

NEXT

OUR APPROACH TO CORPORATE RESPONSIBILITY TO JANUARY 2023



This document has been prepared as an additional report providing further information about our approach to Corporate Responsibility. It should be read in conjunction with our main Corporate Responsibility Report to January 2023, available at nextplc.co.uk

PROTECTING WORKERS IN OUR SUPPLY CHAIN

1. Our Salient Human Rights Issues Explained

Salient Issue identified	Why it is important to NEXT	Our key activities
Freedom of Association (FoA) and Collective Bargaining	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 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.	<ul style="list-style-type: none"> Continued membership of ACT (Action, Collaboration, Transformation) along with 19 other brands and the global trade union IndustriALL <ul style="list-style-type: none"> Attendance at ACT Member Council Meetings Participation in Purchasing Practices working group, including discussion on next steps following the results of the Purchasing Practices Assessment (PPA) and Purchasing Practices Self-Assessment (PPSA) Planning for circulation of the next round of PPA and PPSA which takes place in the first half of 2023
Health and Safety (including Mental Health)	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, impacted by the quality and management of appropriate building design and structure, fire prevention, machinery, chemicals and abrasives.	<ul style="list-style-type: none"> Our in-country Code of Practice (COP) teams carry out supplier training before audits to ensure factories are aware of our standards In Cambodia, training is carried out with suppliers and factories as part of our membership of Better Factories Cambodia (BFC) Signatory to the new Pakistan Accord for 2023 Achieved 93% remediation of Accord actions for NEXT Accord sites in Bangladesh with support from our in-country COP team. Remediation is 98% in NEXT active lead brand sites (35 sites). 123 NEXT sites have now achieved 100% remediation, which is confirmed via recognition letters from Accord/RMG Sustainability Council Identified 40 cases of extremely hazardous working conditions through our COP audits. We worked with 12 factories to remediate the issues and disengaged with 17 who were not willing to work with us on improvements. The remainder are continuing to work on agreed remediation plans with support from the COP team
Children's Rights	It is estimated that approximately 218 million children are currently working in the world, with more than 152 million in child labour and half engaged in hazardous work ¹ . Each year our COP auditing team uncovers a small number of instances of persons too young to work within factories making our products.	<ul style="list-style-type: none"> Identified two cases of child labour (26 children in total) during the year, with both cases being remediated As part of new supplier inductions we carry out training on child labour risks and our approach to managing any cases, including our Child Labour Policy and supplier guidelines Continue to implement our incident response procedures whereby we engage a relevant Non-Governmental Organisation (NGO) to consult and support the child and their family. They will continue to monitor the situation until the child reaches legal working age to ensure they remain in education

¹ United Nations data www.un.org - June 2018

PROTECTING WORKERS IN OUR SUPPLY CHAIN CONTINUED

1. Our Salient Human Rights Issues Explained *continued*

Salient Issue identified	Why it is important to NEXT	Our key activities
Modern Slavery (including Wage Retention)	Instances of forced labour or modern slavery in our supply chain can take place in all countries, including the UK. Workers must receive all wages they are owed; suppliers are not allowed to retain any wages. With bonded labour comes a negative impact on all other labour rights and risks are higher if migrant workers are employed. Some of our sourcing countries hire migrant workers from overseas and such workers can be vulnerable to exploitation.	<ul style="list-style-type: none"> Over 4,900 NEXT employees globally have completed our bespoke online training course, with around 600 new employees completing the training during the year In 2022, we disengaged seven factories where remediation on issues relating to modern slavery had not been achieved to an acceptable level. All seven cases were in relation to wage retention Worked with 13 factories to remediate identified modern slavery risks. An additional four sites are being supported through an agreed remediation process Worked alongside Slave Free Alliance and a select number of retailers to deliver a bespoke Modern Slavery training session for UK furniture suppliers
Wage Levels (including Fair Wages)	All workers in our supply chain should be entitled to fair wages for the work they do. Non-payment of social security can both negatively impact fair wages to workers.	<ul style="list-style-type: none"> In Bangladesh, we have worked with factories to resolve wages and benefits payment issues as follows: <ul style="list-style-type: none"> – Maternity pay delays (20 factories) – Wage payment delays (27 factories) – Severance pay delays (25 factories) Our on-the-ground COP team offered support and guidance to ensure that the issues were resolved. This was subsequently verified through our COP audit process. In India, we worked with factories where non-conformities were identified in relation to wage payment, severance payments and social security payments, resolving issues for 74 workers

