Investor brief

Next plc: Out of step?

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Next plc, one of the UK's largest retailers by market capitalisation, is out of step with its peers, with international human rights norms and with investor expectations on governance and supply chain due diligence. The company claims in its 2025 corporate responsibility report to implement the UN Guiding Principles on Business and Human Rights and to align its work with the UN Sustainable Development Goals. It also insists that protecting its supply chain workers' safety, human rights and wellbeing is "fundamental." And yet its behaviour in multiple countries gives the impression of a company that cares more about profits than people.

Reneging on promises in Cambodia

Next is a signatory of the Action, Collaboration, Transformation (ACT) initiative on living wages, in which brands, trade unions and manufacturers work together to enable long-term improvements in wages and working conditions in the global garment industry. In 2024, ACT member brands, along with employers and trade unions, agreed on the first supply chain-supported collective bargaining agreements in Cambodia.

But while all other ACT member brands, including Next's UK competitors Asos, Tesco, New Look and Primark, signed binding agreements with IndustriALL Global Union designed to underpin collective bargaining as a pathway to living wages, Next has refused to do so. The company had participated in ACT negotiations for eight years, and in its most recent Modern Slavery Statement touted its ongoing participation in the initiative. Yet it has now reneged on its commitments under the program, thus denying Cambodian workers at over 50 factories supplying Next a chance at decent wages and better benefits.

The binding agreements are a breakthrough in addressing the systemic issue of very low wages in the sector. Many Cambodian garment workers are women and are breadwinners for their families. A living wage is paramount in helping these workers lead productive and dignified lives while helping to pull up the floor of an industry that accounts for over one-third of the country's GDP. The agreements can also lower risk for signatory brands and their investors as they are built on meaningful stakeholder engagement and robust supply chain due diligence.[1]

Refusal to pay a living wage in the UK

The company's behaviour in Cambodia is echoed in its refusal to agree to pay a living wage to its 40,000 UK retail workers. And just as Next may be contributing to increasing inequality for its Cambodian supply chain workers, it could well be doing the same in its home country. ShareAction, a UK organization promoting responsible investment, coordinated a shareholder resolution in May 2025 asking Next to disclose the number of its direct employees and regular, on-site contract staff whose base pay is below a real living wage.[2] The rationale for the resolution was to help investors understand how Next "balances operational costs with long-term sustainability", and the text of the resolution points out that wages that do not meet the cost of living create inequality and "increase the burden on state support systems... externalising the costs of low pay onto the wider economy".

The resolution did remarkably well, with 27% of shareholders voting in favour. An analysis by one UK corporate governance and labour expert called it an "unequivocally great result", particularly as social-themed resolutions in the UK do not commonly garner such percentages. The outcome stood in stark contrast to the company CEO's statement at the 2025 AGM that because his UK workforce is mostly women and young people, they are not breadwinners, and their jobs are only "supplementary income". Such a statement is not only demeaning, it also shows a company out of step with many of its own shareholders.

Abandoning workers in Sri Lanka

In May 2025, Next closed a factory run by its wholly owned subsidiary, Next Manufacturing Ltd (NML), in the Katunayake Free Trade Zone in Sri Lanka. Over 1,400 workers were notified of the closure via text message and locked out of their workplace. Some of the workers had provided loyal service for over three decades, and many are internal migrants, female and the main breadwinners for their families. They were pressured to sign resignation letters; while Next claimed these were voluntary resignations, the workers, having few other resources, felt compelled to resign to receive compensation.

The company has violated Sri Lankan law by failing to uphold the correct legal procedure on closing a factory and terminating workers. Next has also violated the factory closure provision of its own collective bargaining agreement with the trade union FTZGSEU. The Labour Ministry opened an inquiry into the closure. Next initially said it would pay the workers for three months, which is also illegal: by law, workers who lose their jobs must be paid until the end of an inquiry, not for a period unilaterally decided by the company.

