AND LEGISLATION COMPLIANCE

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

upon receipt into our UK warehouse to ensure it meets our specifications.

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

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

If we are not satisfied with a product's safety, or if a product fails to comply with legal requirements NEXT has an established procedure in place to recall a product as the safety of our customers is our priority.

The Product Safety Forum is chaired by our Business Risk Manager and attended by Managers from Legal, Customer Services, Insurance, Health and Safety and Technical who meet regularly and whose role is to.

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

It is important to us that our products do not contain chemicals which could be harmful for our customers, the workers who make our products or for the environment. NEXT have strict Restricted Substance Standards (RSS) which 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.

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

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Our RSS have been updated to be in line with any changes that have come into force from new legislation during 2016. They are also continually developed in anticipation of emerging legislation and other information concerning new potentially hazardous chemicals, not yet captured by legislation. We keep ourselves updated with the latest information about hazardous chemicals and continually review information from pressure groups, authorities and scientific reports. Our suppliers are kept up to date with these developments, so changes in legislation can be implemented quickly.

In 2015 we launched NEXT's Chemical Management Standards programme aimed at suppliers further back in our supply chain e.g. fabric mills and wet processing such as dyeing, printing, finishing, laundering of textiles and tanning and dyeing of leather. The issue of pollution from global manufacturing sites in developing industrial nations is one NEXT takes seriously, and during 2016, through this programme our aim is to help educate suppliers to be able to reduce and eliminate the discharge of hazardous chemicals from their production processes into the environment wherever possible.

The main principles of our Chemical Management Standards are:

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

In 2017 we will require our suppliers to undertake our on-line training programme to develop their knowledge further and ensure they understand our requirements in relation to chemical management within their operations.

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

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

FOCUS 9: RECYCLING UNWANTED PRODUCTS

Mattress recycling for customers:

Mattresses are a difficult waste stream to manage with most old mattresses going to landfill. We now offer a solution where customers can request we remove and recycle their old mattress when their new mattress is being delivered. During 2016, working with our specialist provider The Furniture Recycling Group (TFRG) we have been able to recycle over 4,000 mattresses diverting over 150 tonnes from landfill.

Sofa recycling for customers:

As part of our target to divert waste from landfill, and to support our customers we identified sofas as a challenging waste stream for customers. During 2016, we began a trial in some of our Home stores in partnership with British Heart Foundation (BHF) to help customers donate their old sofa when purchasing a new one from NEXT. BHF have been able to arrange over 900 collections from customers and are able to use the donated sofas and furniture to raise funds for their cause. The trial was rolled out to all NEXT Home stores in 2017.

FOCUS 10: HEALTH, SAFETY AND WELLBEING

Sensible risk management: Safety is managed in accordance with the following principles:

- People who come into contact with NEXT will be properly protected

against hazards

- There must be a balance between the benefits and risks with a focus on reducing real risks
- Solutions to support innovation and new ways of working will be developed to ensure acceptable safety standards are maintained
- Those who create risks must manage them responsibly
- Individuals must understand that as well as the right to protection, they also must take personal responsibility for their own safety
- Some risks cannot be completely removed and rely on the good sense and compliance of employees to ensure their continued safety
- Records and paperwork will only be created where necessary
- During the year we have focused on the following safety initiatives across the business:
 - Safety awareness training for our Area Managers
 - Improved how we display tall furniture in our stores
 - Reduced the number of single steps in our stores to prevent trip incidents
 - Encouraged customers to use the handrail on escalators to prevent stumbling incidents
 - Reduced the weight of Directory parcels which can be collected by customers

Within our Warehouses and Regional Service Centres we have also specifically focused on:

- Improved how we move and handle heavy furniture, making better use of mechanical handling aids
- Implemented lane departure software in our newly acquired delivery fleet

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

Health, Welfare and Wellbeing: During the year, NEXT spent over £1 million on health and welfare provisions

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across the business providing help and support to our employees when they need it. We have developed activities and opportunities to help employees manage their own health and wellbeing by offering advice and guidance to employees on a wide range of wellbeing subject matters.

FOCUS 11: TRAINING, DEVELOPMENT AND LISTENING TO OUR EMPLOYEES

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

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

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

Warehouses and Regional Service Centres: During the year we have engaged with employees to share with them opportunities to progress within NEXT through a number of events such as Career Roadshows which took place in all our sites to raise awareness and provide information about how to progress your career at NEXT Distribution.

