



RESPONSIBLE SOURCING AND CIRCULARITY

Highlights

- In 2023 NEXT became one of the first major brands to be Brand Certified by Textile Exchange, which manages the traceable chain of custody of our certified materials, so that we can confidently label them as coming from certified sources
- NEXT was awarded 'Aspirational Level' in Zero Discharge of Hazardous Chemicals (ZDHC)'s Roadmap to Zero programme, the highest category of success, for our progress onboarding wet processors into the ZDHC programme
- We source all viscose, modal and lyocell Man-made Cellulosic Fibres (MMCFs) from Canopy 'Green Shirt' rated producers as a minimum

Aligned SDGs



Our Commitment

We are committed to responsible sourcing and ensuring traceability.

Our Approach

Our key raw materials for NEXT own brand products are cotton, polyester, MMCFs (such as viscose), wool, timber and leather. We recognise these come from the world's natural resources, with a wide range of associated environmental and social risks in their production and extraction, contributing to issues such as deforestation, water stress and climate change.

When we set out our Responsible Sourcing Approach in 2018, the focus was on NEXT own brand products. As the business has evolved to include wholly owned brands, licensed and Total Platform Partners, we are reviewing our approach across these entities and aligning minimum requirements where appropriate.

We will also be addressing how we report on progress in the future. This section focuses on the progress we have made to date across our NEXT own brand products.

Our products must be:

- Sourced in line with our Responsible Sourcing Approach
- Free from harmful substances
- Excellent quality
- Safe, functional and fit for their intended purpose

Our key focus areas are:

- Responsible Sourcing – we provide clear sourcing guidance for our Product teams as well as suppliers and third party brands

- Supply Chain and Traceability – we are working to increase the level of supply chain transparency, which will give us more visibility of our supply chain emissions, water use and impact on biodiversity and natural ecosystems. This includes avoiding deforestation and improving soil health through cotton farming practices.
- Chemical Management – we are a signatory to the Zero Discharge of Hazardous Chemicals (ZDHC) programme, and commit to reaching zero hazardous discharge from our textile and leather supply chains. Our Chemicals Policy also sets out our own standards for the use of chemicals in the making of our products
- Animal Welfare – we work to source products with minimal impact on animals

To read more about how we ensure our products are safe and comply with relevant legislation, see page 48.





RESPONSIBLE SOURCING AND CIRCULARITY CONTINUED

Targets and Progress

We have made significant progress since we launched our Responsible Sourcing Approach in 2018, originally set to be achieved by 2025. We have met our Feathers target and are currently on track to meet Cotton and Timber by 2025.

When reviewing our progress this year, we recognised that for MMCFs, Polyester and Wool, it will take longer than our original timeframe to meet our ambitious sourcing targets. In view of this, we are moving to a new timeline that remains ambitious but realistic in light of current quality and availability challenges, particularly for Polyester and Wool.

