

**Independent Review
into the boohoo Group PLC's
Leicester supply chain**

Alison Levitt QC

24th September 2020

OPEN VERSION

INDEX

	<u>Page</u>	
Chapter 1	Introduction	3
Chapter 2	Executive Summary	9
Chapter 3	Methodology	14
Chapter 4	The Background	28
Chapter 5	The Allegations	40
Chapter 6	The Evidence	46
Chapter 7	The Legal Framework	193
Chapter 8	Discussion	210
Chapter 9	Conclusions	219
Chapter 10	An Agenda for change	226
<i>Appendix A</i>	<i>Terms of Reference</i>	
<i>Appendix B</i>	<i>The Call for Evidence</i>	
<i>Appendix C</i>	<i>List of Consultees</i>	
<i>Appendix D</i>	<i>Schedule of sample audit reports</i>	
<i>Appendix E</i>	<i>Grant Thornton Report</i>	
<i>Appendix F</i>	<i>Chronology of UK Government guidance and Regulations in relation to COVID-19</i>	

Chapter 1

Introduction

This Independent Review was commissioned following publication of an article on 5th July 2020 by the *Sunday Times* newspaper, in which it alleged unacceptable working conditions and underpayment of workers in factories making clothes for boohoo Group PLC¹.

On 8th July 2020 I was appointed to conduct the Review, the purpose of which has been to consider Boohoo's obligations and duties of care in relation to the workforce in its Leicester supply chain. I was asked to:

- (1) consider whether the allegations about working conditions and low pay are well-founded; and if they are,
- (2) consider the extent to which Boohoo monitored its Leicester supply chain and had knowledge of the allegations;
- (3) consider the Group's compliance with the relevant law; and
- (4) make recommendations for the future².

Whilst this Review was commissioned and has been paid for by Boohoo, I was only prepared to undertake it on the basis that the company agreed that I could be truly independent in my methods, findings and conclusions. Boohoo has not been my client in the conventional sense; for example, I have not been given instructions by them other than during the process of formulating the Terms of Reference. It was agreed at the outset that all fees would be settled before I delivered my final report; that agreement has been honoured by Boohoo. When additional resources have been requested³, Boohoo has invariably allowed them. In short, Boohoo has devoted substantial financial resource to this Independent Review and insofar as that demonstrates a commitment to it, it is my hope that that will be recognised and that they will be given credit for it.

¹ Referred to, for convenience, as 'Boohoo'.

² The full Terms of Reference are at Appendix A.

³ Such as additional lawyers to perform certain tasks, the website used to manage the public call for evidence and the instruction of various experts, such as a team of forensic accountants.

There is much to like and admire about Boohoo. The entrepreneurial talent which led Mahmud Kamani and Carol Kane to start this hugely successful company has been the engine for the creation of many jobs at its Manchester Headquarters and its Burnley distribution centre. Both Board members and employees have emphasised that they regard the Boohoo workforce as “family” and those to whom I have spoken all plainly felt proud of working for Boohoo. The Manchester Headquarters, which I and my team visited on 22nd July 2020, felt vibrant and energetic in spite of the social distancing restrictions imposed on workplaces as a result of the coronavirus pandemic.

It is not without value that Boohoo has helped to democratise fashion. Whilst I am conscious of, and respect, the view that inexpensive clothes have an unacceptable environmental impact, it should be recognised that Boohoo’s business model means that young people of modest means can now afford to wear clothes that would in the past have been beyond their reach.

Boohoo should also be congratulated for the revenue it has generated for the UK and for the fact that, unlike many of its competitors, it has continued to support UK manufacturing, particularly in Leicester.

The question is: at what cost?

This report will not satisfy everyone. By way of example, a number of stakeholders and possible witnesses have declined to speak to me on the ground that the Terms of Reference are unacceptably narrow. Whilst I understand their concerns, I would not have agreed to undertake this Review on the basis that it would be merely a superficial exercise in reassurance to the company and its investors. The advantage of restricting it is that it has made it possible to complete the Review within a relatively short time; there is always a risk with a wide-ranging investigation that by the time it has finished everyone has lost interest.

In addition, much of the ground has been extensively covered by academics, parliamentarians, NGOs and journalists over the past decade; they have made allegations about pitiful working conditions and the exploitation of a vulnerable workforce with such frequency that many regard

it as an open secret⁴. Many stakeholders have reacted with incredulity and even anger that the first question I am required to answer is whether these allegations are well-founded.

I and my team have completed this Review and written our report in eleven weeks. The reason we have been able to do this is that, by definition, it has not been our task to examine already well-trodden paths save to the extent that it was necessary for us to reach evidence-based conclusions; once we found sufficient evidence to answer each question we moved on to the next.

The evidence I have seen has been sufficient for me to answer the questions, but it has also allowed me to reach some more general conclusions about Boohoo, which I hope the company will receive in the constructive spirit in which they are offered. It is my view that:

- (i) Boohoo's extraordinary commercial growth has been so fast that its governance processes have failed to keep pace;
- (ii) It has concentrated on revenue generation sometimes at the expense of the other, equally important, obligations which large corporate entities have;
- (iii) It has not felt responsible for conditions in the Leicester factories on anything other than a superficial level; and
- (iv) On occasions it has failed to appreciate that with the enormous advantages of being a publicly-listed company come responsibilities, one of which is on all occasions to act in the best interests of all the shareholders.

That being said, I have seen material⁵ showing that, following the publication of the *Sunday Times* article, Boohoo's Chief Executive, John Lyttle, and other Board members spoke privately but with passion about the importance of leaving "*no stone unturned*" in this investigation and their commitment to being "*a good corporate citizen*".

The problems in Leicester are complex and of long-standing and Boohoo is not solely to blame; others too are responsible for not having gripped this over many years. It has been alleged that Boohoo's business model is dependent on the profits which can be made from the deliberate

⁴ See, for example, <https://www.ft.com/content/e427327e-5892-11e8-b8b2-d6ceb45fa9d0>

⁵ Audit Committee Minutes, 6th July 2020

exploitation of the Leicester supply chain, safe in the knowledge that there will be little scrutiny. I do not accept this; I am satisfied that there are sound legitimate business reasons for Boohoo using Leicester to manufacture clothing but for this to be the case going forwards it may require a change of approach, not least in terms of how Boohoo educates and trains its buyers.

I have reached the conclusion that the true reason that Boohoo did not become more involved in monitoring conditions in Leicester was that it saw it as being a lower priority than matters which directly affected the company (such as commercial issues or their own employees). The Leicester workers are not employed by them and so they are not their responsibility in the way that their own workforce is. To some extent this is understandable, but can lead to serious issues of the kind which Boohoo is now facing.

Whether my report is published or not will be for Boohoo to decide, but it is my hope that they will recognise that whilst some of my conclusions will make uncomfortable reading for them, an organisation which is sincere about transparency may sometimes have to allow others to speak truth unto power. It is my view that if Boohoo publishes my report that will be the clearest evidence that it is sincere in its wish to understand the nature and extent of the problems and serious in its commitment to becoming part of the solution. There is no reason why Boohoo and Leicester should not flourish together.

In summary, my findings are as follows:

- (1) There is no evidence that the company itself or its officers have committed any criminal offences;
- (2) I am satisfied that the allegations about poor working conditions and low rates of pay in many Leicester factories are not merely well-founded but substantially true;
- (3) Boohoo's monitoring of its Leicester supply chain was inadequate and this was attributable to weak corporate governance;
- (4) From (at the very latest) December 2019, senior Boohoo Directors knew for a fact that there were very serious issues about the treatment of factory workers in Leicester and whilst it put in place a programme intended to remedy this, it did not move quickly enough;

(5) Boohoo ought to have appreciated the serious risks created by 'lockdown' in relation to potential exploitation of the workforce of the Leicester factories. It capitalised on the commercial opportunities offered by lockdown and believed that it was supporting Leicester factories by not cancelling orders, but took no responsibility for the consequences for those who made the clothes they sold. However, I received no evidence that the company's purchasing practices are responsible for an increased COVID-19 rate in Leicester.

I should make it clear that there is ample evidence that the steps which Boohoo is now taking in relation to remedying problems in its Leicester supply chain had been embarked on nearly a year ago. They were a product of processes it had itself put in place and not just a reaction to the negative publicity in July and August 2020.

My recommendations for the future direction of the company appear in the final chapter of my report but can be summarised thus. If Boohoo is willing to take a different approach to how it both views and interacts with the Leicester supply chain, it has it within its power to be a tremendous force for good. If he chooses to do so, the Chairman could become an icon in the industry and the company he created will go from strength to strength. There is a clear warning here though: unless the Board is sincere in its determination to make Leicester better - to use the language of modern management techniques, to live its values - it is inevitable that these problems will recur, with the concomitant likely effect on its share price.

It is time for Boohoo to come of age.

I appointed a team to assist me. This consists of my senior counsel, barrister James Buchanan, and two other barristers, Grace Forbes and Hannah Thomas. I thank them for their extraordinary efforts⁶. The methodology I have used is explained in Chapter 3. I and my team are

⁶ We have also been assisted by other barristers on an *ad hoc* basis as well as given support by a team of solicitors from TLT LLP.

deeply grateful to all those stakeholders, witnesses and others who have taken the time and trouble to speak to us.

Whilst my team and I have shared the work needed to prepare this report, the views expressed and the conclusions reached are mine.

Alison Levitt QC
2 Hare Court,
Temple,
London EC4Y 7BH

24th September 2020

Chapter 2

Executive Summary

The Terms of Reference for this Independent Review set four core objectives.

[A] To investigate the allegations made in relation to the Leicester supply chain and determine whether they are well-founded.

I find that the allegations of unacceptable working conditions and underpayment of workers are not only well-founded, but are substantially true.

Inaction by the authorities has contributed significantly to the deficiencies. Legislation is not merely a system for regulating society but also the mechanism by which society's values and priorities are communicated. If the law is not enforced, this sends a clear message that the violations are not important and the people affected do not matter.

[B](i) To consider the extent to which Boohoo monitored its Leicester supply chain.

Boohoo's monitoring of its Leicester supply chain has been inadequate for many years. Its internal processes were well below the standard which would be expected of a company of its size and status.

This was attributable to weak corporate governance. I find that Boohoo's risk management systems were significantly undeveloped. Commercial concerns such as growth and profit were prioritised in a way which made substantial areas of risk all but invisible at the most senior level.

I have concluded that in truth Boohoo has not felt any real sense of responsibility for the factory workers in Leicester and the reason is a very human one: it is because they are largely invisible to them. It is hard for people to empathise with the plight of those of whom they know little.

[B](ii) To consider the extent to which the Boohoo Group had knowledge of the allegations.

I am satisfied that Boohoo did not deliberately allow poor conditions and low pay to exist within its supply chain, nor did it intentionally profit from them. I do not accept that Boohoo's business model is founded on exploiting workers in Leicester.

However, I have concluded that from, at the latest, March 2019, Boohoo realised that there were problems with the Leicester supply chain and that action needed to be taken. By December 2019, at the latest, senior members of the Boohoo Board *knew for a fact* that there were some serious examples of unacceptable working conditions and poor treatment of workers (including illegally low pay).

I am satisfied that Boohoo took steps to examine and remedy the position but that there was insufficient sense of urgency, particularly from late December 2019 onwards. There is clear evidence that many of the processes which Boohoo has now put in place had been planned a year ago and are not simply a reaction to the negative publicity in July 2020.

Boohoo's culpability lies not in doing nothing but that they did too little too late.

I am satisfied that some at Boohoo realised immediately that the period of lockdown presented not only a risk but the nature of it, namely that it was a risk of exploitation. It is a matter of concern that there is no sign of the management of that risk having been decided at Board level, as it should have been.

Boohoo was quick to take advantage of the commercial opportunities afforded by the increase in demand during the pandemic. I have concluded that it was inexcusable that at no point was any assessment made as to how the Leicester workforce was to cope with the increased volume of orders. I am satisfied that the true reasons for this was that Boohoo did not see it as their responsibility and that that commercial concerns were allowed to prevail.

[C] To consider the boohoo Group's compliance with the relevant law.

There is no evidence that Boohoo has committed any criminal offences.

[D] To make recommendations for the future in response to my findings.

I am confident that the adaptations which Boohoo should make involve a relatively easily-achieved realignment of its priorities and governance systems and that the Board should not feel discouraged. It has already made a significant start on putting things right.

IMMEDIATE ACTIONS

1. Within six months Boohoo should reduce its approved suppliers to a list which contains a manageable number of companies, ideally without reducing capacity. The methodology for the selection process should be predicated on the goal of reducing and ultimately eliminating sub-contracting.
2. Boohoo should commit to publishing a refreshed list of Tier 1 suppliers and Tier 2 sub-contractors as soon as possible and in any event within six months of the delivery of my report.
3. In the interests of transparency, Boohoo should commit to publishing its list of suppliers and sub-contractors annually.
4. On the publication of the approved supplier list all Boohoo brand buyers must be told that orders can only be placed with those on the list and that placing orders with unapproved suppliers will be dealt with as a disciplinary matter.
5. Within three months Boohoo should appoint an individual to provide independent oversight of the implementation of this change agenda. This person should not be a Director of Boohoo, rather they should be a person of standing in whose independence the market and the public can have confidence.
6. A new Supply Chain Compliance Committee should be formed within four weeks which solely considers supply chain issues. It should be chaired by a nominated member of the Board who is publicly acknowledged to have ownership of supply chain compliance. With

immediate effect, supply chain compliance must be a standing item on every Board meeting Agenda.

7. The immediate priority for this committee should be to devise and approve an emergency plan for ensuring supply chain discipline and control in the event of further COVID-19 lockdowns in Leicester.
8. The Board should ensure that the supply chain in the rest of the UK is immediately subjected to a series of spot-checks of the kind conducted in Leicester.

MEDIUM TERM (within twelve months)

9. The new Supply Chain Compliance Committee should create a robust supply chain roadmap.
10. Boohoo should implement an electronic supply chain audit programme which captures audit status and capacity and monitors the placing of orders in real time to ensure that factories' capacities are not exceeded. We understand that Boohoo is already working on such a system.
11. Boohoo should open a dialogue with its suppliers with a view to:
 - a. Ensuring that there is a regular flow of orders and a commitment to a certain volume of orders over the course of a year, so that suppliers can plan their workforce requirements;
 - b. Encouraging them to recruit skilled workers, so that they can manufacture more complicated clothes which command a higher price and also improve productivity across the board;
 - c. Committing to placing a 'mixed bag' of orders with each supplier (possibly across the Boohoo brands), in which the higher margin on more complicated pieces can be used to cross-subsidise basic items. This will allow Boohoo to keep the prices of simple clothing low whilst still allowing the supplier to pay proper wages and make a reasonable profit.

12. Boohoo should hypothecate some of its charitable donations to Leicester-based community organisations and in particular those which have direct or indirect connections with the garment industry, such as those which work with sections of the population known to be particularly vulnerable to exploitation.
13. Boohoo should develop a set of Key Performance Indicators⁷ which capture ethical and sustainability issues as well as purely commercial issues such as growth and profit. Bonuses for buyers should be restructured to reflect this. There should be well-published sanctions for failing to place orders in a way which is sympathetic to Boohoo's ethical and sustainability goals.

LONG TERM (within three years)

14. Boohoo should consider repositioning the narrative of its branding. They should aim to be the first choice for the fashionable and thrifty young person with a social conscience, who cares about the environment.
15. Boohoo should devise and institute a programme to educate all its buyers in the actual cost of manufacturing garments in order to ensure that they do not drive cost prices below what is reasonable.
16. Boohoo should fund and promote a skills-based education programme to upskill Leicester's garment manufacturers.
17. The factory workers who make the clothes upon which Boohoo's success is founded, whilst not becoming employees, should be celebrated as (and made to feel) part of the Boohoo family. Thought should be given to events which include not just the factory owners but their workers.

⁷ 'KPIs'

Chapter 3

Methodology

Contact with the company

At the outset, I asked Boohoo to set up a Review Working Group⁸ to act as a single point of contact for me and my team. There were two reasons for this:

- (i) to provide distance from the Board. The RWG provided a mechanism for managing the degree of contact I had with the company so that I was not expected to give a running commentary as to what we were looking at, to whom we were speaking or any provisional conclusions I might have reached. Whilst there were numerous virtual meetings with the RWG in the days following my appointment, after that I reduced them to a weekly one hour meeting;
- (ii) to ensure that communications were made to a limited group, who would act as the ‘client’ for the purposes of retaining legal privilege.

The members of the RWG are:

- Brian Small, non-executive Deputy Chairman of boohoo Group PLC and Chair of the Audit Committee;
- Keri Devine, General Counsel and Company Secretary;
- Tom Kershaw, Director of Sustainability,
- the Assistant Company Secretary.

All of them except the Assistant Company Secretary have been material witnesses for this Review. Whilst it would have been preferable were this not the case, it was in the circumstances unavoidable.

⁸ ‘RWG’

Whilst the announcement to the market said that Brian Small would lead the Review for the company, in practice he has had no greater input than any of the other members of the RWG. At no stage has he been sighted on our methodology or the evidence we have obtained. He has had no influence on our conclusions nor was he given prior notice of the contents of this report.

Requests for material, together with Boohoo's responses, have all been dealt with through the solicitors, TLT LLP; the team there has provided invaluable assistance.

The Terms of Reference

On 28th July 2020, Boohoo issued the Terms of Reference for the Review⁹. These were settled by the RWG with my agreement, after extensive input from the Board. The time scale was chosen by the company, as was the decision that the Review should be restricted to the Leicester supply chain rather than extending to the whole of the UK was made by Boohoo.

I was neutral about this, for two reasons:

- (i) The largest part of the UK supply chain is in Leicester. Whilst Boohoo does use suppliers in Manchester and Wolverhampton, it is a very small number; and in any event,
- (ii) The most significant part of my Review was the examination of Boohoo's internal processes.

My private resolve was that if, having examined all the evidence, I were to find no cause for concern in relation to the Leicester supply chain, then in order to provide additional assurance I would insist that the scope of the Terms of Reference be broadened to include the rest of the UK. This turned out to be unnecessary.

I have always been clear that the primary focus of my Review was Boohoo's internal processes. For this reason the first of the objectives, namely to determine whether the allegations about the Leicester supply chain were "well-founded", was worded with care. I did not want to be distracted by considerations such as the standard of proof I should apply, when the rationale for

⁹ See Appendix A

this objective was simply to ensure that the allegations were credible. Had there been no basis in fact for them, my Review would have looked very different.

The Call for Evidence

On 5th August 2020, I issued a public Call for Evidence. I decided to set up a website¹⁰ upon which to put the Independent Review's Terms of Reference, the Call for Evidence, and an evidence submission questionnaire, available in seven languages (English, Gujarati, Hindi, Urdu, Polish, Lithuanian and Bulgarian). A copy of the website's content, including the Call for Evidence and the questionnaire, is at Appendix B.

The content of the website and wording of the Call for Evidence was provided to the RWG in advance, for information purposes; Boohoo did not seek to alter it.

Boohoo has no control over the website and cannot obtain access to any of the completed questionnaires.

TLT set up an email account to which the completed questionnaires were sent and which was also used by other respondents as a means of contacting us. Again, Boohoo is unable to access that email account.

TLT suggested that they should engage Infinite Global¹¹ to manage communications for me. Infinite Global's input has been enormously helpful, not least because I and my team have been operating under serious time constraints and they were able to manage many of the practical details on our behalf.

I was anxious that the call for evidence should reach as wide an audience as possible; whilst I had been warned by some NGOs that many factory workers probably would not respond, I wanted them to know that I was there to listen if they were prepared to speak.

¹⁰ www.levittqcboohooindependentreview.com

¹¹ An international communications and public relations company

The steps which were taken by Infinite Global to publicise the Review and the Call for Evidence were as follows.

- (1) On Monday 5th August, 2020 they provided a press release to national, local and retail trade media, including local Leicester digital radio stations which broadcast in relevant languages.
- (2) They engaged extensively with national and local media by telephone and email to maximise media coverage, informing target journalists of the Call for Evidence and answering questions about the Review, its focus and timeline. This delivered extensive national, local and trade media coverage, including in *The Leicester Mercury*, *BBC News*, *Daily Telegraph*, *Daily Mail*, *Drapers* and more. Editorial articles were shared organically on social media by media outlets, campaign groups and members of the public.
- (3) They arranged for the Call for Evidence announcement to be featured in the *BBC East Midlands Tonight* 6pm TV news broadcast (5th August 2020) and for me to be interviewed live on *BBC Radio Leicester* (6th August 2020).
- (4) They arranged for a ‘final Call for Evidence’ article to be placed in the *Leicester Mercury*, ahead of the closing of the window for public evidence giving.
- (5) They arranged comprehensive print and digital advertising in the *Leicester Mercury*, including a full-page advertisement in the print edition on two separate days, covering weekday and weekend audiences (Saturday 8th and Wednesday 12th August). The advertisement contained the Call for Evidence displayed prominently in seven languages (English, Gujarati, Hindi, Urdu, Polish, Lithuanian, Bulgarian), alongside the Review website URL and contact details.
- (6) They also arranged a front-page print advertisement in the *Leicester Mercury* on the same days, containing a precis of the Call for Evidence which echoed the full-page advertisement inside the newspaper.
- (7) They arranged for digital advertising to be displayed on the *Leicester Mercury* website for two weeks, which delivered 50,000 online impressions. These were directed towards the Review’s target demographic where possible, including the placement of pop-up banner advertisements adjoining editorial articles addressing the independent Review itself and issues within the Leicester garment industry more widely.

The responses we received are summarised in Chapter 6D.

