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MODERN SLAVERY
TRANSPARENCY STATEMENT
2020

INTRODUCTION

It continues to be a priority for NEXT¹ to ensure that we trade ethically, source responsibly and work to prevent modern slavery and human trafficking throughout our organisation and in our supply chain. We take seriously any allegation of human rights abuse in all its forms and will not tolerate human rights' abuse against individuals within NEXT's own organisation or our supply chain.

Modern slavery can take many different forms and is a complex issue. NEXT has taken steps to identify areas where there are risks of modern slavery occurring within our business and supply chain and we are working to eliminate that possibility.

This is NEXT's fourth statement made under the Modern Slavery Act 2015 Section 54 and constitutes our group modern slavery statement² for the 2019/2020 financial year.

This statement highlights the key activities we have undertaken during the year and aims to provide useful information to understand our commitment as a responsible retailer to reduce those modern slavery risks that could be connected to our business.

This statement has been approved by the Board of Next plc.



Amanda James
Group Finance Director, Next plc
1st May 2020



¹ NEXT refers to any company forming part of the Next plc group. This includes, but is not limited to, Next plc and the following subsidiaries; Next Holdings Limited, Next Retail Limited, Next Distribution Limited and Lipsy Limited. These subsidiaries fulfil the criteria for disclosure of a Modern Slavery Statement in accordance with Section 54 of the Modern Slavery Act 2015.

² We operate one corporate website, nextplc.co.uk, rather than individual subsidiary websites. Our Modern Slavery Statement for the Next Plc Group is therefore only published on our corporate website at nextplc.co.uk.

KEY ACTIVITIES IN 2019/20



Supply Chain Transparency (Page 3)

- **Updated Tier 1¹ factory listing** published on nextplc.co.uk
- Continued to gather Tier 2 authorised subcontractors' information for Apparel and Home divisions
- Developed a transparency matrix used for supply chain mapping and risk assessment
- **2417** Code of Practice (COP) audits performed in the year across **37** countries
- **99%** of all factories manufacturing for NEXT were audited (2018/19: 98%)



Active Management and Remediation (Pages 4-5)

- Carried out a review of our salient human rights risks with SHIFT², one of our NGO Partners
- Senior manager representatives from our Apparel and Home divisions joining our Modern Slavery Steering Group
- Worked with **15** factories to **remediate** modern slavery risks
- **Disengaged 8** factories where remediation had not been achieved to an acceptable level
- Developed wage retention policy



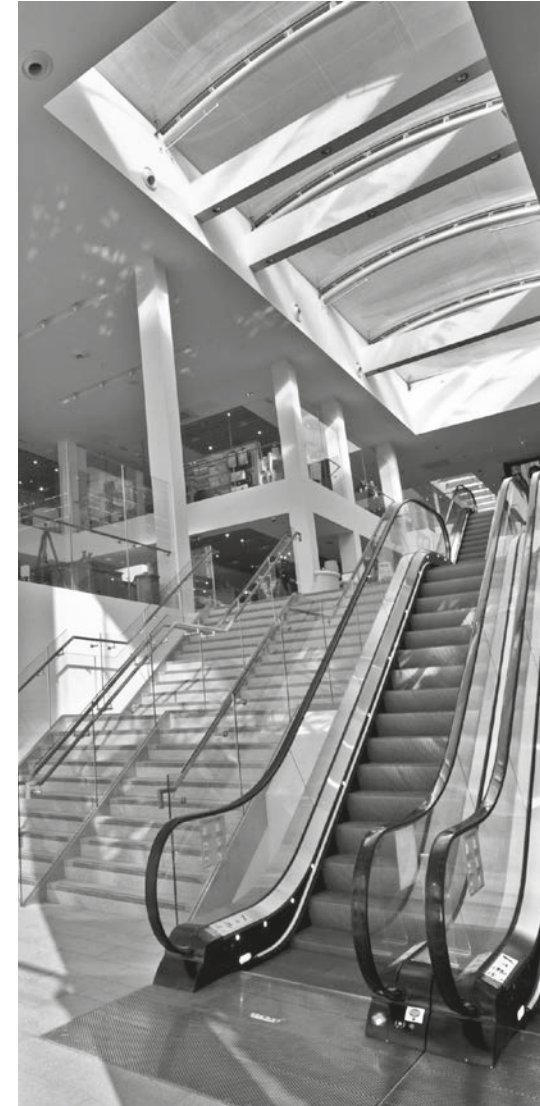
Training & Awareness (Pages 7-8)

- Over **400** new employees completed our **bespoke online training** course during the year. To date **over 3400** employees globally have completed this course
- Issued a **guidance booklet** to over **150** new third party brands whose products are sold through Next Online
- Online portal for third party brands launched in the year to aid communication: over **163** brands registered to date
- New guidance booklet issued to our overseas product sourcing employees
- Provided face to face training for **42** shopfitting, maintenance and facilities suppliers