PROTECTING WORKERS IN OUR SUPPLY CHAIN CONTINUED

1. Our Salient Human Rights Issues Explained *continued*

Salient Issue identified	Why it is important to NEXT	Our key activities
Harassment and Discrimination	Women represent the majority of workers in our supply chain. In many countries, the risk of discrimination against women is greater in relation to equal opportunities, age or marital status. This can lead to harassment of workers, and also impact upon a range of other human rights. It can be difficult to identify in COP audits as it is less tangible than some of our other salient human rights issues.	<ul style="list-style-type: none"> Carry out training with suppliers to raise awareness of these issues and to understand root causes. Where issues are identified through our COP audits, we work with suppliers on remediation We identified one case of discrimination in the form of pregnancy testing in a factory in China. We worked with the supplier and factory to resolve the case and followed a remediation plan, supported by our regional team. Unfortunately, the factory was not able to implement the necessary improvements and we made the difficult decision to disengage from the site. One case of harassment was identified in Bangladesh in relation to verbal abuse of workers. Our COP team worked with the factory to agree a remediation plan including behavioural training for personnel and awareness raising with workers on internal grievance mechanisms. Improvements have been observed through our follow-up COP audits and we will continue to monitor the factory.
Water, Sanitation and Health	We source products from parts of the world which encounter 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, dye houses, 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.	<ul style="list-style-type: none"> During our COP audits the team verifies that clean drinking water is available for all workers We are a member of ZDHC (Zero Discharge of Hazardous Chemicals) and this provides opportunities to work with our wet processors to prevent wastewater contamination. By December 2022, over 80% of our textile wet processors were signed up to the ZDHC Gateway, the platform used by ZDHC to share key information. Through this programme, suppliers are provided with information and training to ensure wastewater is treated before being discharged to remove any chemicals from the water
Working Hours	We rely on the workforce of our suppliers and factories to meet order requirements, and those workers want to work to earn money. Sometimes these combined factors can lead to excessive working hours that can impact the workers' wellbeing.	<ul style="list-style-type: none"> Provided training to suppliers to raise awareness of these issues and understand root causes. Where issues are identified through our COP audits, we work with suppliers on remediation
Privacy and Data Security	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. The General Data Protection Regulations (GDPR) came into effect from May 2018, and further increased awareness and responsibilities for ensuring personal data is secure.	<ul style="list-style-type: none"> We are committed to ensuring we protect our customers and employees' privacy and dedicate significant resource to the maintenance and security of our systems Systems vulnerability and penetration testing is carried out regularly to ensure data is protected from corruption or unauthorised access or use We have extensive employee training and awareness programmes in place with regards to GDPR and information security

PROTECTING WORKERS IN OUR SUPPLY CHAIN CONTINUED

2. UN Guiding Principles Reporting Framework Index

Our CR Report and Our Approach Report 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 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
PART A: GOVERNANCE OF RESPECT FOR HUMAN RIGHTS	
A1 POLICY COMMITMENT	6-9
A1.1	6-9
A1.2	6-9, Our Approach 1
A1.3	6
A2 EMBEDDING RESPECT FOR HUMAN RIGHTS	2, 3, 6-9, 32-33, Our Approach 1
A2.1	6-9
A2.2	6-9, 32-33
A2.3	6-9
A2.4	2, 14
A2.5	6-9
PART B: DEFINING A FOCUS OF REPORTING	
B1 STATEMENT OF SALIENT ISSUES	8
B2 DETERMINATION OF SALIENT ISSUES	6-9, Our Approach 1-3
B3 CHOICE OF FOCAL GEOGRAPHIES	Not Applicable
B4 ADDITIONAL SEVERE IMPACTS	5, 13-18, Our Approach 5-9
PART C: MANAGEMENT OF SALIENT HUMAN RIGHTS ISSUES	
C1 SPECIFIC POLICIES	6-9 Our Approach Modern Slavery Transparency Statement
C1.1	6-9

Section of the framework	Page location in our CR Report
PART C: MANAGEMENT OF SALIENT HUMAN RIGHTS ISSUES	
C2 STAKEHOLDER ENGAGEMENT	6-9, Our Approach 5-9
C2.1	6-9
C2.2	9-11, Our Approach 6-9
C2.3	6-9, Our Approach 1-3
C3 ASSESSING IMPACTS	6-9
C3.1	None Identified
C3.2	10-11, Our Approach 1
C4 INTEGRATING FINDINGS AND TAKING ACTION	6-9
C4.1	6-9
C4.2	2, 6, 32, 33
C4.3	6-9, Our Approach 1- 3
C5 TRACKING PERFORMANCE	6-9, Our Approach 1-3
C5.1	6-9, Our Approach 1-3
C6 REMEDIATION	6-9, Our Approach 1-3
C6.1	Our Approach 1-3, Whistleblowing Policy
C6.2	6-9, Our Approach 1-3
C6.3	6-9, Our Approach 1-3
C6.4	6-9, Our Approach 1-3
C6.5	6-9, Our Approach 1-3

PROTECTING WORKERS IN OUR SUPPLY CHAIN CONTINUED

3. Our Auditing Approach

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 COP audit provides a picture of how well a supplier and its factory are complying with our requirements. The audit day typically involves the following:

- Opening meeting with key participants in the audit e.g. management, worker representatives, business owner
- Site tour
- Documentation review
- Worker interviews – we speak to workers confidentially, both individually and in groups, both on-site and off-site and include a cross-section of ages, job roles, gender and length of service. Our team speak the workers' language wherever possible and we also engage translators. We know this is critical to building a relationship of trust between the auditor and the workers
- Closing meeting – the auditor provides verbal feedback on any action points that have been identified and agrees the Corrective Action Plan (CAP) which we agree with the supplier and factory management, and conduct regular re-audits to verify improvements

A CAP report summarising all findings, agreed actions and remediation timescales is provided to the factory for them to implement. The NEXT team then works with the supplier and factory to implement these. This helps build the relationship between NEXT and its supplier, and helps convey to the supplier that NEXT is here to support progress over the longer-term.

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
- 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



4. Partnering for Change

During 2022, we continued our collaborative work to improve the human rights of workers in our supply chain. The risks to vulnerable groups such as displaced people, migrant workers or refugees seeking refuge from conflict and looking for work is still increasing. We have continued to work within this area by providing support, and where possible, offering remediation.




By maintaining good direct relationships and collaborating with shared information and resources with other retailers, brands, trade unions and NGOs we can work together in partnership to deliver real benefits to workers.