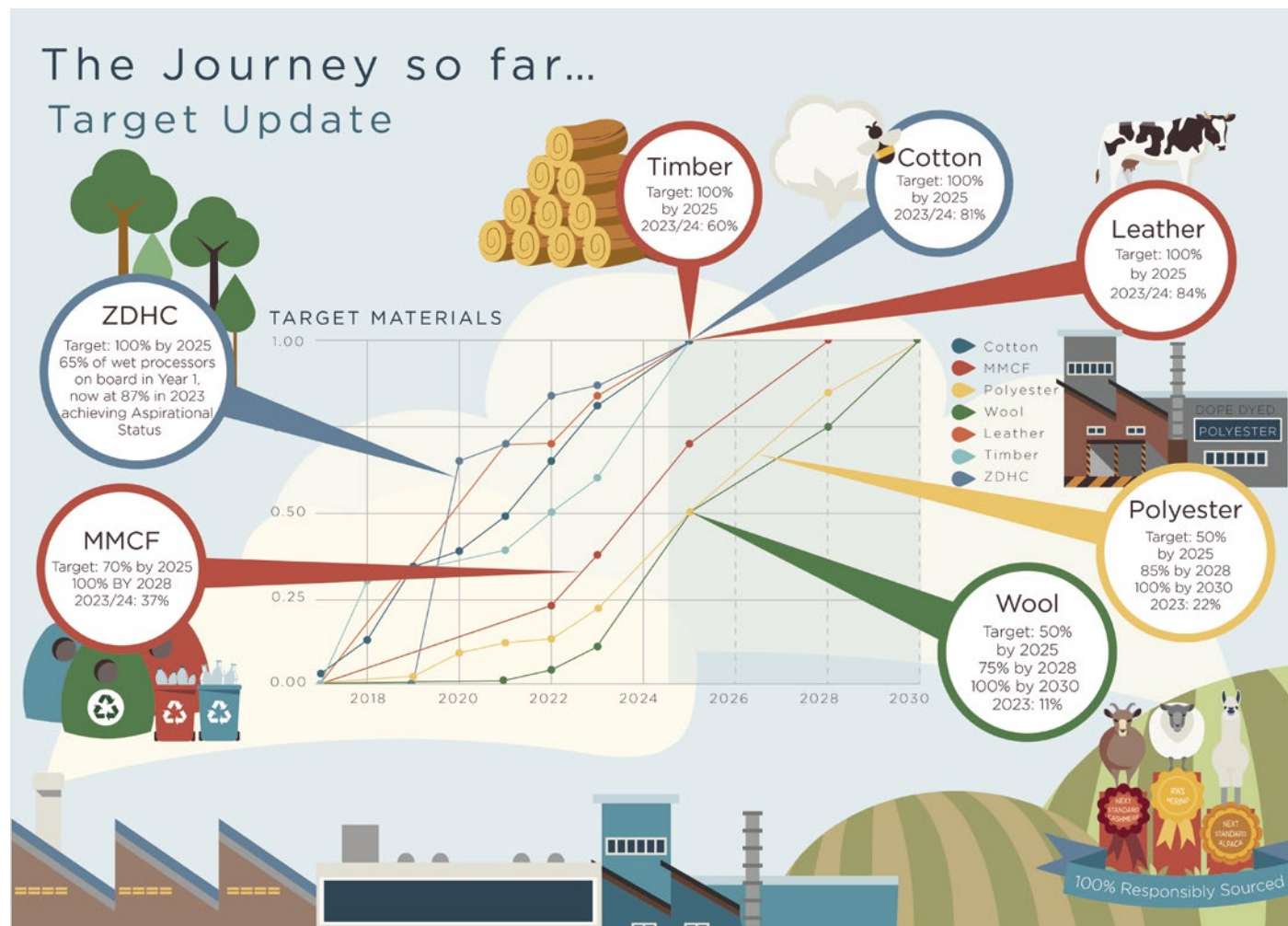
We continue to share progress to support these targets and our Responsible Sourcing Approach and work with our suppliers to help reduce the impact of manufacturing on the environment and local communities around their sites.

We have a suite of policies that detail our approach and provide clear guidance for our Product teams when developing their ranges: products must meet these requirements in order to be identified as using responsibly sourced materials, either on product labelling or in marketing. To see a list of our Responsible Sourcing policies, see page 48.

During 2023/24, 59% (2022/23: 54%) of NEXT brand textile products and footwear met our Responsible Sourcing criteria in relation to cotton, polyester, MMCFs, wool and leather.

To accelerate our progress, we have:

- Launched an interactive Responsible Sourcing Progress dashboard, which gives Product teams the ability to see their progress against targets. This enables teams to understand the impact of their sourcing decisions without waiting for a formal report
- Developed roadmaps with commercial teams to identify further opportunities
- Continued to work closely with our suppliers to understand their challenges and support their move towards using lower impact fibres





RESPONSIBLE SOURCING AND CIRCULARITY CONTINUED

Our Supply Chain and Traceability

The graphic below sets out our diverse and global supply chain, which comprises five tiers from raw materials to final products.