A small number of respondents have said that the questionnaire did not ask the right questions. My answer is that we gave the matter careful consideration and settled upon these questions for the following reasons:

- (i) it was important that the questionnaire should not be too long;
- (ii) in order to be fair, we wanted to ask open questions rather than those which suggested a particular answer;
- (iii) the questions gave the respondents a framework so it was clear which areas we were particularly interested in, but it also included a section where they could say anything they wished;
- (iv) it was aimed partly at factory workers and their families; other respondents were invited either to upload a document or contact us by email.

Claudia Webbe MP has made the not unreasonable point that it was unattractive to ask whether workers had a ‘choice’ as to whether to continue to work in poor conditions or for low pay. I understand what she means but hope that it will be clear that the question was not intended as a value judgement, rather, its purpose was to try and capture, without asking a leading question, issues such as lack of right to work documentation, poor language or other skills or other characteristics which might make workers vulnerable to exploitation.

We were acutely aware that many people and organisations have already written extensively about working conditions and rates of pay in the Leicester garment factories. I wanted to gain as much information as possible from them, as many of them are expert in this field. With this in mind, I wrote to as many stakeholders and potential witnesses as I could and invited them to contact me. A full list of those to whom we wrote is at Appendix C¹²; they are broadly divided into the following groups: parliamentarians (and former parliamentarians), NGOs and campaign groups, journalists and academics. I also wrote to the statutory authorities¹³ to inform them that we were engaging in this Review.

We are most grateful to those who made contact and are appreciative of the time they gave us.

¹² The list was shown to the RWG in advance and they were invited to comment on it. They did not seek to dissuade us from contacting anyone on it and indeed suggested some additional organisations.

¹³ Such as the National Crime Agency, HMRC and the Health and Safety Executive.

The Evidence

The witnesses to whom we have spoken have come, broadly, from the following groups:

- (i) Members of the Boohoo Board¹⁴;
- (ii) Current and former employees of Boohoo companies;
- (iii) Respondents to the website;
- (iv) NGOs and campaign groups;
- (v) Community organisations;
- (vi) Parliamentarians;
- (vii) Journalists.

The impact of coronavirus has meant that we have had to conduct all our interviews remotely using video platforms. This has worked well, not least because there has been less travelling involved and thus we have been able to see a larger number of people than would have been possible had we been able to have face-to-face meetings.

All the interviews, save one¹⁵, have been recorded. Those recordings, together with the written submissions and other material which we have received, are stored on a secure e-platform which is controlled by TLT solicitors. Although Boohoo are TLT's clients and therefore they would, in the ordinary course of events, be entitled to request the whole of their client 'file', TLT have obtained an undertaking from them that they will never ask for access to this material and that if they were to ask for it in the future, TLT would professionally be obliged to refuse to provide it.

Some witnesses have made submissions to us anonymously (in the form of completed questionnaires submitted through the website.) Others have told us their name but have asked us not to reveal it. Some have spoken to us on an audio-only link, but some have been prepared to let us see their faces on video. Some have been happy to give their name but have asked that parts of what they have told us should not be attributed to them.

¹⁴ We did not speak to two of the non-executive directors, Iain McDonald and Pierre Cuilleret. Given the timescale, we were unable to speak to a number of people to whom we might have spoken had we had more time; it was not suggested to us that they might have anything particular to add

¹⁵ This witness said that he was too frightened to have his voice captured, so the recording was deleted. We have a note of what was said.

The witnesses (including members of the Boohoo Board) have not been allowed to have control over which parts of their evidence I have chosen to include in this report, nor have they been given advance notice. Should there be a dispute about accuracy, the recorded interviews can be checked.

We have spoken to some Leicester factory workers who were, in my view, plainly frightened. I am very grateful to them for making contact and am conscious of the trust which they have placed in me.

On 10th September 2020, I and my team went to Leicester to see some factories. It had been our intention to visit some weeks earlier but I took the view that the COVID-19 measures in place in the city meant that it was not responsible to go at that point and we left it until the last possible moment. Boohoo had offered to arrange for us to be shown around but we declined that invitation in the interests of maintaining distance and independence. Instead, we arranged for Leon Reed, Managing Director of Verisio¹⁶, to take us to see a small selection of factories. As far as we could tell, we were not expected. Whilst this could not be characterised as a fact-finding exercise (it was too short for that), we found it extremely interesting.

Approach to the evaluation of the evidence

This is an evidence-based Review.

All witnesses were told that they did not have to speak to me, but that if they chose to do so, our conversation would be recorded. The Boohoo witnesses were given an additional warning, in that they were told that were they to refuse to speak to me I might draw an inference from that refusal and if they were in any doubt about whether to speak to me, they should seek independent legal advice¹⁷. None of the witnesses expressed any hesitation or reluctance.

Where evidence has been provided anonymously, I have taken it into account but usually given it less weight than other evidence. The reason for this will be obvious: I and my team have no way of telling whether the respondent is even a real person, far less whether they are accurate or

¹⁶ An ethical audit company, who were engaged by Boohoo in the Autumn of 2019.

¹⁷ Plainly, I could not advise them because that would be incompatible with my role as Independent Reviewer

truthful. By way of example, it was a possibility that a competitor might have provided false and misleading evidence by filling in one (or more than one) questionnaire.

That being said, there are some anonymous respondents to whose evidence I have given somewhat greater weight. These are:

- (i) Those who were prepared to speak to us, even though they did not want to give me their name, or who indicated willingness to speak but whom we were unable to interview either because of shortness of time or, in the case of one, because he became so frightened of possible repercussions that I made the decision to end the interview;
- (ii) Those whose evidence was supported by material from other sources.

I have taken into account the danger of what might be characterised as ‘confirmation bias’. What we mean by this is that those likely to respond to the questionnaire are those who are concerned about something. Whilst we tried to encourage those who were content with the situation to respond, very few did so and that is not unexpected. Nevertheless, that does not undermine the significance of the responses we received. We decided that the fairest way to treat this was to test the website responses against other evidence. Our analysis and conclusions are set out in Chapters 8 and 9.

I have received what might be characterised as ‘submissions’ from a number of witnesses and consultees. These have included views as to:

- whether there is a problem at all and if so,
- the nature and extent of it, and
- possible solutions.

I have tested these submissions against the evidence.

This Review has not been an adversarial process and I have not found it helpful to evaluate the evidence by applying varying burdens and standards of proof.

In particular, I have rejected the approach which has, in my view, historically been taken by some members of the Boohoo Board, namely that each piece of negative publicity should be viewed in isolation and that unless there is something akin to a ‘smoking gun’, then an allegation

should be treated as unproven. A stark illustration of this mindset was provided by the Board's attitude to the *Sunday Times* article of 5th July 2020. I return to this in Chapters 6 and 8.

Where there has been a disputed fact or a material conflict of evidence, I have sought to resolve this by applying the principle 'he who asserts must prove'. Because this is not a criminal investigation, I have adopted the civil standard of proof, that is to say, I have asked myself whether I think it more likely than not that a particular fact is true. I have applied the settled law that circumstantial evidence can be as powerful as direct evidence¹⁸.

Instruction of forensic accountants

On 12th August 2020, we instructed¹⁹ a team of forensic accountants from Grant Thornton UK LLP²⁰. Whilst Boohoo was responsible for their fees, the Board agreed that Grant Thornton would take their instructions from me and would answer only to me. Boohoo has not known until now the precise detail of what I asked them to do.

Grant Thornton acted as an expert witness for my Review. Steve Holt and his team understood from the outset that in the interests of independence and assurance to the market²¹, they were not to have a conventional client relationship with Boohoo.

The Grant Thornton team has extensive recent experience of auditing and investigating retail supply chains.

I had three reasons for wanting to involve forensic accountants.

First, I wanted them to provide objective expert assurance of the robustness of our method. In the time available to us, I and my team were wholly dependent upon the documentation with which Boohoo chose to provide us. I wanted independent assurance that we were asking for and being shown the right things.

¹⁸ *DPP v Kilbourne* [1973] AC 729; *Exall* [1866] 4 F&F 922

¹⁹ Via TLT LLP

²⁰ 'Grant Thornton'

²¹ And the wider public

Secondly, I wanted to know how Boohoo's compliance processes measured up to the industry standard and good practice in other retail organisations.

Thirdly, I wanted an expert opinion about the evidence as to what Boohoo knew or ought to have known about conditions in Leicester²².

I instructed Grant Thornton to undertake the following tasks:

- (i) To check the material with which we were being provided by Boohoo, to identify other material for which we should ask and to tell me if they felt that anything was being concealed;
- (ii) To notify me of any 'red flags';
- (iii) To compare the Boohoo compliance function against accepted retail industry standards, based upon their experience and expertise;
- (iv) To do some open source investigation into the ownership of some of the companies in order to see whether there were links between them and Boohoo²³;
- (v) To consider whether there were any indicators of fraud or other criminal offences having been committed by Boohoo; and
- (vi) To give a view on the standards of governance by the Board by reference to comparable public companies.

We also asked them to make suggestions for improvement based upon their experience of examining companies in similar industries.

Because of the shortness of time, they had of necessity to work on a dip-sample basis. I left it to their professional judgement as to whether they were able to say that they had seen enough to draw conclusions and give an opinion.

Grant Thornton's first draft report was released to Boohoo by TLT against my express instructions (I am told that there had been a misunderstanding). This was unfortunate because it was a draft written on the basis that only I and my team would see it and it plainly caused consternation in the company. Whilst I regret the fact that they saw a document that was only in its early stages of formulation, there was some advantage in that it gave Boohoo the opportunity

²² Grant Thornton was not asked to gather evidence about what those conditions were.

²³ This was because there have been allegations made that Boohoo in fact owns many of its suppliers

to comment on, correct or provide further evidence in relation to, any parts with which they disagreed. Grant Thornton subsequently received a document from TLT²⁴ which contained their observations on the draft report; we are told that the company had had input into it. Our understanding is that where Grant Thornton regarded a point as having substance they took it into account, but felt free to disregard that with which they disagreed.

Grant Thornton's final report, which differs in many respects from their first draft, was not provided to Boohoo in advance of my report. It is to be found at Appendix E. The fees for it have been settled by Boohoo before they have seen it, in order to ensure that Grant Thornton did not feel constrained in any way.

Even if Boohoo wishes to publish my report, in my view it would be reasonable for them to decline to publish the Grant Thornton report. It is long and thorough but it also contains the names of many of the companies which I have decided, in fairness to those companies, that I will not put in the open version of my report. With this in mind, we have included a summary of the evidence which Grant Thornton provides in Chapter 6E.

The approach I have taken to the evidence of Grant Thornton is as follows. They are expert witnesses and that fact entitles them not only to provide an analysis of the evidence but to give an opinion as to its implications and significance. However, I am not bound to follow their conclusions, not least because I have seen and heard other evidence. Where I have found their opinions persuasive, I have adopted them; where I have found them to be unsupported or even contradicted by other evidence I have disregarded them.

Evidence from the company

On 22nd July 2020, I and my team visited Manchester. Some of the Boohoo brands have Headquarters buildings there: we were taken on tours of Boohoo, PrettyLittleThing, BoohooMAN and Nasty Gal²⁵. We were welcomed warmly and introduced to the Chairman, the CEO and other Board members. The CEO, John Lyttle, said to us at the outset that he wanted it to be clear that Boohoo had nothing to hide and that if they had done anything wrong, they wanted to know so that they could put it right. I was told that we could see anything we wanted

²⁴ Together with many hundreds of pages of previously undisclosed material provided by the company. Grant Thornton deal with this in their report at Appendix E

²⁵ At least four of the remaining five brands have their headquarters in London

and we were encouraged to speak to the employees as we were shown around the various buildings. It was clear to us that this is an organisation which prides itself on its friendly and informal atmosphere: all the employees know the Chairman²⁶ and call him ‘Mahmud’, despite his enormous wealth and power. We were told more than once that ‘Carol’²⁷ is immensely easy to talk to and has an open door policy. Board members and members of the Senior Management team consistently used the word ‘colleague’ to describe those who are in fact their employees, all of whom are given shares in the company. We were struck by the energy and enthusiasm of the staff and by the impression that this was a fun and rewarding place to work. Many people mentioned the fabulous parties which Boohoo holds for its staff and suppliers; we were told the Chairman always attends and is usually ‘mobbed’ by staff wanting to talk to him. Boohoo were very keen for us to visit their warehouse in Burnley and meet the colleagues there, but there has not been enough time for us to do this.

On our tour of the Headquarters buildings I asked one or two members of staff at random what they felt about the allegations being made about Boohoo. The predominant impression I got was that they were indignant about what was being said and that they felt the allegations were both untrue and unfair.

What struck me was this. When I asked if the factory workers, the machinists who make the fabulous dresses, were invited to the suppliers’ parties, the response was faintly incredulous. It was clear that it had never occurred to them that perhaps they might have been.

During my interview with John Lyttle, I asked him the following question:

“I have got the clear message from you this morning that, in your view, without your workforce you are nothing. If you are taking those employees on the journey [to success] with you, what about the middle-aged lady sitting at a sewing machine in Leicester? Can she share in that too?”

He answered:

“I can’t employ everyone in Boohoo. But I can do everything in my power to ensure that they are being treated fairly”

I consider the significance of this answer in Chapters 8 and 9.

²⁶ Mahmud Kamani

²⁷ Carol Kane, joint founder and former joint CEO, now Group Executive Director.

Whilst in many ways Boohoo, and in particular the RWG, have been open, friendly and collaborative, on occasion I have been surprised by the degree of difficulty we have had in getting them to provide material for which we have asked. Sometimes my requests were met with enquiries as to why we wanted that material and I had to remind the company that it is in the nature of an Independent Review that the decision is one for me: I do not expect to have to justify it. There were often lengthy delays: for example we received 24 separate sets of Board Minutes on 9th September²⁸, nine days after the delivery of my interim report and only six days before I was due to present my final report.

Those delays, plus some at the outset in providing authorisation for some of the steps I wished to take²⁹, have caused me to miss the deadline of 15th September, to which I had agreed on 8th July.

Method of preparation of my reports

When I was first appointed, the RWG asked me to deliver an interim report on 31st August. I honoured that commitment, but the timetable had been so tight that at that stage I was still interviewing witnesses and reviewing material provided by Boohoo. As a consequence, my interim report was simply a progress report and did not contain any of my conclusions. It follows that Boohoo has not known what I was going to say until now.

I have prepared both an open and a closed version of my report. The differences between them are these. The open version has been written with a view to publication. The closed version contains material which I have included in order that Boohoo can understand the conclusions which I have reached but which contains either commercially-sensitive detail or material which for other legitimate reasons the company would not want put into the public domain. I confirm that nothing has been removed simply on the grounds that it might cause the company embarrassment. I confirm too that save for the material removed, the two versions of my report are broadly identical.

²⁸ The company has said that they were in fact provided on 3rd September and of course I accept that.

²⁹ Such as setting up the website and instructing forensic accountants

The material which has been excised from the open version includes the following:

- (1) The detailed content of Board and Audit Committee Minutes. They have been summarised for the purposes of the open version;
- (2) The names of some of the witnesses, which have been replaced with numbers; and
- (3) The names of the suppliers and sub-contractors. The names have been included in the closed version so that the company can understand the evidence, but I have concluded that it would not be fair publicly to criticise some of these companies without having given them the opportunity to respond. For the open version we have replaced the company names with randomly allocated numbers, both in the main report and in Appendix D.

Boohoo was not given sight of my report in draft until 22nd September. On that date I invited them to submit suggested corrections to factual material. I have taken those suggestions into account where I felt that they were well-founded, but some I have rejected. This report is my final assessment of the evidence, my conclusions and my recommendations.

Chapter 4

The Background

A short history of boohoo Group PLC

boohoo Group plc³⁰ is a multi-brand online fashion retailer which targets “*fashion-conscious 16 to 40 year olds in the UK and internationally*”³¹. It was founded in 2006 by Mahmud Kamani and Carol Kane³²

Both founders have extensive experience of the fashion industry. Ms. Kane studied fashion before getting her first job with a company producing clothing for the British high street. Mahmud Kamani’s father arrived in the UK as a refugee from Kenya in the 1960s. The Chairman’s father supported his family by selling handbags on a market stall before setting up Pinstripe Clothing³³ in 1989. Mahmud Kamani has described his father’s journey as “*a case of rags to riches*”³⁴ and emphasised that he is “*from a community that works hard*”³⁵.

Mr Kamani’s and Ms Kane’s paths first crossed at Pinstripe in 1993, when he interviewed her for a job. She joined Pinstripe and they have worked together in the fashion industry for over 25 years.

Pinstripe was a wholesale textile business which supplied brands such as New Look and Primark. Ms Kane told us that “*We were the middlemen. We were suppliers, working with factories and selling on*”. There came a point at which she and Mr Kamani decided to move away from a purely wholesale business model.

³⁰ We use ‘Boohoo’ for convenience to describe the Group. We will make it clear when we are referring to one of the brands, such as PrettyLittleThing or Nasty Gal

³¹ Boohoo 2020 Annual Report, pg. 2 and pg. 6: <https://www.boohooplc.com/sites/boohoo-corp/files/all-documents/result-centre/2020/boohoo-com-plc-annual-report-2020-hyperlink.pdf>

³² Boohoo Group plc website: <https://www.boohooplc.com/group/board>

³³ ‘Pinstripe’

³⁴ <https://www.theguardian.com/business/2014/jun/22/boohoo-not-fashion-sob-story>

³⁵ <https://www.ft.com/content/c4a97b8c-a603-11e3-b9ed-00144feab7de>

Boohoo was born from Pinstripe³⁶. It was an early example of the opportunity that ‘pure play’ online retail presented, that is to say, it had the advantages of reaching its customers directly without the constraints, financial and otherwise, of a bricks-and-mortar high street presence.

Boohoo’s expansion has been rapid. The Chief Executive, John Lyttle, told us: *“it went from being a small to a medium business very quickly”*. Between its foundation in 2006 and January 2020, Boohoo grew from an internet start-up to a business worth more than UK High Street stalwart Marks & Spencer³⁷.

Having operated for eight years as a private company with roots in a family business, Boohoo was offered for listing on the London Stock Exchange Alternative Investment Market³⁸ on 14th March 2014³⁹. As one witness described it:

“they had come from this wholesaling, sourcing, very cheap and very aggressive environment, I suspect ... and were now a consumer-facing website that was trading its socks off”.

The same witness said that *“Mahmud and Carol are to be praised for the thing they created”*⁴⁰.

The public listing was a financial success. Boohoo’s shares rose by 70% from its 50p float price⁴¹. However, despite this initial achievement, it was forced to issue a profit warning in January 2015 which reduced its market value by 40% in a day⁴². We were told that this, unsurprisingly, *“rocked the company”*⁴³. Carol Kane said that Mr Kamani decided that they had been given too much advice about how to run the company and Boohoo would go *“back to how [it] was working before”*⁴⁴.

The company was able to recover quickly from the shock of the profit warning and continue on a path of rapid growth, with sales growing 35% in the three months to May 2015⁴⁵. The trajectory continued, with revenue increasing from £195 million in 2016 to £1.2 billion in 2020⁴⁶. By January

³⁶ Mahmud Kamani Review interview, pg. 3

³⁷ <https://www.ft.com/content/57adc18e-369c-11ea-a6d3-9a26f8c3cba4>

³⁸ ‘AIM’

³⁹ Boohoo Admission to Aim corporate document: <https://www.boohoopl.com/sites/boohoo-corp/files/all-documents/Aim-admission/Boohocom-plc-final-admission-document-5-march-2014.pdf>

⁴⁰ Peter Williams Review interview, pg. 3

⁴¹ <https://www.ft.com/content/2a67e2f2-ab53-11e3-8cae-00144feab7de>

⁴² <https://www.ft.com/content/4ccd7774-963c-11e4-a40b-00144feabdc0>

⁴³ Tom Kershaw Review interview, pg. 35

⁴⁴ Carol Kane Review interview, pg. 7

⁴⁵ <https://www.ft.com/content/10c75f84-0f76-11e5-897e-00144feabdc0>

⁴⁶ Grant Thornton Report

2020, Boohoo's market value was almost £3.89bn⁴⁷. It has attracted significant institutional investment, the ambition of every recently-listed AIM company.

In the fourteen years since Boohoo was founded, the business has expanded rapidly. Starting with its eponymous label in 2006, the boohoo Group now consists of nine brands:

- (a) BoohooMAN was launched in 2016⁴⁸ and was its first expansion;
- (b) PrettyLittleThing⁴⁹ was founded in 2012 by Mahmud Kamani's son. On 3rd January 2017, Boohoo acquired 66% of PLT for £3.3 million⁵⁰. On 28 May 2020, it acquired the remaining 34% stake for £324 million⁵¹;
- (c) In February 2017 it acquired Nasty Gal for US\$20 million⁵²;
- (d) In March 2019, it acquired MissPap UK Limited^{53 54};
- (e) In August 2019, it announced that it had acquired the online business and all associated intellectual property rights (but not any of the physical stores) of the Karen Millen and Coast brands, which had gone into administration⁵⁵. John Lyttle said *"We were not tempted by the stores at all... We are an online pure-play retailer"*⁵⁶.
- (f) In June 2020, it acquired the online businesses and all associated intellectual property of Oasis and Warehouse⁵⁷.