PROTECTING WORKERS IN OUR SUPPLY CHAIN CONTINUED



Some examples of our collaborative work are:

Organisations	Background and Benefits	Activities in 2022
<p>Accord</p> 	<p>The Accord performs independent factory inspections in Bangladesh focusing on three key areas; fire risk, electrical installations and structural condition of buildings.</p> <p>We are signatories to the new agreement, called the International Accord for Health and Safety in the Textile and Garment Industry, which commenced in September 2021. In Bangladesh, the agreement is already implemented by the independent national tri-partite RMG Sustainability Council (RSC) consisting of brands, unions and industry.</p> <p>Find out more at: bangladeshaccord.org</p>	<ul style="list-style-type: none"> • We are following up with Bangladesh Accord and RSC who are doing regular inspections for fire, electrical and building safety in our supply base factories and also conducting Occupation Safety Trainings for all the workers to understand the safety requirements and raise concerns to report against unsafe workplace safety. • NEXT has maintained its full support for the Bangladesh Accord as it has transferred its operations into the RMG Sustainability Council (RSC). The RSC, of which NEXT was an initial signatory, now includes representation from brands, unions and RMG manufacturers and has commenced managing the workplace safety programmes at the 1600+ Bangladesh Readymade Garment factories previously covered under the Bangladesh Accord. The RSC's work will include factory inspections, remediation monitoring, safety training and an independent health and safety complaints mechanism available to workers in RMG factories. The agreed goal of the RMG Sustainability Council (RSC) is to eventually cover all RMG exporting garment factories globally. • We are a signatory to the Pakistan Accord for 2023.
<p>ACT</p> 	<p>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 members commit to supporting productivity improvements and reviewing their own internal buying practices and their potential impact on workers. 19 member brands alongside IndustriALL, the global trade union, have agreed the following principles:</p> <ul style="list-style-type: none"> – a joint approach where all participants in the global supply chain assume their respective responsibilities in achieving freedom of association, collective bargaining and living wages – agreement on a living wage should be reached through collective bargaining between employers and workers and their representatives, at industry level – workers must be free and able to exercise their right to organise and bargain collectively in accordance with ILO conventions <p>As part of our membership we have made five purchasing practices commitments:</p> <ul style="list-style-type: none"> – to include wages as itemised costs within a cost price – fair terms of payment – better planning and forecasting – to undertake training on responsible sourcing and buying – to practice responsible exit strategies <p>Find out more at: actonlivingwages.com</p>	<ul style="list-style-type: none"> • ACT developed the Dispute Resolution Mechanism (DRM) to support access to remedy for wages and Freedom of Association (FoA). DRM has been used in 11 cases involving NEXT factories during the year to ensure that disputes over the FOA Guideline's implementation can be heard and resolved in a fair and predictable manner • Purchasing Practices <ul style="list-style-type: none"> – We attended and contributed to Purchasing Practice Working Group meetings – We provided feedback on purchasing practices training modules which are intended for roll out within member brands – We participated in one-to-one workshops on labour costing






PROTECTING WORKERS IN OUR SUPPLY CHAIN CONTINUED

Organisations	Background and Benefits	Activities in 2022
 <p>AIDER</p>	<p>The creche is run by the NGO AIDER, and currently supports children of homeworkers in the region of Badarpur, India. In addition, students can attend the computer centre at the crèche, where they can study for a certificate in basic computer and typing skills as well as attend a tuition centre focusing on academic skills.</p>	<ul style="list-style-type: none"> • We work with AIDER to support and protect vulnerable homeworkers with a programme which aims to improve transparency in this part of the supply chain. As well as regular visits to the centre by the COP team based in India, in 2022: <ul style="list-style-type: none"> – 52 children were enrolled in the creche, 94 girls attended the computer centre – 50 students attended the tuition centre; 25 students scored 70% or higher in their exams – Offered sewing and pattern-making training to 65 women – Organised 25 health awareness camps with doctors and dentists, with almost 1,500 local people benefiting – Supported families with guidance on accessing government support and benefits – Organised cancer awareness and breast screening sessions as well as polio vaccines and nutrition camps
 <p>Better Factories Cambodia (BFC)</p>	<p>NEXT joined the BFC Transportation Working Group programme in 2017 which was designed to educate workers in road safety and safe means of transportation to work. Through the programme, since 2017, BFC has assessed over 550 factories and reached over 550,000 workers.</p> <p>For factories which manufacture for NEXT, once the initial assessment has been carried out, the NEXT COP team undertake any follow-up audits to ensure corrective actions are completed.</p> <p>Find out more at: betterwork.org/where-we-work/cambodia</p>	<ul style="list-style-type: none"> • COP team worked with suppliers on identified issues from BFC assessments • Continued participation in Transportation Working Group (initiated by BFC) to work collaboratively on workers' transportation safety • Maintain quarterly updates from BFC on factory compliance performance
 <p>British Retail Consortium (BRC)</p>	<p>Brands' ethical experts work collaboratively on the welfare and treatment of workers in the retail supply chain to develop and agree ways of working.</p> <p>Find out more at: brc.org.uk</p>	<ul style="list-style-type: none"> • Attended meetings of the Ethical Labour Working Group. Main topics of discussion included developments in legislation relating to forced labour and human rights due diligence, best practice on addressing modern slavery, and the impact of the conflict in Ukraine on retail supply chains, as well as government policy developments and horizon scanning of upcoming issues