We do not source raw materials directly, and the complexity of global supply chains means that traceability to Tier 5 can be challenging, but we are committed to increase our visibility of suppliers and raw materials. We have published a list of our suppliers to Tier 3 on our corporate website, and we are continuing work to extend this to include Tiers 4 and 5.

In order to avoid sourcing from areas that do not meet our standards:

- We clearly set out sourcing requirements, approved fibre producers and any region or country bans in our fibre policies
- We have management systems that capture information from our suppliers to support traceability of materials
- We are reviewing the best approach to capture supply chain traceability
- We are members of Sustainable Apparel Coalition (SAC) and use the Worldly platform, which helps us gain visibility of our supply chain's impact. For more information on this please see page 14

Collaborations and Memberships

Collaboration within industry and between peers is crucial to develop responsible sourcing approaches in complex global retail supply chains and we are members of several leading initiatives, including:



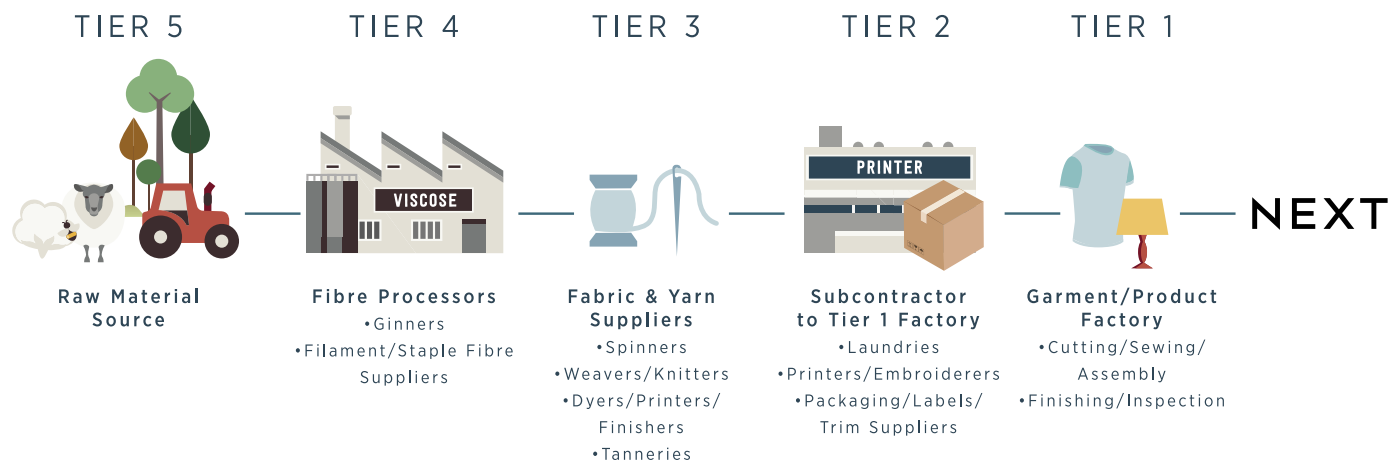
Some examples of our collaborative work include:

- A signatory to WRAP's Textiles 2030 initiative, collaborating on carbon, water and circular textile targets. Together with peer organisations we are supporting the development of solutions which will help minimise the impact clothing and home textiles have on the environment. For example, we are members of the Textiles 2030 Durability group, helping to research methods of monitoring and benchmarking materials durability across industry. To read more on our work within Textiles 2030, see the case study on the right.