⁴⁷ <https://www.ft.com/content/57adc18e-369c-11ea-a6d3-9a26f8c3cba4>

⁴⁸ <https://www.boohooplc.com/brands/boohooman>

⁴⁹ 'PLT'

⁵⁰ <https://www.boohooplc.com/sites/boohoo-corp/files/all-documents/result-centre/2017/Boohoo-com-plc-completion-of-acquisition-3-january-2017.pdf>

⁵¹ <https://www.ft.com/content/b1550369-b294-4bc0-8581-0ab31470329a>

⁵² <https://www.boohooplc.com/sites/boohoo-corp/files/all-documents/result-centre/2017/nasty-gal-acquisition-completion-28-feb-2017.pdf>

⁵³ 'MissPap'

⁵⁴ Boohoo Group plc annual report and accounts 2020, pg. 7

⁵⁵ <https://www.boohooplc.com/sites/boohoo-corp/files/all-documents/result-centre/2019/Acquisition-of-karen-millen-and-coast.pdf>

⁵⁶ <https://www.ft.com/content/180606b2-b812-11e9-96bd-8e884d3ea203>

⁵⁷ <https://www.ft.com/content/5e7b46e1-04b0-4edd-b63b-3fa1f9c88a03>

In late June 2020, Boohoo unveiled a plan to pay bonuses of up to £100m to its two cofounders, Mahmud Kamani and Carol Kane, and £50m to other executives⁵⁸. This has not been uncontroversial.

Structure and Governance

At the point of its public listing in 2014, Mahmud Kamani and Carol Kane were joint CEOs⁵⁹. Peter Williams, a retail expert who had spent eight years with ASOS and more than a decade with Selfridges, was appointed as Non-Executive Chairman⁶⁰.

On 17 September 2018, Boohoo confirmed that John Lyttle would join the Group in March 2019 as CEO⁶¹, following an eight-year tenure as Chief Operating Officer of Primark.

In the lead up to that announcement, internal discussions about the structure of the Group resulted in the departure of Peter Williams and his replacement by Mahmud Kamani as Executive Chairman. Mr Williams's departure was not uncontroversial and was questioned by at least one institutional investor. It has been well-documented that there was friction between Mr Williams and Mahmud Kamani, involving disagreements about the governance of the company. Mr Kamani confirmed to us that their relationship had become strained. Mr Williams wrote a column for trade magazine *Retail Week*, in which he said:

“There are some situations where it might be best for the founder to exit the company, because they have outlived their usefulness and become a blockage to growth and development”.

We have spoken to Peter Williams as part of this Review and he told us that it is his view that Boohoo is run as though it is still a family company belonging to the Kamanis rather than a publicly-listed corporate⁶².

⁵⁸ <https://www.ft.com/content/97d53c4d-01bf-4ade-8e38-8518402a9c38> and Boohoo Group plc annual report and accounts 2020, pg. 48: <https://www.boohooplc.com/sites/boohoo-corp/files/all-documents/result-centre/2020/boohoo-com-plc-annual-report-2020-hyperlink.pdf>

⁵⁹ <https://www.boohooplc.com/sites/boohoo-corp/files/all-documents/Aim-admission/Boohoo-com-plc-final-admission-document-5-march-2014.pdf>

⁶⁰ <https://www.ft.com/content/a04973ce-9e0f-11e3-95fe-00144feab7de>

⁶¹ <https://uk.reuters.com/article/boohoo-moves/boohoo-names-primarks-john-lyttle-as-new-ceo-idUKASO0007NM>

We consider the question of governance later in this report.

Following the departure of Peter Williams and the appointment of John Lyttle, Carol Kane also retained a senior Board position as Group Executive Director.

In April 2020, Sara Murray resigned from the Board⁶³ and Boohoo announced the appointment of Kath Smith to replace her as a non-executive Director. However, her appointment was later rescinded when JD Sports withdrew its consent for the move⁶⁴. To date, the non-executive Director role left vacant by Ms Murray has not been filled. This too has attracted adverse comment because of the dilution of non-executive influence on the Board⁶⁵.

At the time of this report, the Board of Boohoo is constituted as follows⁶⁶:

- (i) Mahmud Kamani, Group Executive Chairman.
- (ii) Carol Kane, Group Executive Director
- (iii) John Lyttle, Chief Executive Officer
- (iv) Neil Catto, Chief Financial Officer
- (v) Brian Small, Non-Executive Deputy Chairman and Chair of the Audit Committee
- (vi) Pierre Cuilleret, Non-Executive Director
- (vii) Iain McDonald, Non-Executive Director
- (viii) Keri Devine, Company Secretary and General Counsel⁶⁷

⁶³Boohoo Annual Report 2020, pg. 13 <https://www.boohooplc.com/sites/boohoo-corp/files/all-documents/result-centre/2020/boohoo-com-plc-annual-report-2020-hyperlink.pdf>

⁶⁴ <https://www.retailgazette.co.uk/blog/2020/05/jd-sports-blocks-boohoo-director-appointment/>

⁶⁵ *The Sunday Times*, 'Tears in the Boardroom', 10 March 2019: "Governance requirements for an AIM company are not as stringent as on the main market, irrespective of the company's size," said Sarah Wilson, chief executive of the corporate governance adviser Minerva Analytics. "For a number of investors the governance at Boohoo will raise red flags. The lack of an outside, independent chairman for some shareholders is very unwelcome.": <https://www.thetimes.co.uk/article/tears-in-the-boardroom-at-mahmud-kamani-s-boohoo-ql0fvbnw>

⁶⁶ <https://www.boohooplc.com/group/board>

⁶⁷ Who is not a Director and does not have voting rights

The Boohoo Supply Chain

The term ‘supply chain’ means different things in different contexts and involves distinct elements according to the industry under consideration. In a ‘pure-play’ online fashion retailer, the term is used to cover everything from the ingredients in the yarn used to manufacture a garment to the vans which deliver the final package to the customer.

This Review is concerned solely with Boohoo’s Leicester supply chain, which constitutes, in the main, the manufacturing of clothing. It is in this limited sense that we use the expression ‘supply chain’ in this report.

Whilst Boohoo has announced plans to open its own ‘model’ clothing factory and has bought a site in Leicester for the project⁶⁸, at the time of writing it does not manufacture any clothes. It follows that the factory workers who make the clothes which Boohoo sells are not its employees. The significance of this is that it determines not merely Boohoo’s liability in law for the treatment of factory workers but the extent to which the company is able to control it. This issue is discussed in greater detail in the chapters which follow.

By August 2019, in the region of 40% of Boohoo’s clothing was made in the UK, mostly in Leicester⁶⁹. That remains the position today⁷⁰, but has not always been the case. In its infancy, Boohoo mainly sourced from suppliers overseas. Carol Kane told us that *“the Leicester supply chain came in a few years into the business”*. We were told that the UK arm of Boohoo’s supply chain was something that Mahmud Kamani’s brother brought to the business.

The Leicester supply chain is a key focal point both of Boohoo’s market strategy and its responsibilities. It is a complex structure which we have tried to describe in the paragraphs which follow.

⁶⁸ <https://www.thisismoney.co.uk/money/markets/article-8559989/Well-build-Boohoo-factory-Leicester-end-storm-pay-says-boss.html>

⁶⁹ <https://www.leicestermercury.co.uk/news/boohoo-boss-john-lyttle-explains-3166723>

⁷⁰ Boohoo Press Release 8th July 2020

In order to understand the supply chain it is necessary to set out, in very truncated form⁷¹, the way in which a Boohoo buyer commissions a garment. This happens in one of three ways:

- (i) A garment is designed by Boohoo's⁷² in-house designers, for which the supplier is asked to create a pattern and is then contracted to manufacture;
- (ii) A supplier presents a worked-up design (often in the form of a sample) which a Boohoo buyer then orders from that supplier, possibly with alterations such as to colour or trim; or
- (iii) A Boohoo buyer has an idea (often prompted by something seen on social media) which she or he then discusses with the supplier, who comes up with the design and, if an order is placed, will then create the pattern and supply the finished garment.

From this it can be seen that some of the suppliers will have a design and pattern-cutting capability as well as being a manufacturer.

It is clear that even within Boohoo, different people have very different understandings as to the constituent elements of the Leicester supply chain. As with the supply chain of any industry, there are different 'tiers', a characterisation which largely describe the remoteness of the company from Boohoo. That being said, we have been struck by how much the explanations given by members of the Board and the Senior Management Team differ. Whilst it is true that the absence of a comprehensive and comprehensible working definition of supply chain tiers is not a phenomenon unique to Boohoo, we were surprised to find that some very senior people do not appear to have more than a cursory understanding of the Boohoo system. This is discussed in Chapters 6 and 8 below.

The definition adopted by the majority of witnesses (and the one which appears to be the most accurate) is as follows:

⁷¹ The process is more complicated than this, but it is unnecessary to go into greater detail for the purposes of this report.

⁷² Most if not all of the brands in the group have some form of in-house design capability

- (i) Tier 1 suppliers are the companies with which Boohoo has a direct contractual relationship, in the sense that an order for garments is placed with them and it is to them that payment is made⁷³.
- (ii) Tier 2 companies are those which carry out some of the manufacturing functions on behalf of those in Tier 1. They are therefore, in law, those with which Tier 1 contracts (on either an authorised or an unauthorised basis) and thus they have no direct legal relationship with Boohoo;
- (iii) Tier 3 are those companies which supply parts, components or services to Tier 1 or Tier 2 companies, such as the suppliers of zips, fabric and yarn. These are therefore most often suppliers to the sub-contractors and their relationship with Boohoo is concomitantly more remote. Tier 3 companies may not be based in Leicester, in the sense that a Leicester factory may source its buttons from somewhere else such as China.

This Review is concerned only with Tier 1 and Tier 2 companies.

To add to the complexity, the term ‘supplier’ is often used by Boohoo to include both Tier 1 and Tier 2 companies. However, the more accurate description is as we have set out in the paragraph above, that is to say that Tier 1 companies are ‘suppliers’ (in the sense that they are contracted to supply the goods), whereas Tier 2 companies are sub-contractors.

Tier 1 suppliers have been assumed by some to be those which actually make the garments which are subsequently sold by Boohoo. In fact, Tier 1 suppliers include the following:

- (i) Conventional middlemen or agents, who will source the garments ordered by the buyer and then supply them to the company;
- (ii) Design houses, which will design and create their own samples, or create the design according to a concept provided by the buyer, and then source and supply the garments to the company;
- (iii) Design houses which have, in addition, their own pattern makers and /or cutters (that is to say, cutters of material to the shapes dictated by the pattern);

⁷³ The term ‘contract’ here is used to refer to the placing of an order by Boohoo with a supplier which creates an enforceable contract on the basis of offer and acceptance, whether or not reduced to writing. The existence or otherwise of formal written ‘contracts’ is discussed elsewhere in this report.

- (iv) Design houses which, in addition to pattern-making and cutting, also have manufacturing capability to a greater or lesser extent; and
- (v) companies which purely manufacture, working to designs provided by buyers.

Tier 2 companies do not have any direct contractual relationship with Boohoo. Sometimes they are known as CMT units⁷⁴. The majority of these are factories which have some or all of the following capabilities: pattern-making, cutting, sewing, trimming, embroidering, printing and packaging.

Often, but not invariably, a Tier 2 company will be the factory in which the clothes are actually made. The Tier 2 company will have been used because either the Tier 1 supplier does not have its own manufacturing capability or, where it does, does not have enough capacity to fulfil a particular order within the required time frame.

We have seen examples of a Tier 1 design house sub-contracting to another design house, neither of which has its own manufacturing capability. The second design house then sub-contracts the manufacture and packing to one or more other companies. This is what happened in the case of the order placed by Nasty Gal with Revolution Clothing, which formed the subject matter of the *Sunday Times* article on 5th July 2020 and which led to the establishment of this Review. We examine this in further detail in Chapter 6.

Whilst Boohoo has no contractual relationship with its Tier 2 suppliers, in principle it has visibility of them through a system of authorisations. It is Boohoo's immutable rule that no part of any garment should be manufactured by a company or in a factory which is not authorised by their compliance team⁷⁵. As long as the sub-contractor is authorised, then in principle there is no difficulty about it being used to make part or the whole of an order, not least because that provides flexibility for suppliers to fulfil Boohoo's requirements at speed without the risk involved in employing a large workforce which might at times be surplus to requirements but which would still need to be paid.

⁷⁴ CMT stands for 'cut, make and trim'

⁷⁵ The role and effectiveness of the supply chain compliance function is discussed in later chapters of this report.

However, it will readily be appreciated from the above that the system of using sub-contractors presents a number of challenges and dangers, which are discussed in the chapters which follow. Whilst it seemed initially that the majority of problems lay within Tier 2, the spot-checks undertaken by Verisio have shown that many, if not all, of the Tier 1 companies also have issues which give cause for concern.

A critical issue is the size of the Boohoo Leicester supply chain⁷⁶, that is to say, how many Tier 1 and Tier 2 companies are authorised for use. I am satisfied on the basis of the evidence we have heard and seen that the truth is that Boohoo does not know with any degree of certainty. Best estimates are that it probably uses somewhere in the region of 200 Tier 1, and anything up to 300 Tier 2, companies. All the witnesses to whom we spoke (including Board members) felt strongly that this was far too many and it is our understanding that part of the work which Verisio is doing is designed to allow Boohoo radically to reduce the number of suppliers, both in Tier 1 and Tier 2.

Boohoo's relationship with and visibility of its supply chain are at the heart of this Review and are discussed in greater detail elsewhere in this report.

Boohoo's Place in the on-line Retail Industry and its Commercial Model

Some of Boohoo's recent acquisitions, such as Karen Millen, demonstrate expansion into a more expensive range aimed at an older customer. That being said, I have little doubt that at its heart, Boohoo is a fast fashion retailer. All those to whom we have spoken, from Board members to junior employees, have been at pains to emphasise that as far as they are concerned, fast fashion does not mean disposable fashion but rather speed to market. Whilst it is undeniable that Boohoo's highly successful business model is built on speed and competitive pricing, the extremely low cost of its clothes have caused critics to claim that it is not possible to produce them at this price if the minimum wage is being paid to those who make them⁷⁷.

⁷⁶ In the sense that 'supply chain' is used in this report

⁷⁷ See, for example, www.ft.com/content/e427327e-5892-11e8-b8b2-d6ceb45fa9d0

Boohoo prides itself on being able to react quickly to consumer trends. On its website, the Boohoo brand is described as a business which “*thrives on speed and agility*” to ensure that they are “*always first to market with the latest on-trend styles*”.

In 1989 the *New York Times* noted that it took “*just 15 days*” for a new idea to reach the Zara shop floor⁷⁸. Speaking to *The Telegraph* in July 2020, John Lyttle⁷⁹ said that his team could now do that in 48 hours⁸⁰.

The “*speed and agility*” that have won Boohoo its place at the fast fashion table are built into every stage of a garment’s life cycle. Tom Kershaw, Boohoo Director of Sustainability, said that a factor in the company’s success is its ability to “*make decisions quickly*”⁸¹. Another witness told us that buyers were able to write the order immediately upon viewing a sample for the first time⁸².

A key issue is: why Leicester? It is indisputable that the cost price of a garment made in the UK is higher than the price of a commensurate piece made overseas. Some of Boohoo’s critics claim that the reason Boohoo has its clothes manufactured in Leicester is because it is able to drive cost prices down to unlawful⁸³ levels without being troubled by scrutiny from the statutory authorities, who are said to be guilty of wholesale failure to enforce the law in Leicester.

Boohoo responds that Leicester’s proximity to its Manchester head offices and Burnley and Sheffield distribution centres is one of the reasons that it continues to source there⁸⁴. Leicester, it is said, has been key to speed.

When it comes to agility, a fundamental component of Boohoo’s success appears to be their “test and repeat” business model⁸⁵. By ordering hundreds (or even tens) of a particular garment rather than thousands, Boohoo can keep a close eye on what is selling well and only invest further in those clothes which do. Some of the factories in Leicester have very few workers, sometimes fewer than ten, and thus are prepared to accept orders for a small quantity of clothes. John Lyttle told

⁷⁸ <https://www.nytimes.com/1989/12/31/style/fashion-two-new-stores-that-cruise-fashion-s-fast-lane.html>

⁷⁹ The CEO of Boohoo

⁸⁰ <https://www.telegraph.co.uk/fashion/people/exclusive-boohoo-ceo-john-lyttle-britains-poor-retail-businesses/#:~:text=John%20Lyttle%2C%20who%20spoke%20to,way%20they%20reacted%20to%20lockdown.>

⁸¹ Tom Kershaw says this is one reason suppliers give for why it is good to be a supplier to boohoo

⁸² Witness 98 Review Interview, pg. 9

⁸³ In the sense that the workers are paid less than the National Minimum Wage

⁸⁴ Including Peter Williams,

⁸⁵ <https://www.telegraph.co.uk/fashion/people/exclusive-boohoo-ceo-john-lyttle-britains-poor-retail-businesses/>

us that *“instead of buying thousands of one design, we can buy 200 pieces. Our model is to test and repeat, we see what sells and re-order more.”*

Following the Prime Minister’s announcement of a nationwide lockdown, Boohoo was able to take advantage of the fast-growing appetite for ‘leisure wear’. Carol Kane told *Drapers Magazine* that Boohoo had *“made sure we have had appropriate inventory for working from home and comfy items”* by *“working with our supply base to swap inventory around”*⁸⁶.

Boohoo’s operating model and business practice during the period of lockdown are a key issue for this Review and are discussed further in the Chapters which follow.

⁸⁶ <https://www.drapersonline.com/news/carol-kane-comfort-is-key-to-boohoos-lockdown-success> and <https://www.theguardian.com/uk-news/2020/jul/04/boohoo-booms-leicester-garment-factories-linked-lockdown>

Chapter 5

The Allegations

Allegations in relation to working conditions in Leicester's garment factories date back at least ten years. In 2010, Channel 4's *Dispatches* programme *Fashion's Dirty Secret*⁸⁷ found that workers, many of whom were working illegally, were routinely paid substantially less than the minimum wage and worked long hours in neglected and unsafe factories. The programme called upon high street retailers to take responsibility for work sub-contracted on their behalf, for the government to regulate and for consumers to curb their appetite for cheap fashion. Campaigners and journalists say that nothing has changed during the last decade.

In the ten years since the *Dispatches* programme, similar allegations have emerged from numerous sources, which include parliamentarians, academics and NGOs as well as journalists:

- (i) In 2015 the University of Leicester published a report commissioned by the Ethical Trading Initiative entitled *New Industry on a Skewed Playing Field: Supply Chain Relations and Working Conditions in UK Garment Manufacturing*, which highlighted poor working practices and serious human rights abuses in Leicester garment factories, including failure to pay the National Minimum Wage⁸⁸;
- (ii) In 2017 *Dispatches* broadcast a follow-up programme alleging that Leicester factories which manufactured clothes for New Look, River Island, Boohoo and Missguided were failing to pay the minimum wage⁸⁹;

⁸⁷<https://web.archive.org/web/20101110205326/https://www.channel4.com/programmes/dispatches/articles/fashions-dirty-secret>.

⁸⁸ 18 February 2015, <https://www2.le.ac.uk/offices/press/for-journalists/media-resources/Leicester%20Report%20-%20Final%20-to%20publish.pdf/>

⁸⁹ 23rd January 2017, <https://www.channel4.com/press/news/undercover-britains-cheap-clothes-channel-4-dispatches>

- (iii) A month later, the House of Lords and House of Commons Joint Committee on Human Rights published its report entitled *Human Rights and Business 2017: Promoting Responsibility and Ensuring Accountability*, the findings of which echo those of the University of Leicester report, including failure by factory owners in Leicester to pay the National Minimum Wage⁹⁰;
- (iv) In 2018, the *Financial Times* published an article by Sarah O'Connor entitled *Dark Factories: labour exploitation in Britain's garment industry*⁹¹;
- (v) In February 2019, the House of Commons Environmental Audit Committee published its report: *Fixing Fashion: clothing consumption and sustainability*⁹², which was critical of 'fast fashion' in general as well as of Boohoo and other retailers; and
- (vi) On 30th June 2020, Labour Behind the Label published a report which alleged that "emerging evidence indicates that conditions in Leicester's factories, primarily producing for Boohoo, are putting workers at risk of COVID-19 infections and fatalities"⁹³.

On 5th July 2020 the *Sunday Times* published an article⁹⁴ in which it was said that an undercover journalist had found poor conditions when he got a job (of very short duration) in a factory packing clothes destined for Nasty Gal, one of the boohoo Group's 'fast fashion' brands. It was alleged that other workers had told the journalist that he could expect to be paid as little as £3.50 an hour⁹⁵. It was this article which served as the catalyst for this Independent Review.

The criticisms of garment factories in Leicester have been aimed at many targets, which include:

- (i) local and national government, for failing both to regulate in an effective manner and to enforce existing laws;
- (ii) the statutory enforcement authorities such as HMRC, the National Crime Agency and the Health and Safety Executive for failing to investigate and prosecute;
- (iii) factory owners for exploiting their workers; and

⁹⁰ 29th March 2017, <https://publications.parliament.uk/pa/jt201617/jtselect/jtrights/443/443.pdf>

⁹¹ 17th May 2018, <https://www.ft.com/content/e427327e-5892-11e8-b8b2-d6ceb45fa9d0>

⁹² 19th February 2019, <https://publications.parliament.uk/pa/cm201719/cmselect/cmenvaud/1952/1952.pdf>

⁹³ <https://labourbehindthelabel.org/report-boohoo-covid-19-the-people-behind-the-profit/>

⁹⁴ *Sunday Times: They Only Exploit Us* Witness 404, 5 July 2020: <https://www.thetimes.co.uk/article/boohoos-sweatshop-suppliers-they-only-exploit-us-they-make-huge-profits-and-pay-us-peanuts-lwj7d8fg2>

⁹⁵ The National Living Wage is £8.72.