PROTECTING WORKERS IN OUR SUPPLY CHAIN CONTINUED

Organisations	Background and Benefits	Activities in 2022
ETI 	<p>The 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 which we joined in 2002. The ETI is one of the principal ethical communities where NEXT regularly engages with multiple stakeholders through meetings and working groups focusing on specific issues.</p> <p>Find out more at ethicaltrade.org</p>	<ul style="list-style-type: none"> During 2022 we have worked with and contributed to the ETI on: <ul style="list-style-type: none"> The development of guidelines for suppliers on how to support integration and employment of refugees and displaced people Apparel and Textiles group meetings Best practice in relation to sourcing from Myanmar including responsible exit policies
KADAV 	<p>KADAV is a women's solidarity NGO in Turkey which supports community work in areas such as gender-based violence, migrant women and female labour rights. 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 to support their families.</p>	<ul style="list-style-type: none"> KADAV continued to provide support to women on gender-based violence, labour rights and empowerment. <ul style="list-style-type: none"> 47 women were trained in sewing methods to enable them to produce clothes for their children three workshops were held on environmental awareness and responsibility Regular play sessions were held with pre-school children while their mothers attended training with KADAV Mothers and children were supported to visit an exhibition on sustainability, design and sewing In the wake of the earthquake that took place in early 2023, KADAV will be reviewing its work and plans for the year ahead.
The Centre for Child Rights and Business	<p>We partner with the Centre for Child Rights and Business to support our work with child labour cases. The Centre supports companies to deliver improvements within their supply chains that benefit workers, families and children, and deliver positive business outcomes.</p> <p>Find out more at: https://www.childrights-business.org/</p>	<ul style="list-style-type: none"> We identified two child labour cases during the year, involving 26 children in total, with both cases being remediated The Centre assisted with both cases

PROTECTING WORKERS IN OUR SUPPLY CHAIN CONTINUED

Organisations	Background and Benefits	Activities in 2022
SAVE (Social Awareness and Social Education) 	SAVE is a non-profit societal reconstruction organisation. SAVE carries out developmental programmes towards uplift of socio-economically poor and marginalised communities.	<ul style="list-style-type: none"> • Six resource centres across Tamil Nadu, where new mill workers are sourced from in significant numbers. The centres provide training for workers prior to their departure for work at the mills, support in addressing grievances and provide computer training and financial literacy skills • Two centres were set up specifically to support intra and interstate migrant workers • Training was provided to individuals during the year on topics such as health and hygiene, financial literacy and pre-departure requirements • SAVE has supported the roll out of an app in local villages, to enhance a worker's ability to raise concerns (see the Protecting Workers In Our Supply Chain section of the Corporate Responsibility Report for more information)
United Work 	United Work is an independent organisation based in Turkey who support Syrian refugees registered with the Turkish Ministry of Internal Affairs to find long term employment.	<ul style="list-style-type: none"> • Our local COP team in Turkey speak to factories about the work that United Work does and that the organisation can help them with finding new workers • During the year, 35 Syrian workers have been placed in employment in eight factories used by NEXT in Turkey
Unseen 	Unseen is a UK-based charity providing the UK-wide Modern Slavery and Exploitation Helpline. Through sponsoring the hotline we gain insight of potential modern slavery risks and how forced labour situations are being reported. This collaborative approach is important to help us mitigate risks and manage emerging threats. Find out more at: unseenuk.org	<ul style="list-style-type: none"> • We maintained our partnership with Unseen during 2022 • We continue to monitor potential issues in our supply chain through regular contact with Unseen and the Modern Slavery and Exploitation Helpline, which allows us to carry out proportionate due diligence where appropriate • One case raised through the helpline was related to a NEXT supplier in 2022. Further details can be found in our Modern Slavery Transparency Statement
FAB-L 	Fashion Workers Advice Bureau Leicester (FAB-L) is a community outreach project that offers free advice and support for garment, textile and fashion workers in Leicester. The project is led by a senior community engagement and outreach worker and a community engagement support worker. Find out more at: highfieldscentre.ac.uk/fabl/	<ul style="list-style-type: none"> • We supported community events and engagement with workers • We participated in factory visits to raise awareness of FAB-L with workers • We supported individuals with issues related to their work or home life For more information, see our Modern Slavery Transparency Statement.
The European Chamber of Commerce in Myanmar 	The organisation serves as the voice of European business in Myanmar. Its focus is to advocate member interests and support European businesses in navigating Myanmar's business climate. Find out more at: eurocham-myanmar.org	<ul style="list-style-type: none"> • We joined EuroCham in December 2022 • NEXT representatives attend regular meetings of the Brands Working Group

RESPONSIBLE SOURCING AND CIRCULARITY

5. Product Safety and Legislation Compliance

Working closely with our buyers, designers and suppliers, our team of specialist technologists is responsible for ensuring:

- All products sold by NEXT are safe and comply with relevant legislation
- Our suppliers meet the required safety and performance standards detailed in our product specific technical manuals
- We work with and use the expertise of independent safety specialists to ensure the products we sell achieve the required standards

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 and requirements.

In order to have visibility and monitor the development of both new legislation and changes to existing legislation at a United Kingdom, European and global level, we work closely with trade associations, British Standards and government departments. We also contribute to and support legislation development by giving our views and ideas. We are members of various industry committees and groups, such as the British Standards Institute Technical Committees and the British Retail Consortium. Through these we are able to participate with other stakeholders in policy debates, to contribute to their development and ensure NEXT product is compliant with relevant legislation.

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 UK Head Office and our global sourcing offices visit our suppliers to monitor production. Products are inspected upon receipt into our UK warehouse to ensure they meet our specifications.

The safety of children is an issue that is of very high 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 British and 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. Through the Product Safety Forum, chaired by our Business Risk Manager, any product recalls are reviewed to ensure the corrective actions undertaken are robust.

Our in-house UKAS¹ and SATRA accredited 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.