- We are working with Reverse Resources, helping to collect and reuse textile waste in Bangladesh. This waste is being collected by five of our final product manufacturers and is sold to fibre producers to make into new yarns for the apparel industry, helping to strengthen the market for recycled fibres. In 2023 these suppliers collected nine tonnes of material, with 99% going to fibre to fibre mechanical recycling. We are looking to replicate the programme with key suppliers in India.
- We are members of the Circular Fashion Innovation Network to help support the move to a more circular industry.

Textiles 2030

NEXT is a founding signatory partner to WRAP's Textiles 2030, a voluntary UK textile sector agreement. Signatories collaborate on sustainability targets and by 2030 we aim to reduce our combined greenhouse gas emissions by 50%, in line with the UN trajectory to reduce climate change. The Textiles 2030 footprint calculator allows signatories to measure progress in a consistent manner and show progress against carbon targets per tonne of clothing sales at both individual and combined signatories levels. We use the tool to calculate embodied emissions over the whole product lifecycle.

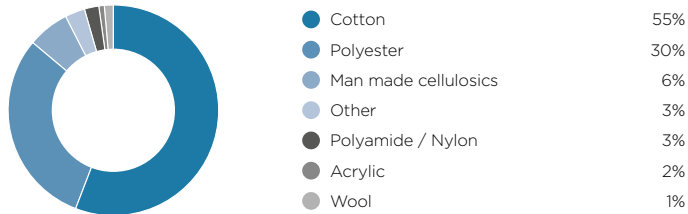




RESPONSIBLE SOURCING AND CIRCULARITY CONTINUED

Our Raw Materials

During 2023/24, the composition of our total textile fibre footprint (by weight) was as follows:



Cotton

Our most significant raw material is cotton, both in terms of the volume we use and the associated environmental and social issues linked with its production; conventional cotton farming uses large amounts of water and pesticides. We define responsible sources of cotton as those which have been cultivated to meet at least one of the following principles:

- Lower water use
- Reduced use of pesticides and synthetic fertilisers
- Improved social conditions for farmers
- Supporting the economic sustainability of farmers
- Improved visibility of its country of origin

Our policies state our banned regions for cotton sourcing, which are Uzbekistan, Turkmenistan and the Xinjiang region of China due to forced labour in farming in these areas.

Target: source 100% of our cotton from responsible sources by 2025, which we define as Better Cotton, certified recycled, certified organic, certified organic in conversion or US cotton through the US Cotton Protocol Trust. During 2023/24, we sourced 81% (2022/23: 67%) of our cotton through these routes.

Better Cotton – We have been a member of Better Cotton since 2016. In 2023/24, we sourced 78%* (2022/23: 65%) of our cotton as Better Cotton.

* Our calculation method is by product weight, which differs from Better Cotton's calculation in Cotton Lint.

US Cotton Trust Protocol – We are members of the US Cotton Trust Protocol (USCTP). This helps us to trace the cotton we source from the US all the way to the finished product, and to access robust environmental metrics aligned with climate science. It enables us to assure responsible sourcing in a way our customers can trust with on-product labelling, clearly identifying the origin of the cotton.

All of the cotton used in our Spring Summer 2024 Womenswear denim programmes (Essential, Pull on sculpt, Jersey leggings) will be sourced through USCTP.

Recycled Cotton – All recycled cotton in NEXT products in 2023 was post consumer verified using RCS Textile Exchange certification.

Organic Cotton farming – We are committed to a four-year programme with Arvind, one of our suppliers in India, working with 1500 farmers with a total of 1800 hectares, to convert them from conventional to organic cotton farming. Since the farmers started the programme, many of them have already seen positive differences to the water-holding capacity and biodiversity health of their soils. The farmers themselves have reported a rise in income due to the cost savings on agrochemicals and the receipt of an additional organic premium as they switched to organic practices.

Managing our Cotton Risk – We carry out due diligence testing across a selection of our products using geochemical profiling. This enables us to verify the absence of cotton originating from risk areas and, where possible, leverage the testing to verify the declared country of origin.