Collaboration (Pages 7-8)

- Maintained support of **Unseen** - the UK national modern slavery helpline
- During the year NEXT attended meetings of the Leicester, Leicestershire and Rutland Modern Slavery Action Group (LLRMSAG) which comprises different agencies and organisations committed to sharing intelligence and working collaboratively to reduce the prevalence of Modern Slavery and Human Trafficking in the region
- De Montfort University, Leicester provided free modern slavery awareness training for suppliers specifically around Section 54 of the Modern Slavery Act (Transparency in the Supply Chain)



Further details of the above key activities during the year are provided on pages 3 to 8.

¹ Tier 1 refers to the declared production factory where NEXT's supply contract is assigned and bulk production takes place. Please refer to our latest Corporate Responsibility Report on nextplc.co.uk for further definitions of our supply chain tiers. ² SHIFT is a US not for profit organisation.

OUR BUSINESS & COMMITMENT

Our Business

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

The Group is primarily comprised of:
NEXT Online

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

NEXT Retail

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

NEXT Finance

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

NEXT International Retail

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

Lipsy

- Designs and sells Lipsy and other branded fashion products
- Trades through NEXT Online, from around **40** NEXT stores and through wholesale and franchise channels

NEXT Distribution

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

NEXT Sourcing

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

NEXT Employees

- Over **40,000** employees globally

Continuous improvement lies at the heart of our business. We aim to conduct our business in an ethical manner and to develop positive relationships with our suppliers to raise standards of working conditions in the factories where our products are made.

Our Product Supply Chain



We source from **41** countries



We have **625** active Tier 1* product suppliers



Our COP team comprises **46** NEXT employees

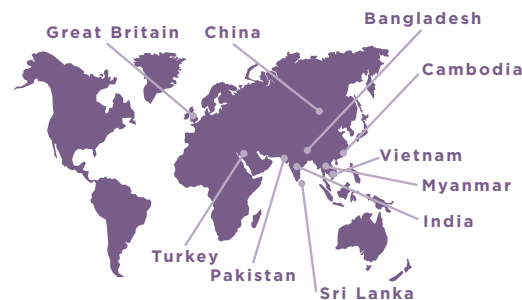


Our in-house COP team carried out **2417** audits in the year



There are around **1.5m** workers in our Tier 1* product supply chain

Our top 10 sourcing countries are:



*Please refer to 'Our Customers and Products' section of our Corporate Responsibility Report at nextplc.co.uk for details of supply chain tiers.

Our Commitment

NEXT is committed to preventing modern slavery and human trafficking throughout our business and supply chain and to understanding the modern slavery risks that may be present.

We do this by:

- finding effective methods to work to eliminate slavery and human trafficking practices in our supply chain. We are working towards full transparency of our supply chain
- ensuring our policies and procedures are reviewed regularly and that we have development and training processes in place to enable our internal teams to have appropriate awareness and understanding of the issues and our responsibilities
- ensuring new suppliers understand our requirements before they commence working with us, and that existing suppliers comply with those requirements
- ensuring the people who provide the products and services we buy and use are treated fairly, and that their fundamental human rights are protected and respected

GOVERNANCE FRAMEWORK & POLICIES

Our Governance Framework



A robust governance structure and clear risk management and internal controls framework, both of which are embedded throughout the business, are core to our approach. Our Modern Slavery Steering Group comprises relevant senior management. During this year we invited senior representatives from our Apparel and Home divisions to join, thereby broadening the perspectives of the group. The Steering Group's role is to develop and coordinate actions across the business. It met six times during the year, subsequently providing the Group Finance Director with updates. The Audit Committee requested and received an update during the year. On a day to day basis significant issues seen by the COP team as part of their work are discussed with the Chief Executive where appropriate.

Each business area is responsible for preparing and maintaining operational risk registers, which include risks relating to human rights, modern slavery and bribery. In addition there is a Human Rights risk register managed by the Modern Slavery Steering Group. Business area directors review and approve their own operational risk registers at least annually. Our overall risk framework is discussed and agreed by

the Audit Committee on a regular basis. The Board annually reviews the effectiveness of the risk framework. Any significant matters arising during the year are reported to the Board.