(iv) retailers for implicitly condoning, or at the very least turning a blind eye to, conditions in the factories which manufacture the goods they sell.

The allegations made in respect of Leicester factories are, broadly, that workers are vulnerable to exploitation because they have only basic skills, lack formal education, sometimes have a poor command of English and may not have the correct documentation to establish their right to work. They are thus unlikely to be able to get work elsewhere.

The allegations can broadly be grouped into the following categories:

- (i) wages;
- (ii) health and safety and working conditions;
- (iii) the employment of and treatment of workers;
- (iv) COVID-19; and
- (v) retailers' business practices.

Allegations relating to wages

One of the most frequent and persistent allegations relates to workers' wages. It is said that many workers in Leicester's garment factories are paid below (and often well below) the statutory national minimum wage.

There have been a number of suggestions as to the mechanisms used to disguise illegally low pay. These include falsified working hours' records, payslips which show fewer hours than have in fact been worked and claims that workers who have officially been paid the minimum wage are then required to repay the 'excess' back to their employer in cash.

Allegations relating to health and safety

There have also been repeated allegations of poor working conditions, with some factories in such a state of disrepair that they are unsafe or unfit for use. These include dilapidated buildings, cramped conditions and locked fire escapes.

Allegations relating to the employment and treatment of workers

Allegations have been made regarding modern slavery and exploitation in the textile industry in Leicester⁹⁶, with links to human trafficking⁹⁷.

Allegations relating to COVID-19

Since the onset of COVID-19 in the UK, and in particular when Leicester remained in lockdown as the restrictions began to be lifted in other parts of the UK, allegations have been made about a possible link between Leicester garment factories and the spread of coronavirus in the area.

It has been alleged that:

- a number of factories continued to operate during lockdown when they should have closed⁹⁸;
- workers were told to come to work even when they showed symptoms of COVID-19 and they were threatened with losing their jobs if they refused.

Other allegations have involved deficiencies in preventative measures, including a lack of Personal Protective Equipment and failure to establish and enforce social distancing measures.

It has been suggested that, in a period in which workers were particularly vulnerable to exploitation, there was a lack of inspections in factories.

Allegations of fraud have also been made, namely that government ‘furlough’ payments were obtained in respect of workers who in fact continued to work. A related allegation is that in the case of workers who were sent home and told that they should not come to work, ‘furlough’ payments were obtained from the government by employers but not passed on to the workers concerned.

⁹⁶ NCA Statement on Modern Slavery, 8 July 2020: <https://www.nationalcrimeagency.gov.uk/news/nca-statement-on-modern-slavery-allegations-in-leicester>

⁹⁷ Labour Behind the Label Report ‘Boohoo & Covid-19’, June 2020: <https://labourbehindthelabel.org/report-boohoo-covid-19-the-people-behind-the-profit/>

⁹⁸ The question of whether in law they were permitted to continue to operate is a complicated one and we examine this further in chapter 7

Allegations relating to retailer business practices

The allegations against retailers have not been in relation to Boohoo alone, but in recent times the company has been the focus of much of the criticism. This may be attributable to the fact that other retailers moved production of their goods out of Leicester (sometimes in response to the controversy surrounding conditions in the factories). In 2020, Boohoo is the retailer which sources the largest quantity of clothing from Leicester⁹⁹. What this means is that most of the factories manufacture for Boohoo and many of them do not produce clothing for any other company, making them wholly dependent on the Boohoo brands.

Critics claim that the way in which Boohoo runs its business, and perhaps even the business model itself, inevitably leads to low wages and poor working conditions.

One such allegation is that extremely low prices mean that garments simply cannot be manufactured ethically in the UK¹⁰⁰. A related criticism is that buyers, particularly those who are young or inexperienced, apply pressure to suppliers to accept prices that they cannot meet without either underpaying their workers or subcontracting to another company which then itself underpays its workers¹⁰¹.

It has also been suggested that Boohoo fails to offer sufficient commitment to suppliers, forcing them to live from order to order without stability for the factory owners or their workforces¹⁰².

There have also been allegations that Boohoo gets suppliers to bid against one another in conditions akin to ‘gazundering’, in order to drive down prices. Boohoo disputes this; in the light of my other conclusions I have not found it necessary to resolve this.

It has been suggested that by operating through a complex network of suppliers and subcontractors, Boohoo deliberately distances itself from the conditions in which its clothing is made.

⁹⁹ *Financial Times* 10 July 2020 *How Boohoo came to rule the roost* <https://www.ft.com/content/bbe5dfc5-3b5c-41d2-9637-50e91c58b26b>

¹⁰⁰ *Financial Times* 17 May 2018 *Dark Factories* <https://www.ft.com/content/e427327e-5892-11e8-b8b2-d6ceb45fa9d0>

¹⁰¹ Labour Behind the Label Report *supra*.

¹⁰² *Dark Factories, supra*.

It has also been suggested that the Kamani family covertly owns or controls many of the factories through a complex web of directorships.

Chapter 6

The Evidence

In this chapter we have summarised the evidence which we have considered. We have grouped it under various headings, but within those we have dealt with it thematically rather than witness by witness.

This is by no means a comprehensive account of what I and my team have been told. Rather, it is a precis; it is my intention that the reader, from the Boohoo Board to the general public, should be able to understand the factual basis:

- (i) upon which I have drawn my conclusions, and
- (ii) against which I have considered the legal framework.

In this section the evidence is set out without comment. I discuss it in Chapter 8 and set out our conclusions in Chapter 9.

This chapter sets out the evidence in the following way:

- 6A Chronology of key dates
- 6B Suppliers, sub-contractors and the compliance system
- 6C Company evidence
- 6D Evidence submitted by means of the website questionnaires
- 6E Stakeholders, consultees and campaign groups
- 6F Forensic accountancy evidence
- 6G The *Sunday Times* article of 5th July 2020
- 6H The coronavirus pandemic
- 6I Corporate Governance
- 6J The visit to Leicester
- 6K The future.

Chapter 6A

Chronology of key dates

4th September 2013	The UK Government published the National Action Plan incorporating the UN Guiding Principles on Business and Human Rights.
14th March 2014	Boohoo admitted to London's Alternative Investment Market (AIM) with a market capitalisation of £560 million.
18 February 2015	Publication of the University of Leicester's report (commissioned by the Ethical Trading Initiative): <i>New Industry on a Skewed Playing Field: Supply Chain Relations and Working Conditions in UK Garment Manufacturing</i> , which highlighted poor working practices and serious human rights abuses in Leicester garment factories, including failure to pay the National Minimum Wage.
26th March 2015	<i>Modern Slavery Act</i> 2015 received Royal Assent and became law.
3rd January 2017	Boohoo acquired 66% stake in PrettyLittleThing.
23rd January 2017	<i>Dispatches</i> programme broadcast about failure to pay minimum wage in Leicester factories which manufactured clothes for New Look, River Island, Boohoo and Missguided.
30th January 2017	Second <i>Dispatches</i> programme broadcast which alleged poor working conditions in Boohoo's warehouse in Burnley, including unauthorised deductions from wages (some allegations also made about ASOS).
28th February 2017	Boohoo acquired Nasty Gal.
29th March 2017	House of Lords and House of Commons Joint Committee on Human Rights published its report entitled <i>Human Rights and Business 2017: Promoting Responsibility and Ensuring Accountability</i> , with findings which echo those of the University of Leicester

	report, including failure to pay the National Minimum Wage in factories in Leicester.
10th January 2018	Government response to the Joint Committee on Human Rights' report. All the Committee's recommendations were rejected.
17th May 2018	The <i>Financial Times</i> published an article by Sarah O'Connor: <i>Dark Factories: labour exploitation in Britain's garment industry</i> , which was critical of Boohoo, amongst others.
June 2018	House of Commons Environmental Audit Committee launched an Inquiry into the sustainability of the fashion industry.
19th November 2018	Boohoo submitted written evidence to the Environmental Audit Committee.
27th November 2018	Carol Kane gave evidence to the Environmental Audit Committee.
25th January 2019	The Environmental Audit Committee published information from HMRC revealing failures to pay the minimum wage in the UK fashion industry.
31st January 2019	The Environmental Audit Committee published its interim report.
19th February 2019	The Environmental Audit Committee published its final report: <i>Fixing Fashion: clothing consumption and sustainability</i> , which was critical of 'fast fashion'.
26th March 2019	Boohoo acquired MissPap.
4th June 2019	The Government issued its response to the Environmental Audit Committee report, rejecting all its recommendations.
11th July 2019	Boohoo launched 14-day payment terms for UK manufacturers, effective 1 st August 2019 .
6th Aug 19	Boohoo acquired Karen Millen & Coast.
September 2019	Boohoo appointed its first Director of Sustainability
	The Slave Free Alliance, at Boohoo's invitation, produced a gap analysis report on Boohoo's anti-modern slavery practices together with recommendations for the future.
	Boohoo became a signatory to WRAP's SCAP 2020 initiative
October 2019	Boohoo had initial meetings with Verisio, an ethical audit company which assists retailers in managing their supply chains.

27th February 2020	Boohoo & Verisio signed an agreement for a one-year (renewable) bespoke programme of compliance across the boohoo Group Leicester supply chain.
March 2020	Boohoo became a signatory of the Sustainable Apparel Coalition.
23rd March 2020	'Lockdown' announced.
24th March 2020	<i>The Telegraph</i> published an article entitled <i>Boohoo staff furious about being told to keep working</i> .
6th April 2020	The British Retail Consortium published guidance which stated " <i>all non-essential premises are now closed. Online retail remains open and is encouraged by the Government, and postal and delivery services continue to run as normal</i> "
7th April 2020	The Government published its <i>Social distancing in the workplace during coronavirus (Covid-19) sector Guidance</i> which stated that " <i>Manufacturing can continue if done in accordance with social distancing guidelines wherever possible</i> ".
15th April 2020	Coronavirus Job Retention ('Furlough') scheme introduced.
19th May 2020	Boohoo published its Supply Chain Code of Conduct and Supplier Guidance Tool, drafted in conjunction with Verisio.
27th May 2020	Boohoo published its 2020 Annual Report, which included a more substantive section on sustainability framework.
28th May 2020	Boohoo acquired the remaining 34% stake in PrettyLittleThing.
29th May 2020	Launch of Boohoo's UK compliance programme: John Lyttle, CEO, wrote to all the suppliers telling them about the Verisio programme.
2nd June 2020	Verisio wrote to every Boohoo supplier introducing the programme and attaching the supplier Code of Conduct, supply chain mapping request & full audit scope setting out relevant standards required. All suppliers were invited to sign the Code of Conduct and declare all sub-contractors operating within their supply chain.
17th June 2020	Boohoo acquired Warehouse & Oasis.
30th June 2020	Leicester went back into 'lockdown'. Labour Behind the Label issued its report on Boohoo and Covid-19, which alleged that " <i>emerging evidence indicates that conditions in</i>

	<i>Leicester's factories, primarily producing for Boohoo, are putting workers at risk of COVID-19 infections and fatalities'.</i>
1st July 2020	Boohoo issued its response to the Labour Behind the Label report.
5th July 2020	The <i>Sunday Times</i> published an article entitled <i>Boohoo's sweatshop suppliers: "They only exploit us. They make huge profits and pay us peanuts"</i> , alleging that an undercover reporter found almost no protective equipment and wages as low as £3.50 an hour in a factory producing clothing for the boohoo Group.

CHAPTER 6B

SUPPLIERS, SUB-CONTRACTORS AND THE COMPLIANCE SYSTEM

Introduction

The purpose of this section of Chapter 6 is to set out the evidence reviewed by the Independent Review team dealing with the extent to which Boohoo's Leicester supply chain complies with the industry's legal and ethical standards. This section does not set out conclusions, rather it summarises the evidence in a fair and balanced way. Our analysis, conclusions and recommendations are to be found in Chapters 8, 9 and 10.

The subject-matter of this chapter is complex and requires explanation.

We quote from a number of emails and audit reports. The vocabulary, spelling and syntax is that of the originals.

The management of supply chain risk is a challenge for all retailers. The conventional wisdom as to how to monitor compliance to both legal and ethical standards within supply chains is to 'audit' them, that is to say, to have an auditor go in to a factory and check its performance against a pre-determined set of parameters (covering areas such as health and safety, employee documentation, wages, working hours and so on). The audits are almost always announced or semi-announced¹⁰³.

Compliance monitoring would be expected to happen at two stages: during the 'onboarding' process before a supplier has orders placed by a company and then periodically throughout the supplier's relationship with the company, to ensure continued compliance.

¹⁰³ An issue that is discussed later in this section and also in the expert evidence of the forensic accountants, Grant Thornton, at Chapter 6F

At Boohoo this was the responsibility of the in-house Compliance Team, which up until September 2019 reported to the Director of Merchandising.

Any new supplier was required to provide the compliance team with an up-to-date Sedex¹⁰⁴ Members Ethical Trade Audit report¹⁰⁵. The SMETA reports were arranged and paid for by the supplier. Sometimes the SMETA report would have pre-existed the Boohoo on-boarding process (for example, it might have been obtained in relation to the company seeking work from another retailer). The requirement was that the SMETA report should be dated no more than twelve months earlier¹⁰⁶.

Following confirmation that a supplier had provided a SMETA report, Boohoo's Finance Team would conduct further checks, such as whether the company had a bank account and whether it had any County Court judgments against it.

However, this is not how things sometimes worked in reality. We were told by one witness that often a new supplier would have completed one or more orders before the compliance team was asked to conduct any checks. From what we have been told by others, we have gathered that buying teams would basically try a new supplier out before telling the compliance team about them.

SMETA audits use the Ethical Trading Initiative¹⁰⁷ Base Code, founded on the conventions of the International Labour Organisation as well as relevant local laws. SMETA audits can be conducted against two or four auditing pillars. The two pillars mandatory for any SMETA audit are labour standards and health and safety.

Boohoo is a member of the Supplier Ethical Data Exchange¹⁰⁸ a not-for-profit organisation which provides access to independent third-party reports on suppliers and their factories. During the course of this Independent Review, we spoke to representatives from SEDEX, including the Chief Executive, Simon McCall. They gave generously of their time and we are grateful to them for their help.

¹⁰⁴ 'SEDEX'

¹⁰⁵ 'SMETA'. This is not a Boohoo process but a recognised independent auditing measure

¹⁰⁶ Edward Toogood witness interview, 20 August 2020

¹⁰⁷ 'ETI'

Mr. McCall explained that SMETA is a globally applicable standard, designed to address multiple challenges across multiple different countries:

“What it is trying to do is set a benchmark across multiple industries. There are some very detailed questions included in the audit methodology. What it doesn’t do is allow for a forensic investigation of a very specific issue. If you wanted a very specific methodology for, for example, specifically understanding the risk of subcontracting in Leicester, SMETA is not going to do that. It is up to the buying organisation to drill into those specific issues. For example, for the garment industry it might be very low wages or something like that.”

SMETA audits were supplemented by visits from Boohoo’s in-house Sourcing and Compliance team who assisted suppliers in ensuring that they were compliant with the law and regulations. The compliance team had two main functions in monitoring supply chain compliance.

First, Boohoo conducted its own in-house audits of suppliers, apparently on an *ad hoc* basis.

Secondly, members of the Compliance Team developed relationships with suppliers and sub-contractors and would pay the companies frequent visits to monitor ongoing compliance (although these visits were informal and not ‘audits’¹⁰⁹).

Suppliers and sub-contractors were also expected to comply with Boohoo’s Code of Conduct, which was included in its ‘supplier manual’, available through an online supplier portal. The Code of Conduct states that it:

“...sets out the principals [sic.] that our suppliers are expected to adhere to. These principals are:

- *Employment is freely chosen*
- *Freedom of association and the right to collective bargaining are respected*
- *Working conditions are safe and hygienic*
- *Child labour shall not be used*
- *Living wages are paid*
- *Working hours are not excessive*
- *No harsh or inhumane treatment is allowed*
- *No discrimination is practised*
- *Regular employment is provided*
- *Suppliers must comply with local laws*
- *Suppliers must cooperate with any representatives of the Boohoo group (or third parties appointed by them) carrying out audits to monitor compliance with and observance of this code*

¹⁰⁹ Boohoo refers to them as ‘client relationship visits’

- *Suppliers must provide these supervisors access to the necessary documentation and means to ensure this process.”*

At the outset of our Review we made what we thought was a straightforward request, namely to be provided with a list of Boohoo’s Tier 1 and Tier 2 Leicester suppliers. Such a list has never materialised and it is now clear to us that it doesn’t exist.

Instead, over time we were provided with a number of spreadsheets including one listing 141 Tier 1 Leicester suppliers¹¹⁰. We were never provided with anything which purported to be a comprehensive list of Tier 2 companies.

The picture remains unclear but, doing the best we can, we estimate that in Leicester there are currently roughly 200 Tier 1 suppliers, and something in the region of 300 Tier 2 sub-contractors.¹¹¹

On becoming a Boohoo supplier, companies were expected to sign the Group Supplier Acknowledgment Form, which contains the following declarations:

“By supplying goods to Boohoo you agree to observe the standards required, acknowledge receipt and accept the contents of the documents and follow Boohoo’s code of conduct and terms and conditions.

*Please confirm that up-to-date SEDEX audit is in place for all manufacturing units (including sub-contractor / CMT units) **and that all supply sources have been declared to the Sourcing and Compliance team. This is an ongoing requirement and includes all future supply.**” (emphasis added)*

Boohoo has provided us with a large number of signed supplier acknowledgment forms. Given that there is no list of suppliers which can be confidently relied on, it is axiomatic that it has not

¹¹⁰ We now know that this list was incomplete and out-of-date

¹¹¹ This was what we were told by Carol Kane in her interview with us, who said that she had got the figures from Tom Kershaw the week before we spoke. It is our recollection that Tom Kershaw told us that the number of Tier 2 companies was somewhere between 300 and 400. The picture is confusing because this may include Tier 2 companies which have manufactured clothing for Boohoo on a sub-contracted basis but without authorisation. This conversation with Tom Kershaw was during an RWG meeting rather than his formal interview with us

been possible to determine if all Leicester suppliers returned a signed form. We observe that it follows that, on the face of things, the Boohoo in-house compliance team cannot be sure either.

Once a supplier was ‘onboarded’, the visits from the compliance team continued. The intention was that this would ensure ongoing compliance at a basic level. The visits involved checking on elementary issues such as basic health and safety (fire safety elements, general cleanliness) and documentation (right to work documentation).

The number of members of the Leicester compliance team fluctuated over time. From January 2017 until April 2020, the team consisted of Witness 152, a Compliance Manager based in Manchester and a ‘Regional Compliance Technician’ in Leicester, Witness 16, plus two administrative assistants. A further Leicester-based ‘compliance technician’ joined the team in January 2018¹¹² before leaving in August 2019. She was not replaced.

From this it will be seen that, save for the eighteen months when there were two of them, Witness 16 was the only member of the team actually on the ground in Leicester. In other words, the Leicester audit compliance “team”, in the sense that the lay person would understand it¹¹³, actually consisted of one person, save for the eighteen months when they were a team of two.

We interviewed both Witness 16 and Witness 152.

Witness 152 had worked for Mahmud Kamani and Carol Kane for twenty years, since long before Boohoo started. She was appointed to the role of Compliance Manager with responsibility for the Leicester supply chain towards the end of 2016; she was physically based in Manchester. She left Boohoo in April 2020 and thus is no longer an employee. We are very grateful to her for speaking to us.

She said:

“In 2014/2015...it was more about getting suppliers to an audit process. Chasing up suppliers. Not much sight of sub-contractors...when I started going down to Leicester, I saw there was a need to look at the Tier 2 supply as well. I started mapping the Tier 1 and Tier 2 suppliers.

I was more organised, more analytical, more about reports.

We actually mapped Tier 1 and mapped the Tier 2 sub-contractors as well. We developed a list of approved CMTs. We had a list of their capacity...if a Tier 1 supplier wanted to work with a new sub-contractor and we hadn’t visited we would visit and make sure it was fit for purpose.

¹¹² We contacted her but she told us that she did not wish to speak to us

¹¹³ That is to say actually conducting audits and inspections

We had fortnightly meetings with the buyers. They didn't need to see the list of the sub-contractors. They just needed to see the Tier 1 suppliers. If they sub-contract manufacturing processes outside and were using poor sub-contractors we'd flag them as a poor supplier."

The role was "too much for one person" and Witness 16 was appointed in 2017.

As the supply chain grew she said that the onboarding process was as follows:

"Ideally we would go and visit a supplier before giving them an order and work out whether everything was in-house or whether they were using sub-contractors...the more you sub-contract the more risky you are as a business

"We actually mapped Tier 1 and we mapped the Tier 2 sub-contractors as well. We developed a list of approved CMTs. We also had a list of their capacity. If a Tier 1 supplier wanted to work with a new sub-contractor and we hadn't visited we would visit and make sure it was fit for purpose."

The way this was communicated to the Boohoo buying team was:

"We'd have fortnightly meetings with the buyers. They didn't need to see the list of the sub-contractors. They just needed the Tier 1 suppliers. If [the supplier] subcontracted manufacturing processes outside and were using poor sub-contractors we'd flag them as a poor supplier."

The factories were located very close to each other and this allowed the Compliance team to visit up to twenty suppliers in a day:

"I'd say every time I went down we'd do a formal visit for every factory. Contracts, right to work papers, ask to see how recording hours worked, how they were paying the employees and do a quick safety check too...we were quite pedantic about that for every visit.