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

The Engineering Academy was launched in 2013 with four apprentices who

graduated during 2016. In addition we have three more apprentices working within the engineering team within our warehouses who are due to graduate in 2017. We work with AMRC (Advanced Manufacturing Research Centre) which is based at the University of Sheffield and who are specialist providers of Engineering Apprenticeships. With NEXT they jointly support the delivery of the programme, supporting the assessment, functional training and delivery of additional skills required to complete the framework leading to NVQ Level 2 qualifications. Experienced NEXT engineers from within warehousing mentor the apprentices to support them to practically apply their learning in the workplace as well as passing on their skills and knowledge to support high levels of competency and performance.

We continue to support the local community around our warehouses:

- **SESKU:** the relationship with local charity, the South Elmsall, South Kirkby and Upton (SESKU) Academy, continues to grow. A further 26 young people, aged over 18, have attended the Sector Based Work Academy where we are able to provide them with an introduction to the working environment and also helped to support their personal development and strengthen their social attributes with 12 securing positions with us. A further programme is planned for 2017
- **Project Search:** working with Doncaster Council to give young adults with learning difficulties a year long work experience programme within our warehouses with the intention to offer a permanent role within NEXT at the end of the placement. Six students completed the programme with three being offered a permanent position. A new intake started in September 2016 for new students. We believe we are the first logistics company in the UK to offer such placements.
- **Local schools and colleges:** we are working closely with a number of schools and colleges offering a range of support from placements to assisting students to develop their understanding and skills in writing their CV, presentation skills, interview

preparation and undertaking mock interviews to support their transition from school to the workplace. We have attended a number of college careers fairs to help promote opportunities at NEXT.

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

Directory - Customer Services: Our 6 month programme provides a fast track approach for individuals to gain the skills to become a trainee Team Manager in the NEXT Customer Services team. They work within the team and are supported by a buddy and a mentor. During 2016, four individuals successfully participated in the programme and are now Team Managers.

We also work within the community, developing links with local schools and colleges around Leicestershire to raise awareness of careers opportunities, deliver workshops to support CV writing and help with interview preparation and practice.

Head Office: attracting employees: During 2016 there has been great interest from students applying for trainee roles in our Fashion and Home areas. This has been driven primarily from our established relationships with key universities within the UK and we remain an Employer of Choice for Fashion students.

Encouraging top talent to want to come to NEXT for our Buying and Merchandising schemes has led to us building upon the success of our Open Day format – where we invite interested students into NEXT for the day to learn about the Product Development process. We partner with a 2nd year Fashion and Marketing course to use NEXT as a live project with the winners being offered short-term work placements.

NEXT continues to sponsor and support the Fashion Retail Academy (FRA) in London, which includes sponsoring one of the student awards presented at their end of year show. We have had a number of work experience placements

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across Buying, and have worked with the FRA to support a new Buying & Merchandising summer school aimed at University leavers. We've been involved in assessing the curriculum and providing work experience as part of the programme.

FOCUS 12: ENERGY EFFICIENCY

Improving energy efficiency reduces both costs and carbon emissions for our business. To be able to manage and work to reduce our energy consumption it is vital that we are able to measure our performance across both electricity and gas within our operations.

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

Gas is used predominantly for heating purposes within the business and we are showing an uplift year on year due to increased consumption in our warehousing operations and at our head office sites. We have had AMR meters in these 16 sites where we use the most gas for a number of years and since 2015 have installed AMR meters in 144 stores whilst removing the gas supply from stores where we identified it was no longer needed.

We manage emissions through our energy efficiency programme, which includes investigating and using energy-efficient technologies. We continue to install building management systems as we open new stores and now have 517 stores with this system in operation.

The system automatically manages key store functions such as:

- When the shop floor lighting is activated ahead of the store opening/closing for trading to reduce the time the lights are fully turned on
- When the store window display lighting is activated and turned off at close of trade
- How we operate in-store air conditioning systems to run on fan

only setting for specific periods during our hours of trading

In 2016 we have continued to roll out the installation of improved lighting schemes to replace the existing lighting with highly energy efficient LED (Light Emitting Diode) bulbs to illuminate all areas of our stores including the selling areas. This initiative is delivering a reduction in energy demand for the lighting installation as well as the overall electricity consumption for these stores. This is due to LED lighting consuming less electricity and creating less heat within the store, which means air conditioning requirements are reduced whilst still maintaining a comfortable shopping environment for our customers. The business continues to review our operations to identify where efficiencies can be introduced which can deliver savings in the future.