¹ United Kingdom Accreditation Service

6. Responsible Sourcing and Raw Materials Policies Cotton

- NEXT does not support the use of cotton from Uzbekistan, Turkmenistan or the Xinjiang region of China in our textile products as sourcing cotton from these regions is banned as part of our Cotton Policy
- It is our expectation that our suppliers will source cotton in alignment with our Cotton Policy and they make efforts to communicate our concern for this issue down the supply chain. We will continue this ban until we have seen evidence that progress has been made to end the use of forced or child labour. We understand that cotton is an internationally traded commodity and that raw cotton sources are not always easily identifiable

- Our 2025 target is to source 100% of our cotton from responsible sources which we define as Better Cotton (BC), recycled, certified organic, organic in conversion or US cotton
- The cotton we source through BCI is sourced as Better Cotton. Better Cotton is not physically traceable to end products as it is sourced on a mass balance system. However, BCI farmers benefit from the demand for Better Cotton in equivalent volumes to those we source
- Organic in conversion – NEXT has started a programme to increase the amount of certified organic cotton it uses, known as organic in conversion cotton, into our offer of more responsibly sourced cotton. We recognise for many smallholder farmers it is a risk to go through the tough conversion process without the right support, so we have committed to a four-year partnership with Arvind Limited, which has a robust programme to support farmers who want to make the conversion from conventional to certified organic cotton. They offer technical assistance throughout the process and guarantee to buy the cotton at a premium for the cotton farmers. This programme will involve 14,000 farmers in the Maharashtra region of India. Cotton in Conversion allows farms growing cotton organically to sell their crop while they are in the multi-year process of getting certified. At NEXT, we want to play our part to encourage more farmers to navigate the transition to organic cotton as well as support the farmers and their commitment to getting their organic cotton certification

RESPONSIBLE SOURCING AND CIRCULARITY CONTINUED

Timber

NEXT is committed to the responsible sourcing of timber products. We aim to reduce our impact and to increase social and environmental benefits by only using responsibly sourced timber and paper.

As part of our 2025 Responsible Sourcing Strategy, and in line with our [Timber Sourcing Policy](#), we are committed to working with our suppliers to deliver 100% of our products from Responsible or Certified Responsible sources by 2025.

Manmade Cellulosic Fibres and Wood Pulp

- In July 2018, NEXT committed to the [Roadmap Towards Responsible Viscose and Modal Fibre Manufacturing](#) as set out by the [Changing Markets Foundation](#). This Roadmap aims to minimise the effects of harmful chemicals in the manufacturing process by viscose and modal manufacturers' adopting closed-loop production systems by 2023-25. These systems aim to recycle chemicals used during production and prevent negative impacts on human health and the environment. Through this commitment NEXT is working with its supply chain to improve their viscose and modal manufacturing processes to support the fibre manufacturers in meeting the requirements of the Roadmap as they work towards a closed-loop system which ensures emissions controls and chemical recovery rates are in line with the EU Best Available Technique (BAT) standards. Our MMCF Policy, sets out clear requirements for our MMCF manufacturers including, as with our ongoing ZDHC commitment of our fibre manufacturers to adopt and meet the requirements of the ZDHC MMCF Guidelines

- In line with our MMCF Policy, NEXT will only source staple and filament viscose, modal and lyocell from Canopy Green Shirt ranked fibre suppliers who have already adopted or have pledged to adopt closed loop production systems by 2023-25. NEXT support the public declaration of emissions data by the MMCF manufacturers we use. To encourage and enable this, NEXT has worked collaboratively with Textile Exchange and other retailers and brands to develop the MMCF Transparency Questionnaire and Dashboard which was launched by Textile Exchange in 2021
- NEXT is working with [Canopy](#) through their [CanopyStyle](#) Initiative to ensure these wood-based fabrics are responsibly sourced. We are committed to ensure cellulosic fibres used in our products do not come from ancient and endangered forests, endangered species or illegal sources and respects the rights and wishes of indigenous communities through our [Protecting Forests through Fabric Choices Policy](#)
- We will work to prioritise sourcing FSC¹ timber fibres and through Canopy's 'Next Generation Vision for Viscose' support innovative sustainable materials. These provide alternatives to traditional forest products, such as recycled materials, and alternative feedstock such as agricultural residues. These result in the protection of the remaining ancient and endangered forests and the people and animals within them

Leather

As a signatory to the Textile Exchange's Responsible Leather Charter since 2019 NEXT has supported the ongoing development of the Leather Impact Accelerator (LIA) programme. The LIA programme will establish a benchmark of agreed best practices along the whole leather supply chain, from farming to tanning, as well as give visibility to existing initiatives which can be used to deliver this best practice. The programme aims to advance towards a leather industry in which all parts of the supply chain are environmentally and socially responsible, including animal welfare.

Chemical Management

NEXT has the following four key standards which our suppliers are expected to meet on an ongoing basis and which are detailed in our Chemical Policy:

1. Restricted Substance Standards (RSS) – outlines the maximum limits for restricted chemicals or substances allowed in our finished products. The RSS is made up of two lists:
 - Restricted Substance List (RSL)
 - Manufacturers' Restricted Substance List (MRSL)
 2. Restricted Substance List (RSL) – lists the chemicals or groups of chemicals covered by the RSS, whether banned or restricted along with the relevant CAS (Chemical Abstracts Service) and/or EU (European Chemical) numbers.
 3. Manufacturing Restricted Substance List (MRSL)
 - NEXT adopts the full ZDHC MRSL which lists the individual chemical substances which are banned from intentional use in formulations or preparations used in the manufacturing process.
 4. ZDHC Wastewater Guidelines (WWG) – has limits for 'conventional parameters' such as pH, temperature, biological oxygen demand, chemical oxygen demand and total suspended solids among others, and a non-detection requirement also for all MRSL chemicals.
- We have developed our [Restricted Substance Standards \(RSS\)](#) requirements from EU legal standards, recommendations by industry experts, pressure group focus and customer feedback. Our RSS requirements have been updated to be in line with changes that have come into force from new legislation during the year
 - Our RSS is continually developed in anticipation of emerging legislation and other information concerning new potentially hazardous chemicals, not yet captured by legislation