Where non-compliance with our policy is identified, we work with Oritain and our suppliers to rectify this and ensure they are sourcing in compliance with our policy. This gives us the opportunity to engage further down the supply chain, beyond the Tier 1 final product manufacturers with whom we contract.

The cotton supply chain is long and there are many opportunities for cotton to be mixed with that of unwanted origin. We have identified higher risks in certain production locations and product types and focus our testing to maximise our understanding of risk.

Polyester

Polyester is a synthetic material that is widely used because of its durability, versatility and quick drying properties. However, like other synthetic fibres, it poses challenges to the environment.

In 2023/24, polyester made up approximately 30% (2022/23: 31%) of our total textile fibre mix. We are working to move from conventional polyester to more responsible polyester alternatives and only accept and recognise post-consumer recycled polyester certified to the Global Recycled Standard (GRS) or Recycled Content Standard (RCS) or certain verified branded fibres.

Target: 100% of the polyester we use to make our products to be from recycled sources by 2030. During 2023/24 we achieved 22%.

We are members of the Textile Exchange Recycled Polyester Round Table to collaborate with others to drive improvements for recycled polyester.

Man-made Cellulosic Fibres

Wood is the main raw material used to make these fibres, such as viscose, lyocell and modal. The wood is pulped and then undergoes a chemical process to transform it into fibres.

All of the MMCF fibres we buy meet our minimum MMCF Policy requirements of Canopy Green Shirt rated. A textile producer audited and assessed as being at low risk, or which has taken substantive action to eliminate known risk of sourcing rayon and viscose from ancient and endangered forests, gets Canopy's 'Green Shirt' rating.

Target: source 100% of our MMCF fibres from branded sources that move beyond meeting our minimum requirements by having both verification and traceability by 2028. During 2023/24, we sourced 37% (2022/23 23%) of our MMCF fibres through these branded routes.



RESPONSIBLE SOURCING AND CIRCULARITY CONTINUED

Microfibres

Understanding microfibre pollution, its sources and effects, is an ongoing challenge for the whole textile industry.

We are a signatory to The Microfibre Consortium (TMC) Microfibre 2030 Commitment and Roadmap. Collectively, our goal is to pool data and knowledge to establish minimum requirements across the industry. We continue to work with them and donated proceeds in 2023 from our carrier bag sales, read more on this on page 16.

Through our UKAS (the UK Accreditation Service) accredited in-house laboratory, we are also supporting the development of a new testing methodology to assess fibre shedding from different materials. This is helping to develop a better understanding of fibre fragmentation, enabling TMC and its members to work collaboratively towards robust industry-based solutions.

Leather

In addition to animal welfare concerns, tanning leather uses significant amounts of water and energy and is a chemically intensive process.

Target: 100% of leather from LWG audited tanneries by 2025.

We collaborate with the Leather Working Group (LWG), an international multi-stakeholder organisation that promotes environmental best practice within leather manufacturing. As a member of LWG:

- 84% of the tanneries we use for footwear, clothing, leather accessories and upholstery have undergone an LWG audit
- 91% of the leather we sourced for footwear, clothing and leather accessories (bags, belts and wallets) comes from LWG audited tanneries
- 100% of the leather we sourced for upholstery comes from LWG audited tanneries
- We use LWG's environmental audit protocol to assess our leather supply chain and ensure tanneries operate in a way that is safer for people and the environment
- LWG traceability scores help inform our sourcing decisions. For example, we do not source leather from cattle raised in the Brazilian Amazon Biome where there have been cases of illegal deforestation

- LWG is aligned with ZDHC and, in 2023, we enrolled our main Tier 3 finished leather tanneries into our ZDHC programme

Timber and Deforestation

Responsibly sourced timber is critical to limiting deforestation. Our Timber Sourcing Policy details our commitment to ensuring compliance with regulations and responsible sourcing.

