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MODERN SLAVERY  
TRANSPARENCY STATEMENT  
**2021**

# INTRODUCTION

It continues to be a priority for NEXT 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 fifth statement made under the Modern Slavery Act 2015 Section 54 and constitutes our group modern slavery statement for the 2020/2021 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  
30 April 2021



# KEY ACTIVITIES IN 2020/21



## Supply Chain Transparency (Page 3)

- **Updated Tier 1<sup>1</sup> factory listing** published on nextplc.co.uk
- Published list of Tier 2 authorised subcontractors for the first time
- Completed risk review of top ten sourcing countries
- **1492** Code of Practice (COP) audits performed in the year across **29** countries



## Active Management and Remediation (Pages 4-6)

- Expanded the scope of the Modern Slavery Steering Group to encompass environmental, social and governance (ESG) activities, now the ESG Steering Group
- Worked with **14** factories to successfully **remediate** modern slavery issues
- **Disengaged 4** factories where remediation on issues relating to modern slavery had not been achieved to an acceptable level. All 4 cases were in relation to wage retention.



## Training & Awareness (Page 7)

- Over **200** new employees completed our **bespoke online Modern Slavery training** during the year. To date **over 5000** employees globally have completed the course
- Online portal for third parties continues to grow with over **200** brands registered to date. We also have dedicated sections for freight forwarders, branded component suppliers, Lipsy third party suppliers, Home brands and our third-party branded suppliers



## Collaboration (Page 7)

- Maintained support of **Unseen** - the UK modern slavery and exploitation helpline
- Participated in the Apparel and General Merchandise Public Private Protocol (AGM PPP) focused on exploitation of workers in the UK manufacturing sector

Further details of the above key activities during the year are provided on pages 3 to 7.

<sup>1</sup> 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.



# 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 **65** countries



### NEXT Retail

- Around **500** stores in the UK and Eire
- **784,000** m<sup>2</sup> trading space



### NEXT Finance

- Provides **£1bn** of customer credit for NEXT customers to purchase products online and in our stores



### NEXT International Retail

- Around **190** franchised stores
- Operates in **36** 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 **40** countries



We have **609** active Tier 1\* product suppliers



Our COP team comprises **46** NEXT employees

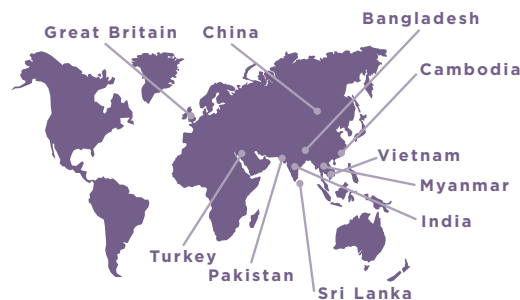


Our in-house COP team carried out **1492** audits in the year



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](http://nextplc.co.uk) for details of supply chain tiers.

## Our Commitment

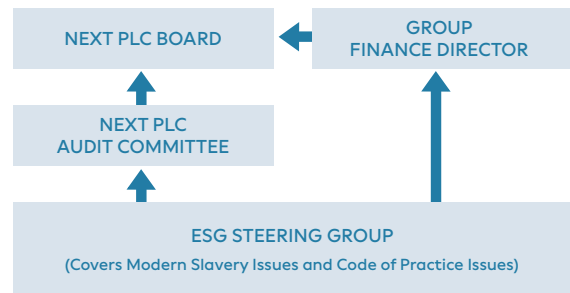
NEXT is committed to preventing modern slavery and human trafficking throughout our business and supply chain and to understanding the modern slavery risks that may be present.

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. The focus on ESG has increased steadily over the past few years but 2020 saw an unprecedented pace of change. To reflect its broad, complex and fast-moving nature, we expanded the remit of the Modern Slavery Steering Group to establish an ESG Steering Group. The ESG Steering Group is responsible for developing our ESG improvement roadmap, prioritising actions and helping to monitor emerging ESG risks. Updates on ESG activities were provided during the year to the Audit Committee which has added ESG as a standing agenda item at each of its meetings.

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 ESG 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 and 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). For more details please see our Corporate Responsibility Report at [nextplc.co.uk](http://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](http://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

## Where are 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

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](http://nextplc.co.uk).