"We mapped the supply chain; we had a risk register. Supplier might be green and audited. The risk assessment may be amber. The risk registers were on a shared drive. Also our internal auditors had sight too. We were audited by our internal auditors.

"We developed our own in-house audit to support the SMETA audit. Tier 1 and 2 needed an audit every 12-18 months. That was all documented. If an audit was coming up to the required date it would flag up.

"Our in-house audit reports looked like the SMETA reports. We had a list of suppliers and they each had their own file. The report should go into that file."

During the course of our review we also spoke to Jeff Bancroft, Boohoo's Director of Merchandising until September 2019. He said:

"Suppliers are approved by our compliance team through the 'fit for purpose' process: safe working conditions, proper payment, working hours. If they pass this process they get the green light.

"If a supplier does bigger volume we would say 'we want you to get SEDEX approved'. We would help them on that journey.

“So, the bigger suppliers will have SEDEX approval. The smaller suppliers will have fit for purpose and then we take them on a journey to improve.

“There was a list of suppliers that posed a risk graded red, amber or green. Amber suppliers were helped by our compliance team to improve. We moved away from those in red. They were not following the guidance. The list was held by the compliance team and I would have seen the list, yes. It was a controlled and structured system.

“Looking at Leicester: we work with suppliers we are happy to work with. The tests and controls we’d put in place, we thought we were in a good place. We don’t just walk away from an employer; we help get them to a level.

“We would get the compliance spreadsheet every other month. The compliance team would spend a lot of time getting data together to brief us.

“The bigger suppliers may appear on the spreadsheet. The smaller ones maybe not. We needed to move through all levels of the supply chain. It’s a journey the team was on.”

We have no idea what list Mr Bancroft is referring to. No one else has claimed that there was one. No such list was provided to the Review.

Sam Brocklebank, Boohoo’s Trading Director said:

“[previously] if dealing with a potential new supplier we’d establish who they were and the location of the unit. If the product was good, we’d fill in a ‘new supplier set up form’ and the compliance team would then vet the supplier. I didn’t really get very much involved. Buyers have a lot of autonomy. If they’re happy with the product and there is no pushback from compliance then we just crack on.”

Witness 16 was responsible for visiting Boohoo’s Leicester suppliers and the CMT units associated with them to ensure that they were fit for purpose. He was provided with contact details for all the suppliers, but not the sub-contractors. He told us that if a supplier or sub-contractor had a SMETA audit report then there was no need to conduct as rigorous an inspection.

A typical inspection of a supplier was described by him as follows:

“I explain to the manager or boss that I want to check their workers, initially a head count obviously. Ask for their time sheets or clock cards. We did accept time sheets as long as they were signed by the workers. I asked for any payslips. At the time a lot used to say we are giving it to the workers and we don’t have copies. We kept telling them you must have a copy in the unit to compare against the time sheets.

“I’d check contract and workers IDs...make sure they have the right to work permission.

“Basic parts then ask about PAT testing, needle policy, their fire extinguishers, services, fire exits. I didn’t ask for risk assessments.”

Initially he was able to see each supplier and sub-contractor once every two or three weeks. The gap between visits got longer as the number of suppliers increased and the length of each visit was between fifteen and thirty minutes. He said:

“I admit I’m not a very good admin keeper. I have said that to Witness 152 right from the start. I’m more on the practical side...hence I don’t have comprehensive records that I am able to give you. If I found a problem I would send an email to Witness 152, not a formal report...I’ve no idea what she did with that [email].”

Towards the end of 2017 Witness 16 and a colleague had:

*“started doing an excel spreadsheet with all the suppliers and their associated CMT units...we called it a critical path, but I don’t know if it was a critical path. This was on a compliance folder at the head office so we could all have access to it.
[My colleague] was a bit more organised than I was at the time. That was something we were trying to get more in there in an orderly fashion.
I would enter my findings from memory and from notes if I had taken any in the unit.”*

He said that he had asked repeatedly for additional help in dealing with the Leicester supply chain and that in his view the task was sufficient to warrant two or more compliance technicians working full-time in Leicester. In late 2018, he had suggested to members of the Boohoo Board that outside independent auditors should be engaged to audit both suppliers and sub-contractors, but nothing happened.

From mid-2019, he was the only member of the compliance team conducting factory visits in Leicester. He told us that because he was asked by the new Director of Sustainability to engage in a supply chain mapping exercise (see below), he stopped filling in the excel spreadsheet, which up until then had recorded his visits. Because he was the only member of the team he did not have time to do both sets of documents and conduct all the factory visits.

In November 2019, at the request of the new Director of Sustainability, the in-house Compliance team commenced a supply chain mapping exercise focusing on the mapping of the top 50 UK suppliers and all of their associated sub-contractors.

At about the same time, Boohoo engaged Verisio, a firm of specialist compliance auditors, to carry out sample audit work in Leicester, with a view to engaging them to carry out further audit work depending upon the success of their initial approach.

Methodology

This section deals with analysis of the evidence of audits and client relationship visits provided by Boohoo for companies within its Leicester supply chain. In an ideal world we would have analysed all the suppliers and sub-contractors. That has not been possible for two reasons: first, because of the time constraints on this Independent Review, and secondly because of the opaque picture as to precisely how many suppliers and sub-contractors there are within Boohoo's supply chain. Even had we been able to review the evidence in relation to all of the companies about which we have been told, we could not be confident that the picture was complete.

As part of our analysis, an excel spreadsheet was compiled which is ordered alphabetically by company. For each company, all the audits and client relationships visits have been scheduled in chronological order. The aim was to capture all the evidence with which we were provided so that we could have an overview of the information which Boohoo has about these companies in a way which would allow us readily and easily to make comparisons.

The schedule is a vast document that could not be printed and can only be viewed online. To enable the data to be included within this report, parts of the schedule have been reproduced in a table which is at Appendix D. The paragraphs below are based upon data from that schedule .

Of the companies for which Boohoo provided evidence, we selected a sample of 62. 36 of these are Tier 1 suppliers and 26 are Tier 2 sub-contractors¹¹⁴. For those 62 companies we looked at all relevant documentation from 1st January 2015 to 11th September 2020, a period picked because of time constraints on us.

The companies we reviewed included the Top 20 suppliers by volume for Boohoo as of 13th July 2020¹¹⁵, which were listed in the following order:

- 1) #54
- 2) #40
- 3) #15
- 4) #2
- 5) #10

¹¹⁴ For the following suppliers, the review only looked at the Verisio 2019/2020 audits due to time constraints: #34, #50, #36, #52, #38, #20, #44, #5, #1, #30, #55, #64, #37, #35, #33, #32, #43, #6, #63

¹¹⁵ Taken from a list headed 'Top 20 Group suppliers' provided by Boohoo. We understand that their ranking is according to volume of orders placed. It will be seen later in this chapter that when Grant Thornton analysed the top five companies by value of orders placed, that list is quite different.

- 6) #11 (including #48)¹¹⁶
- 7) #58
- 8) #28
- 9) #25
- 10) #26
- 11) #22
- 12) #45
- 13) #16
- 14) #8
- 15) #12
- 16) #51
- 17) #47
- 18) #61
- 19) #57
- 20) #62

The documents in question are the Verisio spot checks, the SMETA and other audits conducted¹¹⁷ and the Boohoo in-house audits and client relationship visits. We were also provided with other documentation such as email correspondence that was relevant to compliance.

This overview does not purport to be comprehensive - a snapshot of compliance for 62 companies over a five-year period could never provide a completely accurate picture of compliance for every company in Boohoo's Leicester supply chain, far less its entire supply chain.

It should also be borne in mind that the companies chosen for review were not selected entirely at random. Apart from the top 20 suppliers, the companies were chosen largely because we knew that they had issues and so it is possible that the picture presented is more pessimistic than a fully-comprehensive investigation of Boohoo's supply chain might reveal. Only a forensic accountant acting without time or other constraints would be able to give an answer with any degree of certainty.

However, my view is that this overview provides sufficient for conclusions to be drawn. I have also taken comfort from the fact that my conclusions are consistent with those of the forensic accounting experts, Grant Thornton. They conducted their own review of a sample of companies, using the same evidence base as the Independent Review team, and have reached their own, independent conclusions. The evidence of Grant Thornton is summarised in Chapter 6F.

¹¹⁶ What we assume is the same linked company with different names.

¹¹⁷ Some suppliers had been audited by companies such as Next and ASOS

The sample of 62 suppliers and sub-contractors

Of the companies under consideration, twelve had no documents at all to review:

- a) Tier 1: #18, #17, #24, #65, #43; and
- b) Tier 2: #13, #29, #36, #35, #32, #6 and #50 .

One company, #38 (Tier 2), refused entry to the auditors and therefore there was no data to consider.

The incidents of non-compliance cover a wide spectrum of seriousness.

The relevant audit parameters are as follows:

1. Right to work documentation.
2. Employment documentation.
3. Working hours records.
4. Payment practices.
5. Payment of national minimum wage.
6. Health and safety.
7. Covid-19.
8. Furlough fraud.
9. Unauthorised subcontracting.
10. Other.

Right to work documentation

Right to work documentation covers both checking the age of employees to ensure they are of legal working age and their right to work in the UK.

35 out of 49¹¹⁸ companies reviewed had at least one non-compliance in at least one audit for right to work documentation. Types of non-compliance in this area usually related to a general lack of paperwork, such as no copies of identification documents on file, no process in place to verify right to work or simply that no documents could be produced to prove compliance¹¹⁹. Another common problem was that management had not signed copies of documentation to verify that they were true copies of the original.

¹¹⁸ The number of companies included is 49 because the 13 companies with no documentation were not included in the calculation to avoid skewing the results

¹¹⁹ Remembering that a central tenet of the audit process is that the onus is on the auditee to prove compliance

The issue often appeared to relate more to a failure of good record keeping than workers not having the right to work in the UK. For example, at a Verisio sample audit of company #5 in December 2019 a worker had an expired passport visa on file but when asked, the worker was able to provide an up-to-date document to the auditors. This was still marked as a ‘major’ non-compliance.

However, there were also concerns at more than one company of workers leaving the facility during the audit inspection, giving rise to suspicions about their right to work status. For example, at a Verisio spot check of company #21 in August 2020, ten people left through a fire exit as the auditors entered the premises. It was not possible to verify if they were workers or not. At a Verisio spot check of company #8 in July 2020 40% of the workforce left during the audit. The auditor linked this to a rumour that government agencies (Border Force, Benefit Agencies) were in the area.

Employment documentation

38 out of 49 companies had at least one non-compliance for employment documentation in at least one audit. Examples of non-compliant employment documentation ranged from unsigned employment contracts or contracts that were not understood by management, to workers not having a contract of employment at all (found in Verisio 2020 spot checks of #34 and #20, as examples).

Working hours records

42 out of 49 companies in the sample reviewed had at least one non-compliance for working hours records in at least one audit. The types of non-compliance in this area typically involved auditors being unable to verify working hours due to inadequate record-keeping. Timesheets were often manually completed, although some companies had time recording machines.

There were examples of anomalies in the working hours records, for example workers showing as not working on the timecards but being present at a fire roll call (#64, SMETA SGS audit 2017) and broken needle records indicating that work was undertaken on days the factory was said to be closed (#12, SMETA Bureau Veritas audit 2019).

The most extreme example of non-compliance related to records that were clearly falsified. This was the position at two companies within the sample:

a) At a Verisio spot check in July 2020 for #23 it was noted that:

“The company have purchased a time and attendance system within the last week as they were informed that they needed to do so to meet the Boohoo compliance requirements. The working hours recorded in the previous week are much higher than the last three months. It is believed that the increased hours that are being recorded are due to the CMT being aware of the compliance visits. The hours that have been recorded for the last three months are believed not to accurately recorded and falsified as a review of orders has not increased to a level that justifies the increased recorded hours”.

b) At a Verisio 2020 spot check at #27 it was noted that:

“Working hours data requested for previous weeks was completely clean and looked untouched by the workers, whereas the current weeks working hours records were clearly handled by the workers; this may suggest that the company knew there were checks going on and prepared falsified documentation”.

Payment practices

23 out of 49 companies had at least one non-compliance in relation to payment practices in at least one audit. ‘Payment practices’ is a broad term and therefore this parameter has a degree of overlap with working hours and payment of national minimum wage.

Most non-compliance related to overtime pay, holiday pay not being paid appropriately, statutory holiday not being awarded, and workers being paid in cash with no records kept.

For example, at a July 2020 Verisio spot check, #61 were found to not be paying workers their paid statutory holiday pay, and there was no evidence that workers were paid their accrued holiday pay upon leaving employment.

At #64, at a 2017 SMETA audit, workers were found to be being paid only 13 pence extra for overtime¹²⁰ whereas the ETI requirements are that overtime should be paid at a rate of 1.25 or more.

¹²⁰ We assume per hour but this is not explicit in the report

Payment of the national minimum wage

35 out of 49 companies in the sample reviewed had at least one non-compliance in relation to payment of the national minimum wage in at least one audit.

Findings of non-compliance in this area related largely to a lack of reliable working hours documentation, meaning that it was not possible for auditors to verify whether the national minimum wage was paid. However, in some cases there was evidence that the national minimum wage was not paid.

- a) A Verisio 2020 spot check of #34: workers claimed that they earned £3 per hour. Whilst there is no reason to disbelieve this claim, due to a lack of reliable working hours data or other reliable documentation Verisio were not able to confirm the allegation on the date of the spot check.
- b) A Verisio 2020 spot check of #59: one worker claimed they earned below minimum wage but whilst there is no reason to disbelieve this claim, due to a lack of reliable working hours data or other reliable documentation Verisio were not able to confirm the allegation on the date of the spot check.
- c) Two successive Verisio 2020 spot checks of #52: workers claimed they earned below the minimum wage. Once again, whilst there is no reason to disbelieve this claim, due to a lack of reliable working hours data or other reliable documentation Verisio were not able to confirm the allegation on the date of the spot check.
- d) A Verisio 2020 spot check of #19: four workers claimed they earned less than minimum wage, with ‘packers’ earning £4 per hour. Yet again, whilst there is no reason to disbelieve this claim, due to a lack of reliable working hours data or other reliable documentation Verisio were not able to confirm the allegation on the date of the spot check.
- e) After the *Sunday Times* article was published, Verisio conducted a spot check on Morefray. The company confirmed that a “student worker” – in fact an undercover

journalist - was not paid for three hours of work, apparently on the basis that it was a 'trial'.

- f) A Verisio 2020 spot check of #16: the company's managing director admitted to paying workers less than minimum wage. He said that he was under pressure to pay below the minimum wage as most workers wanted to claim benefits and would leave if actual working hours were recorded.

Health and safety

42 out of 49 companies in the sample reviewed had at least one non-compliance for health and safety in at least one audit. The main instances of health and safety non-compliance were as follows:

- a) Fire safety violations, which included locked fire doors or fire doors which did not open correctly or were not up to standard; un-serviced or incorrectly placed fire extinguishers; and out of date PAT testing (including one company, #45, using a microwave that had failed its PAT test in 2015).
- b) Lavatories were not clean or hygienic, with a lack of lavatory paper and hand drying facilities.
- c) Buildings were in a general state of disrepair (#34 was "*cluttered*", #5 was in a "*deplorable condition*", #4 had no machine guards and machine oil bottles were kept on the factory floor unsecured).
- d) First aid kits and training were insufficient.
- e) Risk assessments were lacking features including emergency planning and chemical risk assessments. 24 companies had no risk assessments.

Among the companies which stood out as having particularly poor health and safety compliance included the three companies audited by Verisio at sample audits in November and December 2019, namely #5, #30, and #55. Company #5 is covered above; at company #30 there was no

“wholesome drinking water” available for employees; and company #55 was described in an email from the Managing Director of Verisio¹²¹ as having “*the worst working conditions that I have seen in the UK. [It] is not safe for the workers.*”

Company #52 was noted by Verisio in a July 2020 spot check to have “*too many health & safety issues to report*”.

However, not all the instances of non-compliance were as serious as those set out above. At an SGS SMETA audit on 7th November 2018,¹²² #14 was found to have three areas of health and safety non-compliance in that none of the following was available for review: asbestos report, in-date gas service report or MSDS or COSHH. In our view, such examples of non-compliance do not compare to a lack of wholesome drinking water. #14 was compliant in all other areas¹²³.

COVID-19

25 out of 44¹²⁴ companies in the sample reviewed had at least one instance of non-compliance for COVID-19 controls in at least one audit. On the whole, most companies had some COVID-19 measures in place such as hand sanitiser, spacing signs on the floor, and sewing machines spaced to allow social distancing. There had also usually been an attempt to put a risk assessment in place (although this was often not understood by management nor fully implemented).

Fifteen companies had no COVID-19 risk assessments at all, but three companies (#64, #30 and #57) were noted to have good measures in place. For example, workers at #57 said that they had had their temperature checked upon entering the facility. At #30 it was noted by auditors that “*the facility has clearly marked routes of movement and other relevant COVID protective measures.*”

¹²¹ ER/21/ Email from Leon Reed to Tom Kershaw dated 11 December 2019 - Verisio - Boohoo Progress Report - 10.12.2019

¹²² The only audit for this company

¹²³ Not including ‘observations’ made, only non-compliances

¹²⁴ The total company number under this audit parameter is 44 because any companies without audits in 2020 have been removed from the sample as they are not relevant to COVID-19

Furlough fraud

37 out of 44 companies in the sample reviewed had at least one non-compliance in at least one audit for furlough fraud. The findings in this area relate largely to auditors being suspicious that there may have been furlough fraud but being unable to find proof due to a lack of reliable working hours and payment data. This is recorded as ‘unable to verify’. Some companies were still receiving payments during their ‘shutdown’ period (e.g. companies #12 and #37) or provided inconsistent data on their closure period, such as #8 where the ‘management representative’ said that the factory had been shut for two weeks but the workers all said it was shut for seven weeks. There was a suspicion that they had been coached: the report author noted that *“During interviews all workers gave the same answer and were very quick to answer the question of how long the furlough lasted (7 weeks). The uncertainty of answers of when the furlough period started and finished was inconsistent with the certain answers given for the duration.”*

Other companies with findings marked as ‘unable to verify’¹²⁵ include:

- a) Company #39: workers were furloughed for seven weeks but received four weeks’ pay before returning to work. *“The remaining three weeks were paid in full by the owner who stated that he was happy to carry this loss to his revenue”*.
- b) Company #9: one of the directors, when presented with evidence from the auditors regarding furlough fraud, accepted that the factory was complicit in committing furlough fraud *“but did not confess this exactly word for word”* to the auditors.
- c) Company #11: the company could not provide evidence as to where orders were produced during the furlough period and they stated that their furlough period began on 16th March 2020, which was before the government’s announcement of the scheme on 23rd March 2020.

¹²⁵ Used in the same sense to mean that there was suspicion but it was not possible to prove

There was only one confirmed finding of furlough fraud in the example reviewed, for company #16, where the managing director admitted to Verisio during a spot check that the company had committed furlough fraud. The factory was not operational for two weeks but claimed furlough payments for six weeks totalling £50,000. The report reads: *"Management was aware they should not be claiming the money and said that they are willing to repay it in line with Boohoo's legal advice in order to avoid incriminating themselves and damaging brand's reputation"*.

Unauthorised subcontracting

Unauthorised subcontracting was often linked to furlough fraud. Many findings of unauthorised subcontracting arose during the lockdown period where factories had to close and, it seems, were subcontracting their work. However, some companies had pre-existing problems with unauthorised subcontracting.

An example of this is provided by company #54. We set out a summary below because it demonstrates how difficult it can be to identify and tackle unauthorised sub-contracting as well as the willingness of suppliers to breach the Boohoo Code of Conduct.

According to some documentation provided by Boohoo, #54's¹²⁶ relationship with Boohoo started on 27th February 2018. There were nine audits or client relationship visits for this supplier during the period 2016 to 2020. Given this, the start date of 2018 seems unlikely to be correct.

From the documentation we have seen, the issue of unauthorised subcontracting was first discussed by Boohoo as long ago as 15 August 2016 when Witness 152 sent an email to others in her team alerting them to #54's unauthorised use of a sub-contractor: *"Just a heads up this unaudited cmt unit is producing wholesale for [#54]"*. The following day she emailed #54 directly expressing her disappointment at *"one of our top 20 suppliers having the bulk of our goods made in an unaudited cmt unit"* and requesting a meeting. #54 took limited responsibility for its actions, putting it down to a *"mistake"*.

Witness 152 provided #54 with a list of approved CMTs. Interestingly, #54 put up resistance, suggesting that approved CMTs did not want to take *"smaller dockets"*. On 13th September 2016

¹²⁶ According to the Leicester Suppliers spreadsheet provided by Boohoo

Witness 152 reiterated that all production units must be declared and approved before orders were placed with them, commenting that it *“just seems our goods are placed with whoever can make them regardless if they are audited or not”*.

During October and November 2016 the Sourcing and Compliance team tried to arrange meetings with #54 but felt that their requests were being met with resistance. Witness 152 expressed her concern in an email to #54 on 18th November 2016 as follows: *“As one of our top ten suppliers but without inhouse production I need to ensure Boohoo code of practice is being followed.”* The issues continued into December 2016 when, despite assurances from the company, #54 supplied Boohoo product was found at unauthorised CMTs. On 3rd January 2017 Witness 152 told #54 that Boohoo had discovered this:

“As a business we need full transparency of your supply chain especially unaudited cmt. Please advise latest situation and please be aware this is in breach of supplier acknowledgements recently signed by yourselves.”