Sixteen workers, all of them trade union members, refused to sign the "voluntary" resignation letters, and have been left in a dire situation. They are not officially terminated while the Labour Ministry's inquiry continues, so they cannot get jobs elsewhere and have been forced to take on informal work. Sri Lanka has no statutory unemployment benefit scheme, so the workers are relying on support from the union.

1. The structure and key contents of the binding agreements have been developed through ongoing and systematic meaningful stakeholder engagement between global brands, employers and trade unions, enabling the supply chain partners together to jointly address key sector risks. The binding agreements facilitate cutting-edge access to remedy for workers through an integrated dispute resolution mechanism embedded in the brand-supported CBA, and for suppliers including through binding international arbitration to ensure the brand commitments are upheld.
2. Co-filers of the resolution at Next were AXA Investment Managers, Scottish Widows, Trust for London, the Greater Manchester Pension Fund, Cardano Group, Epworth Investment Management and Friends Provident Foundation.

It is notable that the shuttered factory was the only one in Sri Lanka with a trade union and a collective bargaining agreement, which had been signed in 2021 and had allowed the union to negotiate wage increases over the years. FTZGSEU officials note that, until 2025, the agreement had functioned well, and the company had never indicated there was a problem at the factory. In closing the facility, the company has made contradictory claims, saying at one moment that it was closing it due to high production costs in the free trade zone, and at another moment that it was shutting down the plant due to lack of orders. In the meantime, FTZGSEU reports that two other factories run by NML are not only still open but are receiving many orders.

NML continues to refuse to meet with the trade union.

Sourcing from a high-risk, pariah state

Finally, Next continues to source from Myanmar, whose government has been run by a military junta since a coup in February 2021. In June 2025, the International Labour Organization (ILO) invoked Article 33 of its constitution, its highest sanctioning mechanism, against the government of Myanmar – only the third time in its history that the ILO has imposed this measure. The vote represents an agreement by a majority of business, government and workers' representatives of the gravity of the situation in Myanmar. In passing this sanction, the ILO was calling on governments, workers and employers to work together "to disable all means that have abetted or empowered the perpetuation" of egregious rights violations. Necessary responses could include, for example, ending business relations with the country, given the high risk that financial flows from outside directly benefit the military regime.

In its CSR report, Next acknowledges the increased risk of sourcing from Myanmar and claims to audit factories there every eight weeks. Yet in 2022 the Ethical Trading Initiative commissioned a dedicated, independent assessment of human rights and responsible business conduct in Myanmar, and concluded it is "nearly impossible" for brands to apply adequate human rights due diligence there. The situation in the country has only become worse since the assessment, as made clear by ILO's recent decision to invoke Article 33.

Risks to investors

The above examples paint a picture of a company that, despite its claims on paper, seems to care more about making money than running a responsible and sustainable business. At the very least, it is now associated with, and arguably contributing to, serious rights violations in multiple jurisdictions, indicating a pattern of poor behaviour as opposed to isolated incidences. These practices pose significant risks to its investors.

Operational, regulatory and legal risks:

Companies sourcing from Myanmar could be exposing themselves to risks of sanctions and supply chain instability. In addition to ILO's invocation of Article 33, IndustriALL filed an OECD complaint against Next in November 2024 due to the company's continued sourcing despite findings by an ILO Commission of Inquiry of forced labour and freedom of association violations in the country, as well as documented violations in Next supplier factories. The case is under consideration by the UK National Contact Point (NCP). In a 2024 report, the US State Department listed garments as among the goods produced with forced labour in Myanmar, stating:

> **The garment sector [in Myanmar] also faces alarming levels of exploitation. Adult workers, primarily women, are subjected to forced labor in garment factories, especially in the city of Yangon. ILAB's research indicates that forced labor has become more widespread since the coup, with workers in these garment factories, many of which supply international markets and brands, being forced to work unpaid overtime under the constant threat of financial penalties, dismissal, physical violence, and verbal harassment.**

Given momentum in certain jurisdictions, for example the European Union, to ban products made with forced labour, companies sourcing these goods could face increased regulatory, legal and operational risks.