We have a small number of stores and also our nursery at Head Office have solar PV panels, which provide a proportion of the energy needed. In addition, as part of the construction of one of our new warehouse buildings we have an a 2.5MW PV array which became operational during 2016 and now provides all the energy needed to run this site with any excess being exported to the grid. Our Energy team are investigating opportunities to benefit from the development of larger scale PV arrays, but currently in the locations which are of interest to NEXT, there are operational challenges with the network to overcome before we would be able to progress further.

FOCUS 13: DISTRIBUTION EFFICIENCY

Our aim is to use our vehicles as efficiently as possible to deliver products to stores or our customers' homes and help to manage our transport related emissions.

Delivery efficiency: Over 50% of our Directory customers choose to have their order delivered to a retail store of their choice as this is more convenient for them to collect during the day and allows delivery efficiencies to be achieved by our fleet, resulting in the reduction of the overall number of lorries we operate.

With the delivery choices we offer our

customers, and to ensure our stores are fully stocked we use double-deck trailers, which reduces the number of vehicle deliveries required, and the associated CO₂e emissions. Our double-deck trailers have an aerodynamic front bulkhead, which has been specifically designed to reduce drag, and guide the air-flow away from the front of the trailer, so increasing fuel efficiency. We are using these trailers predominantly to move product to our distribution centres located around the UK, as we are able to move 50% more products compared to using a single-deck trailer for the same journey. We are also using more double-deck trailers for direct deliveries to stores both in the UK and Ireland where possible.

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

Driver Training: How our drivers perform when driving our vehicles is key to the overall efficiency of the fleet, so we operate a four seater training vehicle to improve the training we are able to provide. This vehicle promotes team training for drivers as the trainers are able to provide their support more effectively. Our training programme works with our drivers and provides training to help improve driving style and fuel efficiency, with techniques such as maintaining constant speeds, smooth accelerating and braking. Drivers identified as needing more support will work directly a trainer who is able to provide more in-depth training to help improve their personal performance.

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

Each driver's performance is analysed daily to review how they have driven on a number of areas, including the actual distance travelled against the planned distance and the amount of fuel used. If their performance exceeds the plan for the routes travelled, they undergo an individual de-brief at the end of their

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working day to provide a clear picture as to why the discrepancy occurred and how it can be prevented going forward.

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

Driving Safely: Driving safely remains a priority for the business, both for our drivers as well as other road users. In addition to the training and assessments undertaken by our drivers we have also invested in equipment to support them whilst driving, such as in-cab cameras which are linked to the vehicle's telematics and provide an alert back at the depot should an incident occur during the journey. Following a successful trial we have introduced a system called 'Mobileye' which is an early warning system for lane departure and can also warn the driver about hazards around their vehicle, read road signs and even apply the vehicle brakes where necessary. Another safety feature being rolled out to help eliminate the danger of a forward collision ensures the NEXT lorry maintains a safe distance from the vehicle in front by scanning the road ahead. If the vehicle in front brakes heavily or another vehicle cuts in front of the NEXT vehicle it will automatically slow down or even stop.

FOCUS 14: WASTE AND RECYCLING

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

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

Our in-house recycling centre receives materials for recycling from around 400 of our stores. The materials include

cardboard, polythene, returned carrier bags, Directory packaging, broken clothes hangers, polystyrene and used gift cards. Once the materials are received they are segregated and baled, before being sent for recycling. Improved procedures within the recycling centre have ensured we have been able to control how these materials are handled when they are received to ensure we maximise the quantity to be recycled.

Coat hanger Recycling: We have reused and recycled the coat hangers our product is displayed on in our retail stores for a number of years in collaboration with our hanger supplier. In 2016 124 tonnes of hangers were re-used within the supply chain and 267 tonnes were granulated to be remade into new hangers.

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

FOCUS 15: WATER USE

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

Indirect use within the supply chain: NEXT is a signatory to the Sustainable Clothing Action Plan (SCAP), lead by waste reduction agency WRAP (Waste

and Resources Action Programme), alongside other major retailers, brands, recyclers, NGOs and charities. The collective action of the SCAP 2020 Commitment with its members is to improve the sustainability of clothing across its whole life cycle through a programme which aims to look at how to reduce the impacts of clothing whilst meeting customers' expectations. The SCAP footprinting tool allows retailers to measure the carbon, water and waste impacts of their clothing sales in a consistent manner and we are able to use this information internally to support our responsible sourcing approach.

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

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