Due Diligence

Our COP auditing process is a vital due diligence tool as it delivers assurance that our suppliers and their factories understand their responsibility to comply with our ethical standards. We also invest time and resources to support effective communication and work collaboratively with our suppliers to prevent issues arising or help resolve issues we have identified. We use the UNGP Reporting Framework to help us build a more detailed picture and better understand the salient human rights issues across our business (i.e. those human rights that stand out because they are at risk of the most severe negative impact through the Company's activities or business relationships). During the year we carried out a review of our salient human rights risks with our partner SHIFT. For more details please see our Corporate Responsibility Report at nextplc.co.uk

Policies

NEXT has clear policies and monitoring processes in place combined with robust supply chain management. We review and update these policies and practices regularly as we learn from our experiences. They are designed to ensure that people are treated with dignity and respect by upholding internationally recognised human rights principles encompassed in the Universal Declaration of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. As wage retention is one of the issues we identified in our COP audits

this year, we developed a wage retention policy to ensure consistent, clear guidance for our suppliers.

NEXT's business policies relating to modern slavery are published on our corporate website at nextplc.co.uk:

- Human Rights and Modern Slavery
- Whistleblowing for NEXT's third parties
- Code of Practice Principle Standards and Auditing Standards
- Health and Safety
- Anti-bribery

We also have the following employee related policy:

- Whistleblowing for employees

The NEXT COP Principle Standards comprise:

- No forced labour or modern slavery
- Freedom of association and the right to collective bargaining
- Safe and healthy working conditions
- No child labour
- Fair wages and benefits
- Lawful working conditions
- No discrimination practiced
- Employment security
- Respectful treatment of workers

We also have additional policies on our supplier portal system covering specific supply chain issues:

- Migrant Labour Policy
- Child Labour Policy
- Agency Labour Policy
- Homeworker Policy
- Laundry Management Policy
- Syrian Refugee Remediation Programme
- Wage Retention Policy

RISK ASSESSMENT & DUE DILIGENCE

Our Highest Risks

We believe those areas which give rise to the highest modern slavery risk are:

- NEXT's own branded product supply chain
- NEXT's suppliers who subcontract manufacturing processes e.g. dyeing and finishing
- Specific country risks where modern slavery is highest e.g. India, China
- Specific goods or services not for resale e.g. logistics service providers, cleaning services

During 2019 we carried out a review of our salient human rights risks with the support of SHIFT (a US not for profit organisation). The review included workshops facilitated by SHIFT with key senior management in the business.

Our salient human rights risks are as follows:

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

Further information on our latest salient risks are available in our Corporate Responsibility report at nextplc.co.uk

Key Activities This Year

NEXT's own branded product supply chain > We have continued to gain increased transparency of those subcontractors used by our Tier 1 product suppliers. These sites must be recorded by our product suppliers on our enhanced supplier portal system. This includes Tier 2 processors e.g. laundries, embroiderers, as well as labels and packaging and components and trims suppliers.

Unauthorised subcontracting > This year we have identified **10** cases of unauthorised subcontracting in our product supply chain through our auditing. We successfully worked with the relevant third parties to resolve issues in all cases.

Country risks > Our on the ground COP audit team have continued to work with our suppliers and factories to address specific in-country issues.

Third party branded suppliers > We have launched an online portal for our third party brands, providing information on our approach to supply chain risks and guidance for the brands on best practice.

Logistics service providers > Along with other UK retailers, we are participating in a project led by SHIFT which aims to increase understanding of 'final mile delivery' in the logistics sector, focusing on respecting human rights.

Due Diligence & Action Taken

Concerns regarding modern slavery generally originate from one of the following sources:

- COP audits
- Whistleblowing
- Employee or third party communications

If our employees are visiting a factory as part of their role and identify something of concern, they can contact our COP team directly. On the occasions when this has happened we have been able to put an appropriate response or action plan in place. This reflects the positive engagement of our employees and their awareness of modern slavery issues which supports the work of the COP team.

During the year we have reviewed any such concerns and agreed actions accordingly. We continue to produce internal incident reporting which provides clear visibility of where risks arise, both geographically and by category. Incidents and associated reporting are reviewed by the Modern Slavery Steering Group where actions are agreed and progress tracked. Whistleblowing incidents are reported to the Next plc Audit Committee.

During 2019/20 COP audited **99%** of all factories manufacturing for NEXT, which employ over **1.5** million people. During these audits we identified **23** factory sites with modern slavery related risks. Of these **23** factories, **15** have been successfully remediated or have an agreed plan to remediate and **8** have been disengaged. Our priority is to support factories to resolve issues, but we will not continue to work with them indefinitely if there is no willingness to improve.

RISK ASSESSMENT & DUE DILIGENCE

Wage Retention - Our Approach

Occasionally we identify the issue of wage retention in a supplier's factory and our priority is to ensure that the workers receive all wages that they are owed. In all cases of wage retention we take the following steps:

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

In relation to wage retention incidents we have found **16** cases. We successfully worked with suppliers to remediate **10** cases and disengaged with **6** factories who did not wish to collaborate with us.