## Key Activities This Year

**Supplier presentations** were not possible in person this year due to the pandemic. However our COP teams have continued to carry out one-to-one inductions for new suppliers virtually. These inductions specifically include modern slavery risks. We are developing online tools for roll-out in 2021.

**Unauthorised subcontracting** We have identified **9** cases of unauthorised subcontracting in our product supply chain through our auditing work. We successfully worked with the relevant third parties to resolve issues in all cases except one where the supplier could not complete effective remediation.

**Third-party branded suppliers** Our bespoke platform was launched last year as a communication tool for the COP team. During the year this was expanded to include a section specifically for Home third-party brands. This has been tailored to ensure that the Home brands are directed to accurate information regarding their relationship with NEXT. We currently have **25%** of our Home third-party brand partners registered on the portal.

The primary benefit of the platform is the instant delivery of information straight to the brands, ensuring that all third-party brands sold via NEXT are privy to information needed to understand our expectations in relation to ethical standards.



# RISK ASSESSMENT & DUE DILIGENCE

## 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 ESG Group where actions are agreed and progress tracked. Whistleblowing incidents are reported to the Next plc Audit Committee.

During 2020/21 COP audited **82%** of COP audits were on-site visits and **18%** were virtual. During these audits we identified **18** factory sites with modern slavery related risks. Of these **18** factories, **14** have been successfully remediated or have an agreed plan to remediate and **4** 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.

## Looking Forward

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

- Explore due diligence approaches for our third party brands
- Develop systems enhancements to increase supply chain transparency and reporting
- Ensure that learning from worker voice projects are reviewed and applied to additional projects or used to enhance current work
- Register NEXT-branded product suppliers on our bespoke online portal
- Continue to capture information on Tier 2 sites



# TRAINING & COLLABORATION

## Training & Awareness

### Our Employees & Suppliers

Raising awareness and providing our employees with appropriate training remains a key focus area.

**Over 5000** employees globally have successfully completed our bespoke online training course. We were unable to deliver face to face presentations to employees due to the pandemic but we have been working on online content which we will roll out during 2021. Ongoing communication with our suppliers is crucial and we are committed to face to face engagement as soon as circumstances allow.

#### Activities this year include:

- Adapting our 'Responsible Business' training session (usually delivered in person as part of our Buying Academy) into a format that is delivered online
- Refreshed online training course content for new suppliers, including animated videos
- Enrolled more third party suppliers onto our bespoke platform
- Provided tools and information via our supplier portal on managing COVID risks e.g. effective hand hygiene and guidance on supporting migrant workers during COVID

## 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](http://nextplc.co.uk).

We continue to be an official partner of Unseen - the UK national modern slavery and exploitation helpline. This collaborative approach is essential in helping to mitigate risks and manage emerging threats. During 2020, Unseen took **over 6000 calls, 1800 web reports** and **58** submissions via an app, indicating more than **3400 potential victims**. **One** of the reports to Unseen related to NEXT during the year. We were able to carry out proportionate due diligence based on the information received and did not identify any issues that required further action.

We have maintained membership of the Leicester, Leicestershire and Rutland Modern Slavery Action Group (LLRMSAG), a multi-agency partnership working to reduce the prevalence of modern slavery and human trafficking in the region.

**Focus on UK manufacturing** During the year there was a heightened focus on UK manufacturing, with a number of high-profile articles highlighting issues around worker exploitation in the UK apparel supply chain. While a number of stakeholders have created initiatives to tackle these issues, these have lacked a coordinated industry approach bringing together manufacturers, retailers, workers, government and others. The Apparel and General Merchandise Public Private Protocol (AGM PPP) aims to provide a framework for a coordinated approach to realise the potential of the UK Apparel and General Merchandise industry. Participating members will work together to improve employment and working conditions and eradicate slavery and exploitation in the Apparel and General Merchandise supply chain in the UK by:

- Raising awareness to prevent the exploitation of workers
- Protecting vulnerable and exploited workers
- Disrupting exploitative practices and bringing criminals to justice
- Protecting the rights of all workers and promoting decent work, ensuring the inclusion of worker and community voice

NEXT is an active participant in the workstreams which make up the AGM PPP.

## Looking Forward

- Carry out training sessions for reworkers, using either online tools or face to face
- Continue to register third parties onto our bespoke portal
- Maintain active role in AGM PPP - agree and implement proportionate actions