On 18th January 2017 an email was sent to #54 (and many other companies in Boohoo’s supply chain). This had as an attachment a letter dated 17th January 2017, signed by Mahmud Kamani and Carol Kane, described as the second letter which Boohoo had sent in a period of less than a month. They said that it had once again come to their attention that suppliers were using unauthorised CMT units. The companies were reminded of their obligations to pay the national minimum wage and not to use unauthorised CMT units and required to return a signed copy of the letter under the threat of no longer receiving orders from Boohoo. We have never been provided with any material which shows what prompted these two letters but suggest that it must have been a serious and widespread problem for it to have resulted in letters from the joint Chief Executives being sent to a large number of suppliers.

The letter notwithstanding, the issues continued. On 8th March 2017 Witness 152 sent another email to #54: *“[#54] goods seen in [sub-contractor] but not declared! [Please] advise asap and why does the information keep changing – this is now becoming a concern.”* #54 responded that they had understood the CMT to be approved now that the *“fire regulation issues were sorted”*.

Witness 16 visited the proposed CMT unit prior to approval. In an email dated 13th March 2017 he reminded #54 of their compliance obligations to Boohoo:

“When the real need arises I will make the checks then. Since you have been going through the Smeta audits with your old unit you will be aware of minimum requirements to bring the unit on board. If you make sure all the Smeta requirements are carried out on this new proposed unit, when the time comes to bring them on there should not be an issue. However, until such time please do not use this new unit.”

The only mention in any compliance document of unauthorised subcontracting before the Verisio 2020 spot checks was contained in one client relationship visit on 15th August 2017 when Witness 16 noted that he would be checking to see if the CMT units declared by #54 were the ones actually producing the Boohoo product. There is nothing to show how the issue was resolved.

The issue was then picked up by Verisio on 3rd August 2020 where it was confirmed that there were 11 unauthorised CMTs in use during #54’s lockdown ‘shut down’ period (which they claimed to be 23rd March 2020 to 29th April 2020).

Our table of audits at Appendix D has a column for ‘other’ instances of non-compliance. This largely captured findings that did not neatly fit into one or more audit parameters, such as findings surrounding the ETI Basecode and human rights policies. The findings most typically related to companies having not communicated the ETI Basecode to their suppliers, sub-contractors or employees, and show that there was a lack of understanding of human rights issues within its business structure .

Taking the overall picture of non-compliance for the sample reviewed, only 7% were 100% compliant. 93.8%¹²⁷ had at least one example of one type of non-compliance in at least one audit across its audit history¹²⁸ whilst supplying for Boohoo. This encapsulates 100% of Boohoo’s Tier 1 suppliers contained in our sample (and therefore includes all of Boohoo’s Top 20 suppliers) and 88% of the Tier 2 sub-contractors we included in our sample. The seriousness of those instances of non-compliance of course varies.

This is very much a double-edged finding. On the one hand, that these problems existed to such an extent is very concerning. On the other hand, it could be said that the fact that the Boohoo compliance system was picking up instances of poor practice or working conditions showed that the system was working.

¹²⁷ The number of suppliers used to create this calculation is 49 (62 minus the 12 suppliers with no audits and the 1 supplier that refused entry)

¹²⁸ From 2015

The flaws in that suggestion are illustrated by what Verisio found on its spot checks in 2020. We consider this further in Chapters 8 and 9.

The companies with no instances of non-compliance

The following companies had 100% compliance over the five-year period. These companies were #33, #60, and #49, all Tier 2 sub-contractors.

Company #33

Company #33 received a 100% compliance rating from Bureau Veritas across all audit parameters on 30 July 2020 (its only audit). In an ‘executive summary’ document dated 8th September 2020, risk in relation to this company was rated as ‘low’.

Company #49

For company #49 the only available document to review was an undated client relationship visit. The document consists of eight bullet-pointed lines, which read as follows:

- *“Unit is currently supplying for [sub-contractor] only*
- *Booboo work and MissGuided work is on the machines*
- *New Smeta audit has taken place on 14th March 2017*
- *Unit has all the necessary paperwork for pay records, worker Right to work, Contracts, first aiders, fire drill and fire extinguisher maintenance.*
- *Broken needle records are up to date*
- *Sharps are tied to machines*
- *Clean and tidy unit*
- *capacity of 10-12K/week”*

This was not a formal audit and as such there were no formal parameters against which to mark compliance. That said, the comments cover all the essential points: health and safety, right to work and employment documentation. No negative comments were recorded.

Company #60

Company #60 was also compliant at a client relationship visit, dated 10th February 2016. #60 is or was¹²⁹ an on-site CMT for #54. The relevant section of the document reads as follows:

“Using [#60] for 3-4000pcs. Found the unit to be clean and organised. Lunchtime so nobody at machines but evidence of compliance and compliant work practices. Only concerns were lighting could be improved especially towards knit machine area and sharps control needs to be improved around qc area. Sharps attached to machine tables.

“Manufacture true knit and supplying Lypsy and River Island and Matalan. Have about 12 machines with production area and machines clean, organised, product looked good quality.”

The above comments regarding lighting and sharps control have not been deemed to be instances of non-compliance because lighting is not a health and safety non-compliance area, and ‘sharps control’ relates to quality control rather than health and safety. Under ‘S&C conclusion’ the report writer noted *“good CMT unit”*.

Many audits made some positive findings. The most common was workers commenting that their workplace was friendly and that it felt like ‘family’. For example;

- a. Company #59, at its follow-up SMETA audit on 31 October 2017 was noted to be *“... well organised, safe and hygienic. Workers interviewed were open ad confirmed the actions taken to resolve the identified non compliances. Workers described a good working environment with a family atmosphere”*.
- b. The SMETA audit on 30 November 2015 for company #8: workers described their workplace as friendly, *“like family”*.
- c. The SMETA audit on 06 September 2017 for company #23: workers described the company as *“flexible, caring and helpful with a family approach”*. It was described as a good place to work and *“staff are treated as one of the family members. Workers feel comfortable in approaching management with any issues.”*

¹²⁹ The position is unclear

- d. The SMETA audit on 28 June 2016 for company #45: under a noted ‘good example’ it states that a “*family culture exists*” with religious festivals being celebrated at the facility for workers of different faiths.

However, these examples need to be treated with caution. Companies #8, #23 and #45 all had very problematic Verisio spot checks in 2020.

It is our view that, counter-intuitively, the level of involvement Boohoo had with #54 could also be described as a positive sign. As described above, #54’s unauthorised sub-contracting was stubborn and persistent, yet the compliance team continued to try and persuade the company to comply with Boohoo’s rules.

A further example, also involving #54¹³⁰, demonstrates that the involvement of Boohoo’s compliance team in monitoring the companies was far more extensive than the official documentation might suggest.

On or about 14th August 2017 allegations were made about #54, directly to Boohoo, from a whistle-blower who said that they were a machinist at the company. It was claimed that there were ‘illegal workers’, that workers were underpaid and that the working conditions were poor. In response to this, Witness 16 visited the premises over three successive days, 14th, 15th and 16th August 2017. He checked the premises generally and conducted worker interviews.

On Witness 16’s visit on 14th August 2017, he found that two workers had expired visas but everything else was compliant. A sample of documents was checked and identification was on file for all workers in the sample and wages and hours-worked added up¹³¹. At the follow-up visit on 15th August 2017 the workers with expired visas from the previous day produced updated documents. During this visit, there were concerns about working hours and Witness 16 witnessed

¹³⁰ Company #54 has been chosen as an example because the documentation provided included over 100 pages of emails relating to compliance, which was not provided for other companies

¹³¹ Email traffic demonstrates that this visit was supposed to be unannounced but it was felt that #54 were expecting the visit

a conversation that caused him concern¹³²; he then checked the timecard of the worker in question. Their hours appeared correct: however, when he looked in their desk drawer, two unidentified timecards were found. These were immediately destroyed and Witness 16 resigned himself to conducting a further follow-up. No issues were recorded at the 16th August 2017 follow-up where worker interviews were conducted and clock cards sampled. The only note in the document produced from the visit was that management were advised to keep “*better housekeeping*”. It was noted that a significant number of the workforce were away and so interviews were not complete.

Email correspondence on 22nd August 2017 confirmed that orders from #54 were “*on hold*” until the issues were resolved. There was also a meeting with the directors of #54 on this date.

On 23rd August 2017 there was a further client relationship visit conducted by Boohoo where no issues were noted. However, following a meeting with #54 the previous day Witness 152 sent an email confirming: “*I think the overall message was [#54] can no longer continue to take orders and not have any process’s in place.*” It was noted that a “*full audit*” would be conducted by Witness 16 the following Friday.¹³³

On 31st August 2017 there was an internal email sent by Witness 152 noting that there had been improvement at #54 but that there were still issues regarding clock cards, time sheets and housekeeping. It was recommended that #54 “*work through the opo and place any rebuys so not to affect business but hold off any “newness” until [#54] have moved into their new premises, sorted issues and maintained improvement.*”

Between 24th and 25th October 2017 there were further allegations made against #54, this time from an ex-employee. Email correspondence suggests that Witness 16 conducted another visit to #54 to check on these issues, but no documentation from any visit has been provided. The email correspondence suggests that clock cards, right to work in the UK documentation and identification were all compliant, save for one Italian national who was to send through their full passport to be checked. A further visit was mentioned on 25th October 2017 where it was confirmed that identification was correct and holiday pay had been correctly paid. However, it was noted that there was a “*genuine grievance regarding min wage... [#54] clothing is aware of this and they will be resolving the issue.*”

¹³² No detail is provided as to what caused the concern other than a director was seen speaking to a supervisor who in turn spoke to an employee

¹³³ This was not in the evidence provided

On 27th October 2017 the allegations resurfaced and Witness 152 contacted #54. It was noted that *“Further checks have revealed previous wage issues”*, that the company still did not have HR policies and that there *were concerns over the quality of their new premises. A meeting was requested and Witness 152 explained that “No further appointments can be made for buying meetings until we are assured and confident [#54] is practising due diligence and is not, by association, a risk to Boohoo.”*

Although there is nothing specific documented, it is clear that #54 remained on the radar of the compliance team throughout the final months of 2017. Photographs of visits to the factory were attached to the emails showing that further visits had taken place, and emails attempting to arrange further visits could be seen. The next piece of email correspondence occurred in July and August 2019, where Witness 152 chased an update on company #54’s audit status.

It is a matter of opinion whether Boohoo should have continued to work with #54 in the face of more than one whistle-blowing complaint and the various issues outlined above.

What I believe is significant is that there is no evidence at all of the matter being escalated to and dealt with at Board or even Audit Committee level: #54 is never mentioned in any of the Minutes¹³⁴.

The next audit to take place at #54 was on 28th November 2019, conducted by Intertek (SMETA). The Corrective Action Plan Report demonstrated two health and safety issues: one worker was using a cutting machine with no Chain Glove (twice) and there was no hot running water in the kitchen or the lavatories. There were no other instances of non-compliance noted. This might suggest that #54 had learned its lesson and improved.

I have concluded that this was not the case. In our view, the Verisio spot checks conducted in July and August 2020 reveal that the events of 2017 were a serious red flag for Boohoo about this supplier and should have been gripped at a senior level.

Verisio conducted its first spot check on #54 on 17 July 2020. No workers were on site at the time and so the check could not be fully completed. However, the auditors still found issues with right

¹³⁴ See section 6I which follows

to work documentation and COVID-19 compliance. The work visa for one worker had expired, two workers didn't have right to work documentation, three workers' documentation was not signed by management and two workers did not have contracts of employment available. The COVID-19 risk assessment was generic, was not properly implemented and workers had been working in the facility prior to its creation two days before the audit took place. As we have already observed, it is hard to understand why a company would suddenly acquire a COVID-19 risk assessment in July when they had been operating for months, unless it was because it had become known that Boohoo was conducting emergency checks as a result of the negative publicity.

A follow-up audit was conducted by Verisio on 3rd August 2020 where there were a number of serious infractions found. One worker had an expired visa, working hours records could not be verified, holiday time did not meet statutory requirements (it was 1.6 weeks short) and payment of the national minimum wage could not be verified. There was still unauthorised subcontracting taking place, with eleven undisclosed CMTs used during the company's claimed five -week shutdown period.

The auditors were unable to conclude that there had not been furlough fraud committed because there had been payments made to #54 throughout its shutdown period.

Comparison between the SMETA and Verisio audits of the Boohoo suppliers

The evidence we have set out demonstrates that the picture of non-compliance revealed in the Verisio spot checks was much worse than had been revealed by the previous SMETA audits, upon which Boohoo had been placing reliance and from which it had been gaining comfort.

Company #45¹³⁵ provides a useful comparator because Verisio conducted an audit of #45 using the SMETA methodology in 2017 and then conducted its own spot checks in 2020.

Boohoo onboarded #45 on 16th May 2016¹³⁶. From the documentation provided, #45 was audited or visited nine times during its relationship with Boohoo, the first time in 2015¹³⁷ and the last time in 2020. The relevant audit chronology¹³⁸ and a short summary of the findings are as follows:

¹³⁵ One of Boohoo's Top 20 suppliers – taken from the Top 20 Group suppliers spreadsheet provided by Boohoo

¹³⁶ Taken from the Leicester Suppliers spreadsheet provided by Boohoo

¹³⁷ I.e. before it was onboarded

¹³⁸ Client relationship visits excluded for these purposes

- SGS (SMETA) audit, 23rd July 2015: one ‘observation’ regarding ‘employment documentation’ that employment contracts were only provided in English when at least two workers spoke little to no English; one ‘observation’ in ‘payment practices’ was that an incorrect figure had been entered for half-hourly payments resulting in workers being underpaid by £1.30, which was rectified during the audit; three health and safety non-compliances and one observation: an outdated health and safety law poster, a fire exit in the packing area was bolted and the door was not fitted with a single motion opening mechanism, one microwave had failed its PAT test but was still used in the canteen area, and one fire extinguisher was without appropriate signage; and one positive finding that workers felt there was a “*family*” culture.
- NEX^T¹³⁹ audit, 29 February 2016. Non-compliance: (i) employment documentation: employee contracts did not state the address of the workplace just the department; (ii) health and safety: locks and handles on cubicles and the main door of the ladies’ toilets were broken, and the doors did not close or lock properly, a fire drill had been conducted in September 2015 but was not documented, and the compressor was stored in the general production area underneath a wooden work bench that holds fabric.
- SGS (SMETA) audit, 28 June 2016. There were no instances of non-compliance or observations recorded in this audit. There were four ‘good examples’ noted: contracts of employment were translated into the native language of the workers (see the observation in the July 2015 SMETA audit), all employees were paid the national living wage, health and safety was generally good and there had been no RIDDOR accidents since the company’s inception in 2012; and the culture in the business was noted to be positive with workers feeling like a “*family culture*” existed.

Pausing in the audit chronology, we remind ourselves that a letter was sent by Boohoo dated 17th January 2017 reminding suppliers of their obligations to pay the national minimum wage and not to use unauthorised CMT units. #45 signed and returned this acknowledgment on 2nd February 2017.

¹³⁹ This is NEX^T the retailer

- Verisio (SMETA) audit, 20th June 2017. There was a good example in this audit in that that contracts were translated and workers were permitted to take unpaid time off if required, for example if they wanted to extend a holiday. There were instances of non-compliance in the ‘other’ category, namely human rights policies and procedures. The grievance policy was not compliant and the company did not encourage its business partners to provide effective policies. There was also an observation of an inconsistency in the disciplinary sanctions listed in the employee handbook versus in the actual policy.

In between the previous audit and the audit below, there were emails from Boohoo to company #45 chasing up their audit.

- SGS (SMETA) audit, 27th November 2018: (i) working hours: clock cards and payslips did not match up, with some employees’ wages being rounded up and others rounded down; (ii) health and safety: one sewing machine did not have a needle guard; (iii) ‘other’ observations that the company had not addressed human rights policies adequately nor communicated them and the ETI Basecode to its suppliers; (iv) two good examples that contracts were translated for workers, and the company celebrated births, marriages and festivals for employees and provided a Christmas party. Employees described the management as caring, helpful and friendly, like a family environment.
- SGS (SMETA) audit, 18th December 2019: (i) working hours: not all workers were paid premium rates for overtime, and some workers were not paid for overtime above 30 hours (they had 30 hour contracts and were not paid for overtime until 40 hours); (ii) health and safety: a fire extinguisher was inaccessible, cutting operations were witnessed being performed without use of the chainmail glove, (iii) ‘other’: the ETI Basecode had not been communicated to suppliers (as had been raised in previous audits). There was also an observation that human rights issues had not been made clear to stakeholders.
- Verisio spot check, 21st July 2020. This audit identified non-compliance findings in every audit parameter.
 - i. Right to work: 4 out of 6 right to work documents were not signed by senior management and 1 out of 6 workers did not have valid identification to enable their right to work status to be checked.

- ii. Employment documentation: the contracts of employment provided were generic, and not standardised throughout the company resulting in inconsistencies between them, some contained no reference to the disciplinary and grievance procedures, and management did not understand the contracts.
- iii. Working hours: unable to verify working hours as a true and accurate record of working hours practices on site.
- iv. Holiday pay: unable to verify.
- v. Wages: unable to verify.
- vi. Health and safety: a member of management was found unlocking the ground floor fire exits during the visit; a fire extinguisher in reception was blocked; and a first aid box contained out of date equipment.
- vii. Covid-19: there was a risk assessment in place but it was generic and not understood by management. Some controls were in place such as the provision of hand sanitiser, appropriate signage, and spacing of sewing machines to allow social distancing.
- viii. Furlough fraud: unable to verify. Boohoo receipts and CMT invoices did not match up.
- ix. Unauthorised subcontracting: the unauthorised use of 11 CMTs was identified.

ACTION TAKEN BY BOOHOO IN RELATION TO SUPPLY CHAIN COMPLIANCE

In April 2017, the accountancy firm PWC produced for Boohoo a ‘Supplier Ethical Governance Risk Assessment’, benchmarking it against other fashion retailers. The Audit Committee and Board Minutes are silent as to why this was commissioned, but Keri Devine, the Company Secretary, suggested in her evidence that it was because she had concerns.

PWC noted that the increasing focus on supply chain ethics and provenance had led Boohoo to review how it assesses, controls and derives comfort from its governance systems around supplier risks. Keri Devine told us that she found the benchmarking exercise comforting as it showed that Boohoo was not an outlier. Whether one agrees with that or not depends on one’s point of view: PWC put Boohoo at number seven out of fourteen other fashion retailers.

PWC made a number of findings and recommendations. including a recommendation that Boohoo should consider automating and integrating manual and highly fragmented systems:

“Due to your rapid growth and ongoing development of new controls and monitoring activities, we observed a high reliance on manual processes and bespoke databases and systems. By using multiple manual databases it may mean that data is more susceptible to error, and data is harder to extract and integrate with other sources, reducing the efficiency and effectiveness of management information and related decision making. You should therefore consider which systems and checks can be integrated. For example, by including CMTs on the Supplier Index, you will be able to ‘tag’ other suppliers that use mutual CMTs and track their compliance using the one list.”¹⁴⁰

Some ‘observations to consider’ were listed with a view to providing opportunities for improvement. It was recommended that:

- “1. All new suppliers complete pre-audit factory check list. This will identify any key areas of compliance risk that will be fed back to the supplier in advance of a SMETA audit.
2. All new suppliers are approved by a Boohoo Director, a Buyer and S&C Manager, evidenced by 3 signatures.
3. All suppliers (past and present) are recorded on the Supplier Index database. This will identify if supplier has been used before (based on name) and their SMETA status.
4. A reconciliation to the Sage finance system is performed to identify unapproved suppliers.

¹⁴⁰ PwC Supplier Ethical Governance Risk Assessment – Boohoo.com (FINAL) 21.04.17.pdf

5. *All suppliers need to confirm supplier policy by completing a handwritten supplier acknowledgement. This provides confidence that suppliers understand Boohoo's policies and procedures.*
6. *All CMTs are visible and compliance is recorded on a separate spreadsheet database.*
7. *Supplier capacity is declared on pre-audit factory check list. This allows Boohoo to identify if they may be exposed to non-compliance in sub-contractors once they start placing purchase orders*
8. *All suppliers are audited periodically and audit compliance status is updated (where applicable). This ensures that audits remain relevant and suppliers are held to account on an ongoing basis.*
9. *Supplier audit (SMETA) status accurately recorded and monitored for all suppliers.*
10. *Supplier progress implementing SMETA Corrective Action Plan is monitored. This ensures that any findings identified are then followed up and responded to in a sufficient matter.*
11. *The supplier index is reviewed bi-annually by buyers to establish commercial need to continue relationships with higher risk suppliers.”¹⁴¹*

Following receipt of PWC's report, Keri Devine asked the then Director of Merchandising, to look at Tiers 1 and 2 and “to see how far we can go... To be honest that appetite sort of died when Witness 470 left as no one was really driving that”. Witness 470 left Boohoo in February 2019. It appears that the majority of PWC's recommendations were never implemented.

A ‘Supply Chain Discussion Paper’ prepared by Edward Toogood, Head of Internal Audit, dated January 2018, contained an ‘Actions Summary’, as follows:

“The S&C team assess audits and non-compliances on a case-by-case basis. This approach allows remediation actions to be tailored to suit the unique circumstances of each supplier. There are however common non-compliances and/or ‘red flag’ issues where the approach would benefit from being formally defined to ensure consistency and transparency of approach.”

“Where audits identify actions are required the S&C team agree these actions with the supplier, which are then tracked using a spreadsheet. Given the volume of suppliers the use of a specialist audit action management tool would be beneficial and allow the S&C team to more efficiently and completely monitor and react to the status of actions.