What we have seen - case study examples



Case Study - Wage Retention in Bangladesh

Our COP auditors identified that wages had been retained for 4,000 workers in a factory in Bangladesh. Our on-the-ground team had meetings with the factory owner and our supplier to agree remediation. Commitment to the remediation process was obtained from the factory. The COP team carried out an unannounced follow-up visit and identified that most of the

workers' wages had been repaid but wages for 100 workers were still outstanding. The corrective action plan and timelines were reviewed and agreed. We returned again unannounced and confirmed through documentation review and worker interviews that the issue of wage retention had been resolved. The factory was closely monitored by our team and further unannounced visits were carried out to ensure continued compliance.



Case Study - Child Labour in China

Through a COP audit we identified 2 children aged 14 years 3 months and 15 years 10 months working at one of our Tier 1 production sites. Instead of going through the factory's agreed hiring procedure, the two children were hired directly by line managers. The supplier and the factory showed strong commitment to following our Child Labour Remediation Plan. The factory provided training to all line managers and enhanced their hiring procedures to ensure IDs were checked and verified. An unannounced follow-up audit by NEXT showed the enhanced hiring procedures had been fully implemented. No further child labour was observed. The NEXT appointed NGO partner, LESN, followed up with the two children; they had returned to school and were receiving monthly wage compensation in accordance with our Child Labour Remediation Plan. This will be paid until they reach legal working age (16 years in China) to ensure their education is supported.*

*For further details of our collaborative work and our tiered supply chain please refer to our latest Corporate Responsibility Report at nextplc.co.uk

In relation to child labour incidents, we found **4** cases (**9** children in total) during the year. Whilst any child working in our supply chain is totally unacceptable, these **9** children represent **0.0006%** of workers employed in factories producing NEXT products.

Looking Forward

Over the coming year we plan to focus on the following areas:

- Carrying out audits within our Tier 2 supply base, prioritising high risk areas and countries
- Continue to capture information on Tier 2 sites using our online supplier portal
- Develop and implement a country risk analysis on our top 10 sourcing countries



TRAINING & COLLABORATION

Training

Our employees

Raising awareness of our employees and providing them with appropriate training remains a key focus area for NEXT.

Over 3400 relevant global employees have successfully completed our bespoke online training course. We have also delivered face to face presentations to employees responsible for sourcing our products, both in the UK and overseas.

Activities this year include:

- Continued to deliver a 'Responsible Business' session as part of our Buying Academy (training for new employees in our UK based product teams). **85** attendees in 2019
- In-house guidance booklet designed and issued to NEXT overseas employees
- Refreshed online training course content
- Face to face training sessions for **262** overseas employees based in key NEXT sourcing offices



Modern Slavery: What you need to know

A GUIDE FOR NEXT UK EMPLOYEES

Our suppliers

Communication with our suppliers is a key focus area for NEXT. We delivered face to face presentations to over **260** supplier and factory representatives during the year.

Activities this year include:

- Held supplier training sessions in the UK, Myanmar and Turkey as part of our commitment to continued supplier engagement, with **157** attendees
- Introduced a new online portal to aid communication with our third party branded suppliers. The portal provides information on our approach to human rights and modern slavery, along with guidance that brands can use to assist with their own responsibilities and actions on these issues

Looking Forward

Over the coming year we plan to focus on the following:

- Carry out further supplier face to face presentations globally, covering NEXT and Lipsy product-related suppliers, agency labour providers and other higher risk goods and service providers
- Register Home product third party brands on to our bespoke online portal



TRAINING & COLLABORATION

Collaboration

Our business cannot tackle modern slavery alone, so it is important and valuable for NEXT to work with others to develop solutions for some of the more complex and systemic problems found within global supply chains. We believe that by maintaining strong direct relationships and undertaking collaborative work with others we are able to deliver real benefits to workers in our supply chain.

NEXT is a member of the Ethical Trading Initiative, Bangladesh Accord and ACT (Action, Collaboration and Transformation).

We are also a member of SHIFT, who support our approach to implementing the UN Guiding Principles on Business and Human Rights.

For further details of our collaborative work please refer to our latest Corporate Responsibility Report on nextplc.co.uk



NEXT continues to be an **official partner of Unseen**, a charity providing the UK-wide Modern Slavery Helpline. During 2019 Unseen has taken **7000** calls, **2000** web reports and **100** app submissions indicating **4500** potential victims. Through sponsoring the hotline we gain insight of the potential modern slavery risks and how forced labour situations are being reported. This collaborative approach is essential in helping to mitigate risks and manage emerging threats.



During the year we participated in meetings of the Leicester, Leicestershire and Rutland Modern Slavery Action Group, a multi-agency partnership that brings together different agencies and organisations committed to sharing intelligence and working collaboratively to reduce the prevalence of Modern Slavery and Human Trafficking in the region.

Partners in the group include:

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