In addition, Next has exposed itself to legal and operational risks in Sri Lanka if it is found to have violated labour law in closing the Katunayake factory.

Reputational risk:

Investors might hear from Next that it cannot provide the volume commitment needed to sign a binding agreement under ACT in Cambodia. But this argument is disingenuous because, as has long been known by all ACT member brands, their volume commitment – by building trust with suppliers – is fundamental to ensuring those suppliers participate as well. Backpedaling on promises and refusing to uphold a commitment undermines trust with other brands in the programme as well as with other stakeholders such as suppliers. Further, not signing allows a brand not to provide better wages and benefits to factories but to still benefit from ACT's efforts to bring positive, systemic change to a very low-wage, and therefore high-risk, sector in Cambodia. If it does not sign the binding agreement, in reality Next will be free-riding off this innovative programme. Turning its back on workers in Sri Lanka could similarly tarnish the company's reputation.

Further, Next appears to be out of step on a living wage in the UK, and its CEO's insensitivity to the company's own employees and contract workers is, at best, not a good look and reflects poorly on the company. Next's leadership is well-rewarded compared to its workforce: its CEO/median worker pay ratio at 200:1 in the most recent year is the third highest in a peer group of 19 UK-listed retailers, based on analysis undertaken by IndustriALL of the most recently available annual reports. At the other end of the scale, both salary and total remuneration for workers at the 25th percentile are the third lowest in the same group.

This raises questions about why the company will not engage stakeholders on a living wage for its UK workers or make good on its commitment to help raise wages in its Cambodia garment supply chain. Indeed, according to analysis by governance experts in the UK, it seems Next has enough money to pay investors handsomely. It distributed £4.7bn to shareholders over the past 10 years through dividends and buybacks. That includes £618m paid out in the most recent financial year. Of the companies in the peer group, only Tesco, a much larger company, paid out more. Shareholders might therefore ask the company how it cannot afford to pay an amount that is relatively small for a profitable global brand but that makes an enormous difference to supply chain workers.

Governance risk:
Next's workforce engagement approach

Under the UK Corporate Governance Code, UK-listed companies are expected to set out their approach to workforce engagement. Companies are free to choose their model, with suggestions in the Code including appointing a worker director, designating non-executive directors as responsible or establishing a workforce advisory panel.

Trade unions have generally favoured the worker director model, but this is rare in practice; by far the most common choice of UK PLCs is the designated non-executive director model. While not providing direct worker voice, it at least establishes a level of accountability at board level.

Unlike many of its retail peers, Next has not designated any member of the board as responsible for engagement with the workforce, meaning there is no formally established board oversight of, or accountability for, workforce issues. Nor does the workforce have direct representation at board level. Instead, Next has adopted a 'workforce panel,' using the same boilerplate text for several years to describe its workforce engagement model.

Given the various workforce controversies in which Next plc is now embroiled, this lack of board oversight and accountability may pose risks for investors.

Investor questions for Next plc

Based on the preceding sections, Next's shareholders should consider asking the company the following questions:

1. **Given the company's profitability, why is it unwilling to engage stakeholders on a living wage for its UK workers or to honour its commitment to contribute to raising wages for workers in its Cambodia garment supply chain? Will Next agree to sign a binding agreement under ACT or will it remain the lone member company to refuse to sign?**
2. **With ILO's invocation of Article 33 in relation to Myanmar, Next's operations in that country seem increasingly difficult to justify, as well as increasingly likely to bring legal, operational and supply chain risks. How will Next address this?**
3. **Will Next's NML subsidiary in Sri Lanka agree to meet with FTZGSEU to discuss the lapses in company compliance with local law and its own collective agreement? Will Next meet with IndustriALL Global Union to discuss concerns about the company's anti-union practices?**
4. **Will Next plc designate a board member to be responsible for engaging its workforce?**