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MODERN SLAVERY  
TRANSPARENCY STATEMENT  
**2019**

# INTRODUCTION

It is a priority for NEXT<sup>1</sup> 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 third statement made under the Modern Slavery Act 2015 Section 54 and constitutes our group modern slavery statement<sup>2</sup> for the 2018/2019 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 making a positive difference in reducing 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 2019

<sup>1</sup> NEXT refers to any company forming part of the Next plc group. This includes, but is not limited to, Next plc, our ultimate parent company, 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.

<sup>2</sup> We operate one corporate website, [nextplc.co.uk](http://nextplc.co.uk), rather than individual subsidiary websites. Our Next plc group Modern Slavery Statement is therefore only published on our corporate website at [nextplc.co.uk](http://nextplc.co.uk).



# KEY ACTIVITIES IN 2018/19



## Supply Chain Transparency

- **Updated tier 1 factory listing** published on nextplc.co.uk
- Tier 1 factories must now declare their tier 2 sub contractors on our **new enhanced supplier system**
- **2,073** Code of Practice (COP) audits performed in the year across **43** countries.
- **98%** of all factories manufacturing for NEXT were audited (2017/18: 93%)



## Active Management and Remediation

- **New incident management reporting**
- Worked with **21** factories to **remediate** modern slavery risks
- **Disengaged 15** factories where remediation had not been achieved to an acceptable level



## Training & Awareness

- Over **300** new employees completed our **bespoke online training** course during the year. To date **over 3,000** employees globally have completed this course
- Issued **new guidance booklet** to over **150** third party brands whose products are sold through Next Online
- Completed third party branded business **ethical risk assessment**, which informed our decisions on prioritising next steps with this part of our supply chain.



## Collaboration

- NEXT signed up to the **new Retailer Protocol** for Handling Reported Cases of Modern Slavery and the Apparel and General Merchandise Public/Private Protocol to tackle labour exploitation in the UK supply chain. We are part of the British Retail Consortium's (BRC) Ethical Labour Working Group:
- NEXT became an **official partner of Unseen** - the UK national modern slavery helpline.

Further details of the above key activities during the year are provided on pages 5 to 8.

\*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 70 countries



### NEXT Retail

- Around 510 stores in the UK and Eire
- 744,000m<sup>2</sup> trading space



### NEXT Finance

- Provides £1.2bn of customer credit for NEXT customers to purchase products online and in our stores



### NEXT International Retail

- Around 200 franchised stores
- 6 wholly owned NEXT stores in Europe
- Operates in 35 countries



### Lipsy

- Designs and sells Lipsy and other branded fashion products
- Trades through NEXT Online, from around 50 NEXT stores and through wholesale and franchise channels



### NEXT Distribution

- 8 UK warehouses, 7 UK distribution centres and 3 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

- Around 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 **43** countries



We have **610** active tier 1\* product suppliers



Our COP team comprises **47** NEXT employees

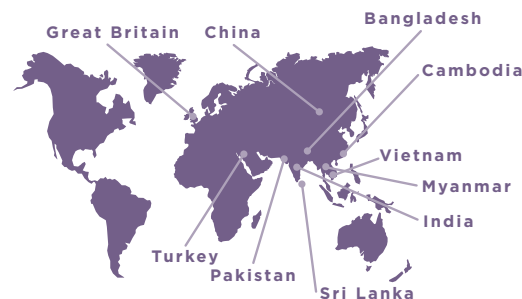


Our in-house team carried out **2,073** audits in the year



There are around **1.4m** 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

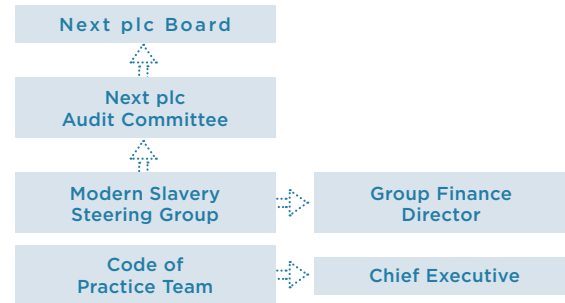
NEXT is committed to preventing modern slavery and human trafficking throughout our business and supply chain and to understanding the modern slavery risks that may be present.

We do this by:

- finding effective methods to do what we can 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. Its role is to develop and coordinate actions across the business. They met 6 times during the year and also provided the Group Finance Director with updates. The Audit Committee requested and received two updates 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 separate 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. Any significant matters 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).

## 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.

NEXT 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 policies:

- 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

# RISK ASSESSMENT & DUE DILIGENCE

## Where are our highest risks?

We have undertaken a risk assessment to identify those areas which create the highest modern slavery risk.

These 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 the year we have also completed an internal assessment and categorisation of our human rights and modern slavery risks:

- child labour
- discrimination
- employment fee charged
- forced labour
- hazardous working conditions
- restricting freedom of movement
- unauthorised deductions from workers' pay
- unregistered workers
- wage retention

## Key activities this year:

**NEXT's own branded product supply chain** > We have started to gain increased transparency of those subcontractors used by our product suppliers. These sites must now be recorded by our site product suppliers on our enhanced supplier portal system.