Reporting the output of the S&C work requires data to be extracted from a variety of sources and manually manipulated to ensure it is accurate and consistent. This is time consuming and open to error and strengthens the case to invest in an audit management tool.”¹⁴²

¹⁴¹ Ibid

¹⁴² 20180118 Supply Chain Mix template 0.05.docx

On 27 November 2018, Carol Kane gave evidence to the Environmental Audit Committee. Keri Devine, Tom Kershaw and Edward Toogood had all helped to prepare her to give evidence. They say they relied upon information provided to them by the compliance team.

Tom Kershaw said that as a result of the information with which he was provided:

“I felt we had a good degree of confidence in our Tier 1 suppliers, what made me nervous was what was below that, and if I am being completely honest, and I don’t say it lightly, the people presenting the information, that made me nervous ... but to be honest, everything felt pretty good, I felt positive. Then you go to the EAC and focus on Leicester, everyone else was telling us it wasn’t good, and then the people within the business who were responsible for it were telling us it was good. I think... we didn’t forensically dig to verify everything given to us. In hindsight maybe we should have.”

Keri Devine said that the majority of the information she supplied to Carol Kane from the Compliance team:

“It felt under control. Witness 16 came and said ‘we do monthly visits, we have SEDEX audits in place’. Witness 152 was saying the audits were in place. What it really highlighted to me is that we were missing a leader in that regard. The old Witness 470 type. That leadership had perhaps gone. What I was concerned about, the information we were given seemed a little too good to be true. In the back of my mind I thought if they are doing audits are they able to get around all of these [the suppliers], are they just going in and having a cup of tea? Did we have time to verify everything we were told? No, we didn’t... We had to rely on what we were told by these individuals. Did we need to drill more? I think, yes.”

In an ‘Internal Audit Report’, dated September 2019, Edward Toogood set out the findings of an internal audit of supplier compliance carried out in the period April – September 2019. The audit “sought to provide assurance over some of the key supplier compliance activities that are stated within the environmental and social responsibility statement”.¹⁴³

- For suppliers manufacturing in Leicester and Manchester, of which there were 308 sites, 259 sites (84%) had out of date third party audit dates recorded in the sourcing and compliance tracker.

¹⁴³ Internal Audit Report, September 2019

- The in-house compliance team faced difficulties in enforcing the requirement to be independently audited and this had not been escalated to the buying team and/or senior management. Testing of audit statuses that were reported were found to be unreliable.
- Where third party audits were available testing showed that these were conducted on a pre-arranged date. Good practice is for such audits to be unannounced or semi-unannounced basis (e.g. within a 2-4 week window).
- No formal process existed for the treatment of issues. These are not recorded in a systematic way and closure relies on the diligence of the Sourcing and Compliance team member rather than good process.
- A number of 'next steps' were identified:
 - i. To re-assign responsibility for supplier compliance to Group Secretariat and Compliance. A team structure would be built to meet compliance requirements;
 - ii. The approach to supply chain governance would be reviewed, with a view to addressing the coverage and audit reliability issues;
 - iii. XY is a supply chain governance tool, specialising in capturing supply chains and managing business compliance activities. The Group would use this tool to gain supply chain transparency and added rigour to the audit processes;
 - iv. Group Secretariat and Compliance would provide regular monthly updates to the PLC Board as their programme of work developed.

The internal audit report was presented to the Audit Committee on 19th September 2019. It was agreed that there should be a '*Review of information given to the EAC versus the reality of the supplier audit status.*' This appears to be an acknowledgement that the information Carol Kane had given the EAC was not accurate. I agree with that assessment.

Further, the Company agreed that significant investment was required to drive a culture of compliance across the supply base.

In September 2019, Tom Kershaw (Boohoo's Head of Legal) was appointed to a new role as Director of Sustainability, with responsibility for compliance across Boohoo's global supply chain.

He told us that that the remit of the compliance team is to monitor compliance across the global supply chain. The work of the team could be broken down as follows:

- “1. *Map supply chain (beyond our Tier one supplier)*
2. *Record and update supply chain database, including onboarding of new suppliers*
3. *Work closely with the internal product and buying teams to understand trends and ensure that buyers are familiar with compliance standards*
4. *Set policies and communicate internally with product teams and externally with supply chain*
5. *Coordinate third party audit programme with suppliers and monitor corrective action improvements*
6. *Monitor and audit levels of compliance and work with suppliers to develop standards as required”*

He said:

“The group has grown at such pace and certain functions within the group and the investment in the wider infrastructure has maybe not grown at the same pace.”

“I want to know and am responsible for knowing every unit in Leicester that is making garments for Boohoo. It sounds simple, but it is not so simple. That is the number one thing for me. Once we have mapped the supply chain, it’s whether we have communicated the standards we expect, are we monitoring it effectively and are we working with suppliers to address and monitor issues. That is the role of compliance within the business.

A few things became apparent quite quickly. We didn’t have full transparency of the UK supply chain.

When I asked for a record I got different things and I found that difficult and I didn’t really know what I was seeing at the time. I felt that we needed one central place to see what our supply chain is. The guy (Witness 16) had that but there were so many different spreadsheets. I was a bit flummoxed by it; so much information and I didn’t quite know where the information came from or when it was last updated.

It felt like an enormous array of things going on. Something that should have been simple was being massively complicated by the bureaucracy. It felt like it was too easy to become a supplier to the group. We didn’t have full transparency of the UK supply chain.

Flash points in the past have been sub-contractors. With the top 40-50 suppliers we have pretty good, not perfect, but pretty good coverage. We didn’t have the same coverage on Tier 2. The issue we’ve had, the company has grown so enormously, reliance on Leicester has grown with us and it doesn’t take a rocket scientist to realise that the work has grown and where does it go? The work has grown and visibility of sub-contractors hasn’t grown with that.

I think we have a duty to be more present in Leicester than we have; we have to develop our team on the ground to work with suppliers and help them.”

Keri Devine expressed similar views:

“Looking back, audit compliance was not fit for purpose.....We should have got our arms around compliance a lot sooner.”

In October 2019, Tom Kershaw held meetings with Verisio with a view to understanding how the company could develop its supply chain work. Mr Kershaw said

“But come November there were three things I felt we absolutely had to do, we needed a system for the supply chain, a database, and a transparency system. We needed a UK Compliance programme for once and for all to get to the bottom of whether there were issues in Leicester, massive issues or reputational issues. The Verisio programme looked to do that. Then the other area is we needed to restructure the team internally to drive long term improvements in the way in which we do things.”

In November 2019, Verisio were asked to carry out sample audit work in Leicester with a view to engaging them to carry out further audit work depending on the success of their initial approach.

In November and December 2019, they carried out an audit of sub-contractors to two Tier 1 suppliers, #57 and #54.

At 22:07 on 11th December 2019, Leon Reed, Verisio’s Managing Director, sent an email to Tom Kershaw setting out in detail the serious concerns he had about conditions in three factories his team had inspected¹⁴⁴. Leon Reed said:

“I know you wanted to have an update on how we are doing in Leicester, so I have done a review of the three below sites. I’m afraid it’s not pleasant reading and the non-compliance that we have identified shows the significant risks to the Boohoo brand “

Amongst the issues his team had identified were: falsified wage records, no signed contracts of employment, buildings in a deplorable condition, workers who had not been paid for seven weeks. He said of one of the factories:

“The factory has the worst working conditions that I have seen in the UK and is not safe for the workers. We have pictures and I will send to you. “

Of that factory he said: *“I honestly feel that Boohoo should stop trading with the #55 factory with immediate effect as it is such high risk. I do not usually make such suggestions but think that the risk is so high to the Boohoo brand and is a major news story waiting to happen.”*

¹⁴⁴ #5, #55 and #1

At 22:19 on 11th December 2019, Tom Kershaw forwarded the email to Keri Devine and John Lyttle, saying:

*“Both,
Sharing this update from Verisio’s initial work in Leicester. It is not a good read, at all.
I’ll speak with [Leon Reed] the morning and then perhaps we can regroup to discuss”*

On 16th December 2019 a meeting took place at Boohoo’s offices between Tom Kershaw, Leon Reed and another person¹⁴⁵.

Leon Reed told us that he had identified *“criminal activity and ridiculously poor conditions.”* He told us that he expected all retailers to investigate and report crime and assessed Boohoo as having adopted a very proactive stance and believed that his findings had been reported. To the best of our knowledge and belief, Boohoo has not reported any possible criminal offences uncovered by its audits. There may be perfectly proper reasons for this but they have not been explained to us.

[A section of text from the closed version has been removed from this part of the open version for legitimate reason].

On 19th December 2019, Mr Lyttle, Tom Kershaw and Keri Devine visited Leicester, went to see the factories in question and met the owner of company #57.

Tom Kershaw said:

“...they were very bad working conditions, lack of documentation to prove anything in terms of payment, right to work, employment contracts. One of them was pretty appalling working conditions in terms of the set-up of the site. I recall it well because Keri Devine, John and I visited it...there was all the things you hear about. So all the things that the world has been telling us seemed to come out of those reports. All of a sudden we had it on paper or in person with Verisio, with them saying that this is a problem guys, this is a problem.

When I read the reports it made me feel horrendous...it was heart-breaking really. I remember Keri Devine and I were thinking, what are we going to do about this? You go into ‘how to make it better’ mode.

¹⁴⁵ The identity of this person has been removed from the open version for legitimate reasons

I trusted what Verisio were telling me that it would be indicative of smaller sub-contractors across Leicester.

We were trying to accelerate the work we were doing...the Verisio findings were a bit of a kick in the teeth.”

He also told us that #57 had one ‘model’ factory. He said he:

“Met a guy called X [Director of company #57]. He was an interesting character. Very keen to talk to us. Very keen to sit down with us and show us the factories he used that were compliant. Fantastic factories. Absolutely not what we were shown. I had a conversation saying why isn’t our stuff going where I’ve just been? He said it absolutely won’t happen again. It wasn’t the time and place... We said it cannot happen. Why treat us in one way and [our competitors] in another way. We need to stop all this. He was very keen to say we are keen to work with boohoo but we need bigger orders. I said ok if it’s that simple. He said we need bigger orders.”¹⁴⁶

Keri Devine recalled something similar:

“We were told that the supplier that had disclosed the units was [company #57] and then we met with X.

X through Company Y is trying to be our partner of choice to develop a model factory. The thing that became apparent to me and I found it really, really upsetting actually, after taking us to the sites that we saw he then took us to his Fast Forward accredited factory that supplies to [two of Boohoo’s competitors] and there he is operating a really lovely factory and doing work for those brands and then we’re getting kicked out to wherever for production of our garments.”

She said that she too had asked why Boohoo products were not being made in the model factory and received an answer that it was something to do with cost and the size of the order. Tom Kershaw said that he was told that 10p here or 20p there can make a big difference.

Somewhat to our surprise, when I interviewed him, John Lyttle did not tell me about the Leon Reed email or the visit to Leicester just before Christmas. In fact we already knew about this when we interviewed him, because Keri Devine and Tom Kershaw had been very frank about it, but had we not done so, this would have left us without a key piece of information. It was my view that, given that John Lyttle could not possibly have forgotten this, his failure to tell me about it was significant. The company is adamant that this was a misunderstanding. I deal with this elsewhere in this report.

¹⁴⁶ Ibid.

On 23rd December 2019, Tom Kershaw created an aide memoire in the form of an email to himself:

- “1. *What immediate action with [#57]?*
2. *Planned actions -*
 - a. *Verisio – preparing a proposal regarding approach to compliance in Leicester – programme of improvement*
 - b. *Boohoo group / supplier commitment – MUTUAL RESPECT / PRIDE IN WHAT YOU DO / TRANSPARENCY*
Supplier commits
 1. *Ensure right to work status is complied with*
 2. *Provide proper contracts to your workers*
 3. *Pay your workers minimum wages*
 4. *Record hours worked*
 5. *Provide safe working conditions*
 6. *Provide a clean environment in your factories*
 7. *Cooperation with us and our compliance team and audit process*
 8. *Learn and awareness – modern slavery training*
 - c. *Internal team – what resource do we need*
 - d. *Undercover worker in Leicester?”*

On 9th January 2020, John Lyttle wrote to the owner of #57 as follows:

“It is clear from the results of the third party audits that the units in question are simply not acceptable and the boohoo group will not tolerate these units being involved in future production in its supply chain. The purpose of this letter therefore is to confirm that [company #57] must cease production of boohoo group garments from within the following units with immediate effect:

1. *[#5]*
2. *[#1]*
3. *[#55]*

I want to place on record that any future non-compliance or deemed failure of the standards set out in the boohoo group code of conduct, including production in an unapproved unit or factory, will result in termination of your contract with the boohoo group.”

We believe that he wrote to #54 in similar terms but we have not been provided with a copy of the letter.

In February 2020, Verisio entered into an agreement¹⁴⁷ with Boohoo for a 12 month (renewable) bespoke ‘Supplier Audit Management Program’. In summary, Verisio agreed to:

“provide social compliance auditing (also known as ethical, social or CSR auditing). This involves auditors (inspectors) visiting companies in a client’s supply chain to ensure that ethical, legal, payroll, health and safety standards are being met in relation to the workers. During an audit the auditor will spend one or more days touring the site, interviewing management and workers and reviewing payroll and procedure documentation and covering all Modern Slavery indicators. An audit report is then issued within 5 working days which includes a list of issues found and recommended corrective actions. The sites may need to be re-visited for follow up audit after 3-4 months after the audit to ensure that the non-compliances have been addressed. The cycle of follow up audits may continue until all or most issues have been closed off.

*Supply Chain Management: **Optimus** is used to help companies manage their supply chains and to manage audit reports, corrective actions and supplier risk assessments.*

There are a number of audit standards that are referenced but the most common in the UK is the Ethical Trading Initiative (ETI) Base Code and a format called the SMETA audit format which has been developed by a multi-stakeholder group on behalf of SEDEX

*Verisio is able to provide a tailored online audit report format if required or other approved client audit platforms.”*¹⁴⁸

The Verisio programme was due to start in March 2020, but it was agreed that the launch would be paused owing to the COVID-19 pandemic.

Edward Toogood told us that his assessment was as follows:

“The requirement was to have a SMETA report within the last 12 months. The number of suppliers who had it within twelve months was low. I never broke it down as to whether it was new suppliers particularly. With suppliers who had made it onto our list, the coverage of up-to-date reports was not good.

The compliance team was responsible for monitoring that. It was their responsibility to make sure that they report in and approve it before it went live onto the accounts payable ledger. There was a requirement for compliance to sign off before the payment ledger. The number of suppliers that I saw...in September 2019 without an up-to-date report makes me think there may have been some getting through that process. Not looking at onboarding per se. That was across the whole supply chain. I assume there were gaps in onboarding too.

I think there was a lack of leadership...they were prepared to live with a situation where they had 80% of suppliers without audit reports. For me, that wouldn’t be good enough and that is what I reported through. The leaders, really, didn’t shout about that enough. The information that came out of that team for me was a bit confused. Never concise enough to really get to grips with it. They present statistics again and again without saying what the underlying story was. At that time sourcing and compliance reported into the buying directors which I didn’t think was right.

¹⁴⁷ Heads of Agreement dated 27 February 2020

¹⁴⁸ Ibid

You don't want your compliance people saying on too regular a basis "let's take a commercial view". I think, on what exactly? That is a bit of a red flag. Back in 2018, when I was having conversations with the sourcing and compliance team they were talking about "commercial views" on things. I challenged them to say what they meant. They said, they're a big supplier and we need to work with them. OK, that's different. If they're a big supplier and important to us, we work with them to bring their standards up. That doesn't mean to say that they are a big supplier and we turn a blind eye. There is a really important distinction there. When I hear "commercial view" I have to make sure it's the right commercial view."

About the evidence to the Environmental Audit Committee in November 2018 he said:

"Some of the information from the sourcing and compliance team wasn't great. They weren't great at reporting so I helped.

When Carol referred to monthly inspections she was referring to the work of Witness 16 on the ground. I don't think we can evidence that there were monthly inspections. They were going round, dropping in, having a chat with the owner but they weren't recording what they were doing. I wouldn't want to say monthly inspections.

At the time I hadn't done the work to get under what they were really doing.

It is not really sustainable to have as many as 400-500 suppliers. It's really clear to us now we're trying to do what should always have been there and make sure everyone is audited every year at least, plus more."

Leon Reed, Verisio's managing director, summarised the situation thus:

- i. Boohoo did not understand the size of the supply chain in Leicester;
- ii. the in-house compliance team was of insufficient size to manage several hundred suppliers and sub-contractors;
- iii. the in-house compliance team did not have the appropriate skill levels;
- iv. the majority of factories in Leicester would not understand basic legal requirements.

He said that the investigative parameters put in place for the factory visits in July and August 2020 were established as a result of the allegations that had been made in the *Sunday Times*:

"These visits were not audits; they were purely to get an understanding of whether what the media was reporting was correct. Boohoo wanted to understand whether that was right or wrong and to do short, sharp, snap inspections."

I asked him whether he had formed a view about whether the allegations in the media were true. He responded as follows:

“From my point of view I think we can quite evidently see that there are issues with the supply chain and the fact that our summaries will often say that we were unable to verify things is because they don’t have processes in place and documentation in place to say that it actually happened, but our belief would be in all of those areas there was absolutely stuff going on that shouldn’t be happening. At least 90% of the supply chain I would say that is probably true – a rough percentage not a fact.”

Chapter 6C

Evidence from Boohoo

A key part of the Review process was gathering evidence, both documentary and oral, from Boohoo itself.

As part of the Review process I and my team have been able to speak to 20 witnesses who are or have been connected with Boohoo. This has included past and present officers of the company and current and former employees in a range of roles and at different levels of seniority. Some have worked together since the early days of Pinstripe Clothing, such as Mahmud Kamani, Carol Kane and Design Director Caroline Evans. There are more recent additions to the company, such as John Lyttle, who joined as CEO in 2019, as well as brand new employees like the Head of Compliance, Adam Ogliev, who said to us *“I’m here ... to tell the tale, 3 weeks into my tenure with Boohoo!”*.

The evidence that we gathered was voluminous and extensive. In this chapter I concentrate on evidence directly relevant to the Terms of Reference. Of necessity, this is only a summary and we have organised it thematically. Where there has been a spectrum or divergence of opinion we have sought to show this.

As with other sections of this report, simply because a piece of evidence or view has been set out in this chapter does not mean I have accepted it or agree with the views expressed. Our analysis and the conclusions we have drawn are to be found in Chapters 8 and 9.

It has been clear to us from an early stage that Boohoo was keen for us to understand the culture and business model of the company. In part, this appeared to be driven by a declared desire to take an open approach to this Review¹⁴⁹. John Lyttle said that *“the reason for having an independent investigation was wanting to show we are transparent”*.

¹⁴⁹ The extent to which there has been transparency in relation to the Review process is discussed later in this section and in Chapter 8

It was also clear that many of Boohoo's staff and Board members feel a real sense of pride in their company and have found the recent negative publicity very difficult at a personal level. There is a palpable sense that they feel that they have been unfairly singled out and that the public never sees the good things about the company. Neil Catto said to me when we were visiting the Manchester Headquarters:

"We have been taken aback by the way people have reacted to our success. I think now that we were naïve, but we genuinely thought people would be pleased for us".

I wanted to get a sense of what kind of company Boohoo is for a number of reasons. First, the company's culture and business model are relevant to what has happened in the past and the reasons for it. Secondly, the attitudes of those in positions of power at Boohoo self-evidently are crucial in terms of its future. They are relevant to the workability of any recommendations I make and, perhaps most importantly, to my assessment of the sincerity of Boohoo's commitment to change, were change to be required.

Having said that, we believe that the Board knows in its heart that some change is needed and at least in part they have commissioned this Independent Review to help them to understand and achieve this. I asked John Lyttle how he felt about the factories in Leicester. His response was as follows:

"I think we have a responsibility for a family that needs to take home a wage packet and pay rent and be able to put food on the table. Not to the factory owners or the directors, [the workers] are the people we need to consider first and foremost. We know we will come across some things that are not right. Our first duty is to fix things and make it right, in my view".

Tone at the Top

A very short history of Boohoo is set out in Chapter 4. Self-evidently, all its officers and senior employees recognise the significance of the fact that it is a *"young publicly-listed company"*. Mr. Lyttle said of Mr. Kamani and Ms. Kane: *"they are entrepreneurs and built an incredible business"*. This was a sentiment which, unsurprisingly, has been echoed by a number of people.

Despite the financial success of the IPO in 2014, we were told that the transition was not without its teething problems. Mr. Kamani himself said:

“I come from a family business... there are lot of processes that this thing needs... The easiest bit of all this is buying. The rest is difficult”.

John Lyttle is a retail veteran, whose most recent role was an eight-year tenure as Chief Operating Officer of Primark. The informal manner of his appointment plainly caused some anxiety but this is not relevant to this Independent Review. Mahmud Kamani said of him:

“John had been at Primark. I knew him for long time. I liked him and trusted him. He started when Primark was doing a million pounds and it was doing a billion pounds when he left. I come from a family business. I knew it needed someone from outside. Time to move it on. Lot of processes that this thing needs. I'm an operator. Process is not my forte.”

David James, Supply Chain Director at Boohoo, who had worked with Mr Lyttle at Primark and was brought to Boohoo by him, was (perhaps unsurprisingly) full of praise for him. He described Mr. Lyttle as *“a very calm, very strategic leader. A very fair leader. He gives autonomy to his team. He is demanding though. He would expect you to deliver but he is also very engaging”*.