Target: deliver 100% of our timber origin products from responsible or certified responsible sources by 2025. This year we have continued to work with our suppliers to:

- **Collect** – collecting timber traceability information
- **Risk assess** – risk assessing this information
- **Mitigate** – mitigating risks by working with our third party experts and developing corrective action plans with suppliers
- **Conduct due diligence** – species testing to monitor compliance to our policy

Over the past 12 months this has been a key area of focus, and during this time we have reviewed our data collection and reporting to improve accuracy. This has enabled alignment between how our buying teams procure and how we capture data for reporting, resulting in better visibility of progress. We now measure timber at supplier level, by each unique wood source, and are pleased to report that 60% is certified or responsible. We are on track to meet our 2025 target.

We are monitoring the upcoming EU Deforestation Regulation (EUDR) and have set up an internal EUDR Working Group with stakeholders across the business to develop and implement EUDR compliance policies and processes. We are also working with our longstanding partners to support us in complying with EUDR.

Metals

As part of expanding beyond our key raw materials, during 2023/24 we incorporated recycled metals into our NEXT jewellery range.





RESPONSIBLE SOURCING AND CIRCULARITY CONTINUED

NEXT achieves Textile Exchange Brand Certification

We are Textile Exchange members and use their Preferred Fibre and Material Matrix to support our Responsible Sourcing Approach.

In May 2023 NEXT Retail became one of the few UK brands to achieve Textile Exchange Content Claim Standard (CCS) certification, used to establish the validity of the chain of custody and product claims. We successfully completed the audit with the support of wider teams and our warehouse network, ensuring that we can make accurate certification claims on our products.

Products sourced to meet the requirements of our Responsible Sourcing Approach must be sourced through responsible routes and are certified to a recognised independent standard. Products meeting these requirements and containing 50% or more of an approved raw material can carry NEXT Generation labelling, giving customers visibility of the credentials of our products.



NEXT
generation

Water

The majority of our water used is within our supply chain. This year we achieved a B- in our CDP Water response. We conducted a risk assessment for the top 25% of our wet processors (dye houses, laundries) by volume, as our largest consumers of water and chemicals. We used the WWF Water Risk tool for this process, which is primarily used to identify and review current water risks facing supply chains. We are using the results of this to inform and prioritise the assessment of water data captured in the Worldly Facility Environmental Module. In addition, NEXT's Chemical Policy supports the implementation of 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. See section below on Chemical Management. We aim to reduce the water footprint of new products sold by 30%, in line with our Textiles 2030 commitment, by switching to more responsible fibres and processes aligned to our Responsible Sourcing targets. Read more about our approach to water on page 16.

Chemical Management

Our products must not contain chemicals that could be harmful to our customers, the workers who make our products, or the environment.

We are a signatory to the ZDHC Roadmap to Zero programme which aims to eliminate harmful chemicals from the fashion industry's global supply chain. We collaborate on promoting industry-wide change in responsible chemical and wastewater management in textile and leather production processes (such as dyeing, printing and laundering textiles, and tanning and dyeing leather).

Our Chemicals Policy covers all stages, from production to disposal, and sets out substances banned from intentional use in any facilities that process materials for NEXT brand products.

Our chemicals policy covers four key standards that our suppliers must adhere to:

- Restricted Substances Standard (RSS)
- Restricted Substances List (RSL)
- Manufacturing Restricted Substances List (ZDHC MRSL)
- ZDHC Wastewater Guidelines (ZDHC WWG)

We have a thorough due diligence programme which checks for compliance with our RSS.

As part of our ZDHC commitments, we build knowledge and capability in our supply chain year on year, and track and report progress across the platforms and solutions being used. Our technical teams work with supply chain partners to ensure that they adopt and implement all relevant ZDHC requirements.