RESPONSIBLE SOURCING AND CIRCULARITY CONTINUED

- 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
- Our Chemical Management Standards (CMS) programme is aimed at suppliers further back in our supply chain e.g. fabric mills and suppliers carrying out wet processing such as dyeing, printing, finishing, laundering of textiles and tanning and dyeing of leather. Wet processors are required to meet the requirements of the ZDHC CMS Framework and CMS Technical Industry Guide (TIG) and complete the ZDHC Supplier to Zero (StZ) programme. Together with the NEXT Chemical Standards Manual these tools help educate suppliers on good practices in chemical management, handling and disposal
- The issue of pollution from global manufacturing sites is one NEXT takes seriously. Our ZDHC programme requires wet processors and suppliers to adopt all relevant ZDHC guidelines, platforms and solutions including the ZDHC MRSL and CMS Framework and CMS Technical Industry Guide. Wet processors are required to purchase chemicals that are compliant with ZDHC's MRSL and test their wastewater against ZDHC's Wastewater Guidelines and requirements and publicly report on their wastewater results

The main principles of our Chemical Management Standards are:

- **Input:** use clean chemicals
- **Process:** manage chemicals safely
- **Output:** check outputs and correct any non-conformities found

- 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 EU REACH², we registered 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 31 May 2018. All registrations were transferred to our European office by 31 December 2020 as required under Brexit. NEXT will monitor and adhere to the UK REACH requirements during 2023 as well as maintaining our EU REACH requirements for relevant sales within Europe

Animal Welfare

- NEXT is committed to sourcing its products responsibly and to continually work towards improving animal welfare in relation to the animal-derived components used in our products. Our Animal Welfare Policy states that NEXT will not use:
 - Animal products from animals bred and slaughtered specifically to produce non-food products
 - Animal products from endangered or threatened species, as defined by CITES³ or IUCN⁴ red list
 - Animal products from animals caught from the wild, including wild animals culled for population or other control
 - Real fur; NEXT is a Fur Free Alliance listed retailer
 - Feather or down obtained from live plucking or force feeding
 - Hair from angora rabbits or alpaca
 - Merino wool from sheep that are mulesed
 - Feather or down from ostrich, marabou storks or peacocks

7. Recycling Unwanted Products

Mattress recycling for customers

- Mattresses are a difficult waste stream to manage with most old mattresses going to landfill. We offer a solution where customers can request we remove and recycle their old mattress when their new mattress is being delivered
- During the year, working with our specialist provider The Furniture Recycling Group (TFRG) we have been able to recycle over 2,300 mattresses diverting over 76 tonnes from landfill
- Since August 2014, working with TFRG we have helped our customers to divert more than 28,000 mattresses from landfill

¹ Forest Stewardship Council

² Registration, Evaluation, Authorisation and Restriction of Chemicals

³ Convention on International Trade in Endangered Species of Wild Fauna and Flora

⁴ International Union for Conservation of Nature and Natural Resources

TACKLING CLIMATE CHANGE

8. Measuring our Climate Impacts

We aim to make our operations more efficient and work to reduce our impact through, for example, reducing energy consumption and waste.

Our global direct carbon footprint is measured in alignment with the GHG Protocol Corporate Accounting and Reporting Standard and includes emissions from:

- **Properties** – stores and warehouses in the UK and Eire, our UK Head Office, our global offices, customer contact centres, NEXT Steps Nursery and owned manufacturing facility in Sri Lanka
- **Distribution** – (upstream transportation and distribution) our distribution of products to Retail stores or customers' homes in the UK and Eire in NEXT owned and third-party vehicles; delivery of Online products to our International customers via third-party providers
- **Waste** – from our UK and Eire stores, UK warehouses, UK Head Office, our global offices, customer contact centres and owned manufacturing facility in Sri Lanka
- **Business travel** – by NEXT employees globally including air, rail and road travel
- **Purchased Goods and Services** – emissions associated from cradle to gate (when the finished product leaves the suppliers facility in country of manufacture)
- **Downstream transportation and distribution** – the transport of imported goods to our UK warehouses from our global suppliers by sea, air, rail or road
- **Use of sold products** – how our customers launder and care for their products
- **Other** – including the end of life treatment of sold products, employee commuting and fuel and energy activities

9. Energy Efficiency

- We actively track energy performance via a central data collection facility. Consumption data is passed through half-hourly modern meters and automated meter readers (AMR) installed in our properties to ensure our stores are operating efficiently
- Our Head Office, warehouses and almost all of our stores, 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. Two of our main warehouse sites operates solar PV, with one of the sites running solely on the energy being provided and any excess being exported to the grid. We continue to look for further viable opportunities to install further solar PV to work to reduce our reliance on the grid
- Gas is used predominantly for heating and has been removed from all stores where it is no longer needed

10. Distribution Efficiency

- With over 50% of our UK Online customers choosing to have their order delivered to a retail store to collect, we are able to maximise the efficiencies achieved by our fleet
- Double-deck trailers are used for direct deliveries to our distribution centres around the UK, as well as our stores both in the UK and Eire to maximise efficiency as we can move up to 50% more products and increase fuel efficiency
- The majority of Online customers prefer to return their unwanted orders back to a store as it is more convenient for them. We aim to maximise efficiency of returning vehicles from stores to warehouses by carrying returned items as well as back-hauling waste materials to our recycling centre, and collecting deliveries from some of our UK suppliers

Driver Training is crucial to the overall efficiency of the fleet and we operate a number of initiatives such as:

- A four-seater training vehicle which supports team training and allows the trainers to provide their support more efficiently
- Improving driver style and fuel efficiency with one-to-one training
- Engines fitted with three minute cut off mechanism to save fuel
- Driver performance analysis against the planned route, distance and fuel used
- Trial vehicles, trailers, accessories and systems that potentially offer improved efficiencies; trial use of alternative fuels, performance and driver safety; and based on the results achieved will invest to improve the fleet in the future

TACKLING CLIMATE CHANGE CONTINUED

We also hold test status, similar to a DVLA Driving Test centre, with our own Delegated Examiner so that we can perform LGV driving tests. This is part of our Driving Academy and we have brought 42 people through licence acquisition.