**Unauthorised subcontracting** > We have identified several cases of unauthorised subcontracting in our product supply chain through our auditing and worked with the relevant third parties to resolve issues.

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

**Third party branded suppliers** > We have completed an ethical risk assessment of third party brands. We have provided these suppliers with materials to raise awareness of modern slavery risks in their supply chains.

**Logistic service providers** > We carried out a modern slavery presentation to our 6 main global freight forwarders.

## Due Diligence & Action Taken

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

- COP audits
- Whistleblowing procedures
- Employee or third party communications

During the year we have reviewed any such concerns and agreed actions accordingly. We have developed new incident reporting this year which provides clear visibility of where risks arise.

During 2018/19 COP audited **98%** of our suppliers' factories, employing over **1.4** million people. During these audits we identified **36** factory sites with modern slavery related risks. Of these **36** factories, **21** have been successfully remediated or have an agreed plan to remediate and **15** 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

## Child Labour - Our Approach

On the rare occasion we find child labour in a supplier's factory, our priority is the welfare of the child. With this in mind, the following actions are undertaken beyond that of the child being simply removed from the workplace:

- We ensure an appropriate NGO (non government organisation) is appointed to support the child in returning to education
- The child and their family must be consulted
- We continue to closely monitor the situation and if the supplier does not meet their requirements, any future business may be suspended until remediation is agreed

In relation to child labour incidents we have found 8 cases (11 children in total) during the year. Whilst any child working in our supply chain is totally unacceptable, these **11** children represent **1/130,000** of workers employed in factories producing NEXT products.

## What we have seen - case study examples



### Case Study - Child Labour in China

Our COP auditors found one child aged 15 years and 5 months working at a product factory site. Fake ID had been used to obtain work. Commitment was obtained from the supplier to follow NEXT's child labour remediation plan. The supplier also agreed to carry out their own on-site visit to verify improvements. An unannounced follow-up audit by NEXT showed issues had been resolved. The child had returned to school. The factory implemented improved ID checks (including purchase of an ID scanning machine), and the child received wage compensation on a monthly basis until they reached legal working age, so that they did not seek work in any other factory and remained in education. Wage compensation payments were managed by our NGO partner LESN.\*



### Case Study - Wage Retention in India

Our COP auditors found evidence that the wages of 64 permanent employees had been retained. There was commitment from both the supplier and factory to resolve the issue, the factory owner attended a meeting with our COP regional manager to discuss the reasons for the issues and to agree corrective actions. The supplier maintained regular contact with the COP team to update on progress being made by the factory. During an unannounced follow-up audit we were able to verify that the retained payments had been returned to the workers.

## Looking Forward

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

- Capture detailed tier 2\* third party information using our online portal system to further develop supply chain transparency
- Continue to focus our activities and COP audit visits on highest risk areas and countries as priority
- Carry out a review and updated assessment of NEXT's salient human rights risks with SHIFT\*, one of our NGO partners

\*For further details of our collaborative work and our tiered supply chain please refer to our latest Corporate Responsibility Report at [nextplc.co.uk](http://nextplc.co.uk)

# TRAINING & COLLABORATION

## Training

### Our employees

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

**Over 3,000** 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:

- Introduction of a responsible business session into our Buying Academy, (training for new employees in our UK based product teams)
- Face to face refresher sessions with NEXT's UK based product teams
- Translation of our training course to local language for our Russian employees

### Our suppliers

Communication and awareness to our suppliers is also a key focus area for NEXT. We have delivered face to face presentations to over **900** supplier and factory representatives across the **11** countries who source the majority of our product and acknowledge that such communications are an ongoing process and should not be considered as a one off exercise.

#### Activities this year include:

- Developed a new guidance booklet for our third party brands to assist with meeting our expectations and understanding their responsibilities. Issued to **150** of our most popular online brands
- Provided guidance information on our supplier online portal
- New supplier inductions in our NEXT sourcing locations now cover modern slavery information

## Looking forward

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

- Refresh our online employee training content
- 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
- Launch of new supplier portal to aid online communications with our third party branded suppliers





# 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 (a US not for profit organisation), who support our approach to implementing the UN Guiding Principles on Business and Human Rights (UNGP).

**For further details of our collaborative work please refer to our latest Corporate Responsibility Report on [nextplc.co.uk](http://nextplc.co.uk)**



This year NEXT became an **official partner of Unseen**, a charity providing the UK-wide Modern Slavery Helpline. During 2018 Unseen has taken **7,400** calls indicating **7,100**

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.



Our **participation in the British Retail Consortium's (BRC) Ethical Labour Working Group** has been important in developing two key protocols this year:

- 1. The Retailer Protocol for Handling Reported Cases of Modern Slavery**, which establishes principles of good practice for retailers responding to reported cases of forced labour, human trafficking and other forms of modern slavery in the UK supply chain.
- 2. The General Merchandise Public/Private Protocol** which aims to tackle labour exploitation in the UK supply chain. It recognises the intent of the Labour Market Enforcement Bodies (LMEB) and Apparel and General Merchandise (AGM) brands to work together and share information with the overarching aim to protect vulnerable and exploited workers.