ZDHC Award

During 2023, following the annual assessment in the ZHDC Brands to Zero Leader Programme, we achieved 'Aspirational Level', the highest category of success, awarded to brands that not only achieve a sufficient total score across all KPIs in the Leadership Programme, but also meet key milestones of the Roadmap to Zero Programme and fulfil selected KPIs determined by ZDHC. The KPIs are focused on assessing the way ZDHC Guidelines, Platforms and Solutions are embedded into a brand's corporate strategy and implemented in their value chain practices.

By 2025, our goal is to have all of our core textile wet processors fully engaged with ZDHC.

Ø ZDHC

As a ZDHC Signatory brand we work with ZDHC to provide training to our suppliers (notably our key fabric mills and wet processors) to educate on best practices in order to help reduce and eliminate the discharge of any hazardous chemicals from production processes into the environment.

If any products fail to meet our standards, we remove them from sale and they may be recalled from customers. Corrective action plans are put in place to ensure any non-conformant chemical is removed or substituted at the supplier's facility.

By December 2023, 591 of our textile wet processors (dyers, printers and laundries) were signed up to the ZDHC Gateway, the platform used to share key information. These suppliers accounted for 87% of products that were sold during the year. In addition, 73% of products we bought were from suppliers producing ClearStream Wastewater reports, 68% were from suppliers producing InCheck Chemical Inventory reports and 71% were from suppliers who had completed Supplier to Zero certification.



RESPONSIBLE SOURCING AND CIRCULARITY CONTINUED

Animal Welfare

Our Animal Welfare Policy offers clear guidance regarding any animal-derived materials used in our products. While these make up a very small percentage of the total raw materials we use, we recognise the significance of these products to our consumers, which is why, for example, wool is one of our key raw materials.

We continue to not use real fur, and all feathers and down used for filled products are certified to a third party standard such as the Responsible Down Standard (RDS). In addition, all merino wool is from non-mulesed sources. For our own brand cosmetics and toiletries, we do not support testing on animals and have never carried out any animal testing or commissioned others to do so. Raw materials tested on animals after a cut off date of 1998 are not permitted in our products.

Target: 100% of wool sourced certified to the Responsible Wool Standard (RWS) by 2030. During 2023/24, 11% of wool (2022/23: 4%) was RWS sourced and continue to explore opportunities to increase the amount we source as RWS or recycled.

Moving Towards Circularity

In Our Supply Chain

As part of our Responsible Sourcing Approach, we recognise we must work to lower the environmental impact of our business activities. Part of our strategy to do this is to work towards a more circular economy; embedding circular principles into our approach, including producing and selling products that minimise pollution and waste, and helping to keep materials in use for longer. For example, we are working to reduce packaging, and to reuse customers' returned packaging to create new packaging or useful materials like liners for our courier bags. We are also collaborating with partners on circularity initiatives in our supply chain. Read about these partnerships on page 19.

For Our Customers

Home products, such as mattresses, sofas and furniture, can be difficult for our customers to manage when they wish to dispose of them. Mattresses are particularly tricky and so we offer a service, together with partners at The Furniture Recycling Group (TFRG), where customers can request we recycle their old mattress when their new one is being delivered. In 2023 we recycled over 2,500 mattresses, diverting over 79 tonnes from landfill. Since 2014, when we first started working together, TFRG has recycled over 30,000 NEXT mattresses.

Another partner is Clearabee, who provide an affordable, convenient and sustainable furniture recycling service for our customers, collecting items from their homes for recycling, whatever their condition.

We also partner with charitable organisations, such as the British Heart Foundation (BHF), to provide local solutions to our customers and help raise funds for the charity. Our customers' donated furniture and home products have helped BHF raise over £1.79 million since we started to work with them in 2016.

Looking Ahead:

- Collaborate with our TP partners to establish minimum standards and share best practice across Responsible Sourcing topics
- Review opportunities to go beyond our main raw materials
- Continue to engage our product teams, starting with updated training in April 2024
- Increase supplier engagement through both online and in-person formats