Driving safely is 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 use equipment to support them whilst driving, such as:

- In-cab cameras linked to the vehicle's telematics provide an alert back at the depot should an incident occur during the journey
- An early warning system for lane departure that can also warn the driver about hazards around their vehicle, read road signs and even apply the vehicle brakes where necessary
- A safety feature to help eliminate the danger of a forward collision, ensuring 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

11. Waste and Recycling

Our in-house recycling centre located at one of our UK warehouses receives materials for recycling from around 400 of our stores. The materials include cardboard, polythene, returned carrier bags, Online 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.

Clothes hanger recycling: We have reused and recycled the coat hangers on which our product is displayed in our Retail stores for a number of years in collaboration with our hanger supplier. In 2022, we collected 328 tonnes of hangers for reprocessing with 46 tonnes of hangers re-used within the supply chain and 282 tonnes granulated to be remade into new hangers.

12. Product Lifecycle Management

Our unsold or returned stock falls into three categories, being items which are:

1. Never sold – Products which are not sold in our stores or Online at full price are discounted in our mid-season, Black Friday or end of season sales. Remaining products are then sold through our own discount routes, both online and in our Clearance stores, before being sold to NEXT authorised third party wholesalers who then sell the products within their operations. In addition, we work with charity partners to whom we donate unwanted products either for reuse to help people in need directly or to be sold to generate funds.

2. Returned as faulty – All returns are inspected, the fault categorised and findings fed back to our team of technologists to work with our suppliers to eliminate similar faults occurring on future products. The faulty items, if possible, are either sold through our Clearance operation or donated to charity partners who are able to reuse them within their operations.

3. Online returns – A significant percentage of clothes we send out to our Online customers is returned to us in line with a customer's consumer rights under the Distance Selling Regulations. This is a very normal part of doing business online. Items that are returned are inspected, refurbished and available to be sold. The items are returned for various reasons including being ordered for choice, not liked, incorrect/wrong or a small percentage are returned as faulty product. The faulty products are segregated to be sold through our Clearance operation (as detailed in 2 above).

13. Packaging

We are working to reduce the amount of packaging used on our products and to eliminate the materials which cannot be recycled.

Our carrier bags are classed as reusable bags in line with the Carrier Bag Legislation as we will take back worn out bags from our customers and replace them whilst recycling the worn out bag.

We have explored and rejected using carrier bags and other film packaging made from oxo-degradable materials (which incorporate a chemical additive to initiate degradation by light, heat, mechanical stress and moisture over a period of time) as they are not suitable for recycling with mainstream plastics as they cause contamination and wider environmental impacts are uncertain.

We recognise the most effective way to reduce the environmental impact of carrier bags is to:

- Reduce the consumption by encouraging consumer behaviour change and reuse
- Communicate and support the reuse message in a consistent manner
- Be transparent to show that all charges collected are donated to good causes. Details of the charities supported can be found [here](#)

MAKING NEXT A GREAT PLACE TO WORK

14. How we Support our Employees

Our employees are key to achieving the business objectives and working at NEXT means working in an inspiring, fast-paced, exciting and developing environment. NEXT has established policies for recruitment, diversity and inclusion, training and development. Our priority is to provide a working environment in which our employees can develop to achieve their full potential, both professionally and personally. We aim to invest time and resource to support, engage and motivate our employees so they feel valued, are able to develop rewarding careers and want to stay with us. We recruit and promote from within wherever possible.

Our Diversity, Inclusion and Equality Policy, commits NEXT to:

- Actively supporting diversity and inclusion, to ensure that all our employees are valued, treated with dignity and respect
- Promoting an environment where individual differences and the contributions of everyone is valued
- Not tolerating any form of intimidation, bullying or harassment
- Promoting equality in the workplace
- Ensuring that decisions affecting employment, training, promotion and career development are based on an individual's ability
- Complying with relevant legislation requiring all employees to meet the required standard of behaviour and conduct in terms of how they treat each other, but also people that they have contact with as part of their work with NEXT
- Regularly reviewing the policy and its practical application

We are committed to achieving excellence in the areas of health and safety, welfare and the protection of employees within their working environment. As our business continues to develop, by retaining and inspiring effective and committed employees we can continue to deliver excellent quality products and provide a great customer experience.

15. Head Office Child Care Nursery

Our architect-designed and purpose-built, state of the art Head Office Child Care Nursery called NEXT Steps continues to go from strength to strength. This is part of our on-going commitment to supporting our employees with their pre-school childcare arrangements.

The nursery was registered by Ofsted in October 2013, and is currently rated as Ofsted "Outstanding" rating.

The nursery is run in accordance with all Ofsted Early Years Foundation Stage and safeguarding requirements, and accidents are recorded and reported through standard NEXT procedures.

Sustainability is a key feature of the nursery's design. Features such as photovoltaic cells on the roof, rainwater harvesting, underfloor heating, extensive natural ventilation and point of use water heating have all provided a highly efficient building. A self-contained water treatment plant recycles waste water and feeds it back into the main water network. The nursery is fitted with an intelligent Building Management System which is split into zones and allows for greater control of the use of resources to ensure efficiency.

16. Health and Safety

We review our Company safety statement and safety objectives every three years, which also includes safety programmes and objectives for each division of the business.

Our latest safety objectives were launched in 2022, focusing on three pillars:

- Health, Safety and Wellbeing Engagement and Communication
- Developing our Health and Wellbeing offer for our employees
- Ensuring a Safe Workplace, with a focus on key risks

We aim to:

- Ensure that nobody's health, safety or wellbeing is compromised to achieve other objectives
- Give our people the support, skills, knowledge and experience to manage their wellbeing and do their jobs safely
- Make our communications clear and consistent so safety rules and procedures are easy to understand by all
- Ensure our managers provide health and safety leadership and empower their people to speak up about any health, safety or wellbeing concerns
- Ensure our training and induction procedures give our people the knowledge and encouragement to enable them to improve their health and wellbeing at work.
- Avoid unnecessary safety rules and controls by ensuring we get the safety requirements for the business right at the start
- Look for better and more effective ways of maintaining a healthy and safe place to work and shop, and which supports the wellbeing of our colleagues and customers
- Continue to support our health and wellbeing programmes and increase our focus on how we help and manage those suffering from mental ill-health

MAKING NEXT A GREAT PLACE TO WORK CONTINUED

17. Mental Wellbeing Charter

At NEXT we want to have a culture that promotes and enables us all to achieve positive mental wellbeing. 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."

World Health Organisation definition for mental wellbeing

NEXT is an inspiring, exciting and rewarding place to work and we want everyone to feel able to be creative, productive and engaged.

NEXT aims to:

- Encourage an environment where mental wellbeing is discussed openly and in a non-judgemental way, eliminating stigma, fear and discrimination
- Give easy access to information or services which are needed to make helpful decisions about mental wellbeing
- Help everyone to recognise that for some people maintaining positive mental wellbeing can be a challenge
- Put mental wellbeing on a par with physical health
- Ensure that support is provided with respect, dignity and honesty
- Treat people fairly and with care and compassion
- Listen to people, taking into account how they feel; respecting that they may want to maintain confidentiality if they are struggling
- Encourage and enable everyone to take responsibility by making their own wellbeing choices
- Regularly monitor performance, assess progress and take action to improve the opportunities for positive mental wellbeing

17.1 Wellbeing Programme

The programme helps us to identify significantly more people at much earlier stages of mental ill-health than would previously have been possible. It is now an integral part of our wider Wellbeing strategy which includes a diverse array of activities such as a flu vaccination campaign, stay active campaigns and healthy eating campaigns and menus in our restaurants.

We have five 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 a number of employees to address potentially life threatening conditions.

Health, Welfare and Wellbeing

During the year, NEXT focused on health, welfare and wellbeing including keeping Diversity and Inclusion on the business agenda as a key focus to ensure we can continue to support our employees as well as attract, retain and develop the best talent. We have:

- Developed our employee hub to provide support, wellbeing advice, useful information, hints, tips and monthly initiatives
- Raised awareness of the support services available to employees should they need them
- Provided an Employee Assistance Programme which is confidential and freely available
- Continued to grow our Mental Health First Aiders across all divisions and upskill them through our network group Open Minds
- Maintained discounts on fees for several gyms, personal training sessions, nutrition sessions and wellbeing apps

18. Training and Development

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

Life Long Learning

- Our link with the Union of Shop, Distribution and Allied Workers (USDAW) Lifelong Learning continues to grow and develop with a range of courses being offered including Maths, English and IT, and for key courses NEXT has committed to matching the learners' time invested to support their learning ambition. We have also been supporting British sign language lessons, with skills shared within the business to support our deaf employees

Local Schools and Colleges

- Within our Distribution division, we are working with a number of schools located near our warehouses across Wakefield, Rotherham, Doncaster, Sheffield and Barnsley. We hold recruitment workshops, attend careers fairs and present to students to highlight careers opportunities and offer a follow-up site visit incorporating the Gatsby Benchmarks as well as sharing career knowledge and advice about opportunities
- During site visits, students are able to see where the support and development offers could take their careers in the future. Our senior HR business partners have become Enterprise Advisors and work directly with local schools to deliver the right materials which helps to increase the attraction for full or part-time roles as well as apprenticeships. This will help us to work more effectively in schools to help promote careers with NEXT

MAKING NEXT A GREAT PLACE TO WORK CONTINUED

Learning and Development

- Our employees can access a range of development tools and appropriate job-specific training through the integrated training teams within each area of the business
- In 2022 we introduced a new Learning Hub for our Head Office population that offers additional training and development support on management and recruitment topics

Employment Programme with the Prison Service

- One of our warehouse sites has introduced an employment programme in association with a local prison. The aim of this programme, now in its fifth year, is to support a small number of low risk prisoners to gain employment experience whilst still completing their sentence. This initiative aims to support rehabilitation at the end of the prison sentence and provide meaningful employment.
- At the end of 2021, NEXT Furniture Manufacturing in Doncaster partnered with HMP Lakeside, to set up a bespoke frame assembly production facility. With our own dedicated on-site trainer, we took a small number of offenders through a 12 week programme to learn all the skills and techniques to become a skilled frame assembler. At the end of their sentence, the ex-offender will be offered a full-time contract with NEXT as long as they have successfully completed their training programme. The aim of this initiative is to help support a reduction in the risk of re-offending once in the community and help support the ex-offender's integration back into society

Head Office

- NEXT continues to offer graduates positions on our 12-18 month trainee schemes in Buying, Merchandising and Design
- We offer graduate opportunities in IT, Design and Digital Marketing
- NEXT continues to sponsor and support the Fashion Retail Academy
- We offer graduate opportunities within Digital Marketing and early careers opportunities within our Finance teams
- Our leadership programme for top talent in our middle and senior management called 'Inspiring Leaders' at Head Office continued during 2022

Retail

- We continue to evolve our range of training and development for everyone from team members through to store and Area Managers
- In 2022 we continued to support our Area Manager programme that supports our senior managers to be their best. This initiative provides modules tailored for each individual, covering both business and personal skills and competencies