It is clear that Boohoo’s roots as a family business continue to influence the culture and approach of the company today. For many this is seen as a good thing. Claire Asher¹⁵⁰ described the corporate culture as feeling akin to a *“family relationship”*. She said that Boohoo has become *“more corporate over the years for the right reasons”*, but added: *“we have a very open working environment”*.

Many people described Boohoo’s ethos as *“inclusive”*. Mr. Kamani said:

“I’d like to think that ... it’s a great place to work. We try to make it right for everyone and try to make everyone owners and part of the company... Your people are your business aren’t they?... You have to keep the team really happy”.

Caroline Evans said *“Mahmud and Carol take you with them on the journey. I have been treated very well in this organisation”*. David James said that Boohoo is *“an inclusive employer”*, adding:

“Having worked in number of retailers, the amount of work we do on engagement with colleagues is second to none. I’ve been really impressed... people are at the heart of everything we do”

¹⁵⁰ Product Director of Nasty Gal

The atmosphere is plainly informal. Ms. Kane described it in the following terms:

“It’s fun. A fun youthful environment. The press couldn’t be more wrong. If you saw the environment we’ve created and the culture we’ve created... Obviously I get a little bit upset with what’s happened because with our people, we really take care of them. They are shareholders in the business.”

Sarah Cooper¹⁵¹ described Boohoo as a “complete breath of fresh air”. Something similar was said by Claire Asher, namely that she found it “very different to other retailers I’ve worked at [who were] not as fast paced and fluid... I’ve loved being able to do things faster, move with the market”.

This stress on speed of reaction and the consequent degree of autonomy given to the staff, particularly the buyers, was emphasised as being a critical part of what has made Boohoo both successful and an enjoyable place to work. In Chapters 8 and 9 I consider these qualities and the extent to which it could be said that, although they may be seen as positive attributes both by and at Boohoo, they may have contributed to the situation in which it now finds itself.

A significant number of Board members and senior staff¹⁵² said that Boohoo is still “growing up” and most appeared to acknowledge that its systems and processes are in need of attention and improvement. That being said, they were concerned as to how this could be achieved without sacrificing its core characteristics of speed and agility.

Although Boohoo has recently expanded its portfolio to include brands with higher price points¹⁵³, keeping prices low for its customers could even be seen as being part of its DNA. Mr. Lyttle told us: “Let’s be clear: the demographic of who we’re selling to is not going around with a gold credit card. Our average price is £12”.

Whilst it is a business model that appears to have brought them enormous success, Boohoo is also no stranger to controversy; the low prices of its clothes are considered noteworthy by and of themselves. Neil Catto, Chief Financial Officer, said,

“There has been this “what the garment costs” from way back from when it was the owners negotiating with suppliers themselves”.

¹⁵¹ Head of Buying at Boohoo

¹⁵² A view expressed by Brian Small, Neil Catto, John Lyttle, Tom Kershaw and David James

¹⁵³ Including Karen Millen and Coast

The relationship between low prices and conditions within the supply chain was explored in evidence before the Parliamentary Environmental Audit Committee in 2018. Boohoo has become (in)famous for selling dresses for £5. In essence what is being said by Boohoo's critics is that it is simply not possible to produce a dress in the UK that sells for that price except by paying the factory workers illegally low wages.

Boohoo have repeatedly provided explanations¹⁵⁴ for how a dress can legitimately and legally be sold for £5. Ms Kane told us that fundamentally the £5 dress was a marketing device: Boohoo was selling them at cost or below cost because of the traffic it drove to the website. Once a customer bought a dress for £5, they would usually buy other things as well. According to Ms Kane, the "£5 dress" was in fact a "*handful of dresses*" which were cheap for local factories to manufacture. They were typically made from left-over fabric which would otherwise have gone to waste and were of such a simple design that they would take "*minutes to produce*".

Sarah Cooper explained that the £5 was a "*loss leader*" for the company designed as a "*marketing hook*".

It is my view that treating a £5 dress as a standalone piece of evidence that Boohoo must be underpaying its suppliers is plainly oversimplistic. That is not to say that it is evidence that Boohoo are not underpaying its suppliers, but no single product can be viewed in isolation. The way in which retailers source their merchandise and how their profits are made is a complex issue and it would take an investigation by economists fully to understand it¹⁵⁵. Mr. Kamani was characteristically blunt on the topic, saying that he did not think it was fair for the company to be criticised by those who "*don't understand the costings*" of a garment, adding: "*margin isn't just in the garment. ... Our business is the marketing, the garment, the warehouse...*".

A view expressed by some witnesses was that it would be commercially foolish for any business to underpay their suppliers. Ms. Kane said:

¹⁵⁴ For example to the Environmental Audit Committee

¹⁵⁵ Grant Thornton confirmed this to me

“The message from the very top down has always been about looking after your supply chain for your future because you are nothing without them”.

This was echoed by Tom Kershaw who said,

“Your supply chain disappears if your suppliers don’t make money. How do they invest in equipment and the stuff they need? It’s in nobody’s interest if the supply chain doesn’t make money. How they are distributing profit or what they are doing with the money is a separate question”.

He described himself as “determined to get to the bottom of” the costings issue. Referring to the suggestion that Boohoo’s prices had a negative impact on its supply chain, Witness Tom Kershaw said “until we can kill that argument it will sit over us like a fog but there is a lot more at play here I think”.

Perhaps unsurprisingly others have expressed different views both in relation to whether Boohoo’s prices are too low and the potential impact of those prices on conditions within its supply chain. The evidence received from stakeholders and those who responded to the public Call for Evidence via the Review website is discussed elsewhere in this Chapter¹⁵⁶.

In May 2018 the *Financial Times* reported the experience of Helen Russell, a former senior buyer for high-street retailers who became a lecturer in fashion at De Montfort University. Helen Russell was quoted as saying she had encountered inexperienced buyers who “see it as a little bit of a game to play suppliers off against each other at a very late stage because of margin pressures from managers.”¹⁵⁷ One does not need to be a retail expert to understand that the larger the company, the greater the downward pressure it is able to exert on its suppliers.

We were keen to understand the drivers for the Boohoo buyers when they source clothing from Leicester and the extent of the training they received from the company.

Mr. Kamani himself said:

“My buyers have to buy the best product at what they think is around at the best price. I tell them again and again – buy the best styles at the best prices”.

In an email sent in 2018 to various others within the company, including some individuals in Boohoo’s buying departments, Mr. Kamani said:

“Hi it’s becoming worrying that more and more styles coming into the business are 50 plus margin and not 60 plus ... this is now slightly worrying as I don’t want prices to go up ... we’ve obviously started paying

¹⁵⁶ Chapters 6D and E

¹⁵⁷ <https://www.ft.com/content/e427327e-5892-11e8-b8b2-d6ceb45fa9d0>

too much .. I want to now review every style published before it goes live and discuss the cost the selling and the margin ...

I understand £5 dresses and some other price point styles but on the whole it seems we're paying too much (which is defo happening) and we're not making the correct margin .. again I do not want prices going up want the cost prices sorting ... you need a team of you to go thru daily .. not publish then bring to myself carol to sign off before goes live on site thx Rgds Mahmud”.

Later in the same chain of emails, Mr. Kamani said as follows:

“...We are in a mess and it needs fixing ... I now want to be in EVERY internal meeting you have with buyers ... this business is going backwards as hasn't been looked after properly .. every part of buying is an issue !!!!! I want the team named as I asked for. Want all names TODAY ... also I want a update of every buying day and every buying trip . [Witness 470], Jeff Bancroft and Sam Brocklebank want to see all Re buys also want you all to monitor buying prices and selling prices ... this is what happens to big businesses when they are just left to function. We're gonna trade faster harder and quicker .. if it doesn't suit anyone. Then boohoo is not the place .. buying is going to change and I'm going to control and head it up for now I want to clean our act up ...”.

The suggestion that Boohoo seeks to drive a ‘hard bargain’ was not something that those in senior positions at the company in principle had any difficulty with. Brian Small said “*you want to play suppliers off against each other of course you do, that's business*”. This was also expressed clearly by Mr. Catto who said:

“As a buyer I do think you want to be driving a hard bargain. If anything I've often felt our buyers are going out and not really driving as hard a bargain as they could be doing... wherever you've got a supplier-customer relationship you will always get that baggling. In retail that hard bargaining is what you want in a buyer. Buyers have to strike a bargain”.

He went on to say,

*“it's up to the suppliers to make sure they don't compromise working practices and if they can't meet buyers requests they've got to hold their hands up and say I just say can't do it for that.
“I don't want that to sound simplistic. We would never want them to drive a supplier to make a deal where they have to sacrifice the safety or the wages of their employees but we definitely put the onus on the supplier to maintain that and then negotiate with our buyers to strike a bargain on price.”*

There seemed to be little or no recognition at Board level of the danger that Boohoo's predominant place in the Leicester clothing industry meant that this may not be a free negotiation.

This was echoed to an extent by Claire Asher:

“As a business, we know what our prices are. Buyers will absolutely push for the best price. They shouldn’t push to a point where it is to the detriment of suppliers. We have a cost architecture. Buyers know it’s key to them to build a better relationship with the supplier. ... Do we push on price though? Of course we do, but within reason”.

Boohoo’s Head of Internal Audit Committee, Edward Toogood, said:

“I think it is certainly true that Boohoo drives a hard bargain. Our buyers will go out and try to get the best prices I’m certain of that. Do we think we’re driving so low that suppliers can’t pay the minimum wage? I don’t think so.”

We were told by a number of witnesses that buyers at Boohoo were afforded considerable freedom to make decisions themselves. Sam Brocklebank, Trading Director, said

“Buyers have a lot of autonomy. If they’re happy with the product and there’s no pushback from compliance then we just crack on”.

Sarah Cooper agreed that a degree of autonomy was afforded to her as a buyer. She appeared to attribute the degree of freedom to Boohoo’s favoured ‘test and repeat’ model¹⁵⁸:

“Because we only buy small quantities of things and there are so many products, I had freedom to own our ranges... It was a completely different environment [from where I had previously worked]. The trading aspect too - capturing winners and running with them and not worrying about the things that didn’t work”.

In response to the question of whether Boohoo relied on a list of approved suppliers or whether buyers had a degree of autonomy as to from whom they sourced the products. Mr. Kamani answered *“I think a bit of both”*.

Neil Catto¹⁵⁹ said:

“I suppose we were quite liberal the way we let buyers go. If they find a supplier that we think is a good supplier, we would be fast in the way we do things. We would be understanding of a buyer. We would openly encourage them to go and find new suppliers. If they find one they think is good, they can place an order with them but have to get approval of the compliance team. Compliance team criteria at that point is they should have an audit on file. Not one we’ve done but one done by an independent auditor. A SMETA audit. Ostensibly a buyer could place an order with a supplier if they’ve told them they have a SMETA audit. Then the compliance team in Leicester go and make sure the SMETA is valid etc. Someone in my team signs off on pay...”.

In response to the question *“in what order should those things happen?”*, Mr. Catto replied:

¹⁵⁸ The ‘test and repeat’ model is discussed in Chapter 4 – Background

¹⁵⁹ CFO

“I think it should happen at the same time. You wouldn’t want a supplier to be taken on if you know they don’t have a SMETA audit”.

Amongst those to whom we spoke was Peter Williams, who was Chairman of Boohoo from 2014 until the arrival of the new CEO, John Lyttle, in 2019. We set out Mr Williams’ evidence in some detail in section 6I, which deals with corporate governance. For the purposes of this chapter all that needs to be acknowledged is that certainly by the end there was tension between him and Mahmud Kamani which led, ultimately, to Mr Williams’s departure. I asked Mr Williams his views about the way in which and the price point at which Boohoo buyers source the clothes. He said:

“I think it slightly comes back, and this is rather ephemeral I have to admit, it slightly comes back to the atmosphere and Mahmud’s style in particular. I could quite see how some buyers might feel that in order to appear very good in his eyes, they would have to almost screw these people to the floor as it were.

“There comes in any business relationship a point where it’s either really not worth doing this at all because I’m not making any money out of it...you can go too far.”

“At Board level, if it came up we would have definitely have been concerned if we were going so far that people wouldn’t transact with us and I’d say I think that if I was put in a witness box, culturally I could see how the atmosphere within the business and Mahmud’s sort of rather domineering style could lead young impressionable buyers to think that is a good thing, that is the sort of thing I should do sort of thing. I mean it is a tough business, it’s not for the faint-hearted, but to go at it to the extent that you break any regulations? That’s unacceptable”.

Mr. Lyttle described Boohoo buyers as *“fashion selectors”*. In response to the question of what Boohoo buyers know about how much it costs to manufacture individual items of clothing, Mr. Lyttle said:

“Our buyers? I would call them more fashion followers. Their primary job is to pick the dress. That’s their speciality. In terms of negotiating prices, [other retailers] would put them to shame on prices.... Do they understand manufacturing? No. They know “you have quoted me £3 for this and this person quoted me £3.20 and that is what everyone is quoting me. I’m happy working with you and I’ll give it you”. Are they skilled at breaking down price of garments? No but that isn’t exclusive to our buyers. Buyers focus on fashion and they know roughly what to pay”.

This was echoed in the views expressed by a Leicester garment factory owner who had done business with Boohoo within the last five years. They expressed the view that Boohoo buyers were poorly informed in relation to how the cost of a garment is broken down. They said that whilst this was certainly not unique within the fashion retail industry, it was not universal. They described negotiations with one of Boohoo’s competitors who they said had been much better informed. They said it was obvious that those buyers had *“gone through a process”* as they were *“not just trying to*

get things 50p cheaper” but rather were “engaging in a discussion about how to simplify the design, choose alternative fabric or reduce fabric consumption in order to bring it within their price bracket”.

A number of witnesses were asked about the issue of buyer education in respect of garment costing. Some said that Boohoo buyers do receive training, which appeared predominantly to be training ‘on the job’. Mr. Catto said “[I think] our buyers are generally ... trained on the job. They join as junior buyers and work with the other buyers”.

Claire Asher said:

“I would say we say there are prices where we say absolutely don’t go below. The buyers do get training when they come into the business. I travel a lot with my buyers ... We can always encourage more training, we know that. Boohoo has a different way of training to any other business because of the speed we work at, but it is definitely a focus for the teams to know what is right and what we can achieve”.

However, other witnesses said that Boohoo buyers received relatively little training in relation to the costing of a garment, and that there was significant room for improvement in this respect. A former Boohoo employee described it as “100% true” that Boohoo buyers did not know enough about how garments were made.

An employee with relevant experience said the issue of buyer education was something they had “always raised”, saying “they need to be aware of the minimum costs of garments”.

Sam Brocklebank said,

“Buyers don’t have formal training about cost price, they don’t fully understand it. There does need to be a better and more structured induction course. For example, open costings: what makes up the cost price? The amount and the cost of fabric; labour cost; overheads; packaging; transport. We should start pushing on this so we can ask, ‘is this price too good to be true?’”.

Tom Kershaw agreed that there was “an education piece we need to do with the buyers”. He confirmed that Adam Ogliev, who joined Boohoo as its first ever Head of Compliance in August 2020, was “very keen on buyers taking onus and responsibility for how they are sourcing” and that Boohoo was now “implementing the right systems to make that happen.”

One of the issues I raised was the way in which buyers' bonuses were awarded. We were told that bonuses were not calculated on the basis of individual achievements but on the performance of the company as a whole. When asked the basis for this, we were told that it was growth and profit. I asked John Lyttle if it was correct that, for the buyers, there were no KPIs¹⁶⁰ which reflected ethical or sustainability issues. He said that there was no reason that that could not be done but at present they do not do it.

I asked Adam Ogiliev what his view was of having a KPI which benchmarked non-commercial issues. He said that he was in favour:

"If buyers aren't monitored and KPI'd properly they will never be incentivised to do things in a different way, using the right methods and behaving more responsibly in the process".

Why Leicester?

John Lyttle has repeatedly said publicly that he is proud of the fact that about 40% of Boohoo's clothes are manufactured in the UK, of which the majority are made in Leicester. We were told by a number of Boohoo witnesses that, per unit, garments were more expensive to buy from Leicester than from overseas. I was keen to understand the reason why Leicester continued to be used if that were the case.

Mr. Lyttle's initial answer was that Boohoo's sourcing relationship with Leicester was "*just historical*", noting that this connection dated to the "*pre-Boohoo days*". He later described the continued connection as "*habit*". Mr. Kamani said it was "*maybe a bit lazy on our side*", saying his family "*have been sourcing from Leicester for a long time*". Mr. Catto's explanation for sourcing from Leicester was that:

"The Kamanis have relationships in Leicester going back 30 years or more I'm told. They believe the people there are good people, honest people and a good source".

Tom Kershaw said:

¹⁶⁰ Key Performance Indicators

“Trust is big thing in Kamani family – I can't emphasise that enough. It takes a long time to earn the trust of the family. There was trust with the supply chain in Leicester. That is what they've struggled with a bit.”

That being said, when asked whether he felt a personal commitment to Leicester Mr. Kamani replied:

“No not at all. It's not down to me. This business isn't down to me anymore. I am the creator. I gave birth to it. My commitment is to the business not to Leicester or the supply base. This business has so many moving parts that I have commitment to the business and the people in it.”

Mr. Lyttle said:

“Suppliers were two hours down the road. Mostly the suppliers came to the offices in Manchester rather than buyers going down to Leicester. It's an easy way of doing business.”

Mr. Kamani and Mr. Catto both described sourcing from Leicester as *“convenient”*.

That being said, the company's relationship with the UK manufacturing, and with Leicester in particular, has been spoken about with pride by some witnesses. For example, Keri Devine said *“I've always been quite proud that we're supporting British industry”*.

The proximity of Leicester would also appear to be part of Boohoo's 'test and repeat' model. Sarah Cooper told us that buyers would *“only buy small quantities of things”*. Buyers wanted *“to try as many styles”* as possible. This tied in with Mr. Lyttle's description of buyers as *“fashion selectors”*. He said,

“They could see multiple factories on the basis they weren't out travelling in Bangladesh, China, Turkey because the guys rambled in on Wednesday and Thursday and they selected it”.

It would appear that the 'small volume, fast pace' approach was something Leicester manufacturers were more willing and better placed to accommodate than their counterparts overseas. In reference to a factory in Istanbul for example, Mr. Kamani said *“our volume's not good enough to do business with [them]”*. Caroline Evans said that *“Leicester can do things within a couple of days. Speed is the advantage really”*.

Given the ease and speed of flights nowadays, the element of speed that Leicester can offer does not appear to relate solely to travel time. We were told that clothing made in Leicester typically came with a very short ‘lead time’, that is to say, the time taken between Boohoo placing an order with a supplier and the garment being ready to sell to customers. Historically Leicester has been able to deliver much shorter lead times than companies overseas. The reason lead time is important is because of Boohoo’s ‘test and repeat’ model. A short lead time means that a product is more likely to come to market when it is still ‘on trend’, a crucial aspect of fast fashion. As Peter Williams said: *“Kim Kardashian might be wearing something one night and in 3 weeks’ time you can wear that too”*. Bringing something to market quickly reduces risk for the business; if a product arrives quickly, a greater proportion will sell at full price. Small orders allow the business to gauge customers’ reactions (the ‘test’ element). If an item proves popular, short lead times allow the business to generate greater volumes quickly (the ‘repeat’ element).

One of the reasons that Leicester appears to be able to provide short lead times relates to the way in which it is set up. Adam Ogiliev said *“it’s the infrastructure”*. He described the physical proximity of different components of garment manufacture to one another in Leicester, sometimes in the same building or at least the same street. This contrasts with the set-up in Turkey for example, where we were told that the fabric supplier may be in Istanbul with the equivalent of a Cut Make and Trim unit two hour’s flight away.

I was told that *“Leicester only makes a particular type of garment... Normally very simple... it is often jersey”*¹⁶¹. The company believes that the type of garment typically produced by Leicester is *“suited to Boohoo”* and in particular the 16-24 year old target market of the boohoo Group’s eponymous brand¹⁶². Ms. Kane gave the following example,

“If it’s a simple stretchy bodycon dress then it makes sense to produce that in UK because they are used to manufacturing those”.

¹⁶¹ Carol Kane Review interview, and echoed by John Lyttle, Caroline Evans, Claire Asher and others

¹⁶² As confirmed by John Lyttle

The meaning of 'supply chain'

As part of the Review process we needed to understand what the Leicester 'supply chain' consists of in the context of Boohoo's business model. We were struck by the fact that we received a variety of explanations, many of which were inconsistent.

The most frequent explanation was that Tier 1 suppliers were those with whom Boohoo has placed the order or "contracted", although it has been acknowledged that Boohoo does not currently use formal written contracts with its suppliers. The contract is simply the placing and acceptance of an order, which is evidenced by a paper form.

Carol Kane described it in the following way:

"Tier 1 is whoever we've placed the order with. Tier 2 could be the print house for example, not necessarily sewing.....it also could be a sub-contractor where the person we've given the order to has not got enough capacity in-house so puts it out to a sub-contractor. They should be approved by us is my full understanding".

John Lyttle acknowledged that there were "different interpretations from retailer to retailer and person to person". He described his understanding thus:

"Tier 1 is the person who gets the order. That may mean they have a factory but want the garment to be made in an approved CMT factory. That is tier 2 effectively. Tier 2 equally could be a printer."

Neil Catto said:

"Tier 1 is the supplier we are contracting with. Tier 2 supplies directly to our suppliers. That could cover the sub-contract of an order for manufacturing but then you have Tier 2 and Tier 3 that are maybe manufacturers of fabric or thread. That is how I've seen it. To be honest Tier 3 is more about components that go into manufacturing. Thread and fabrics but really the way we now talk about Tier 2 is when we've sub-contracted an order. That is really what we are talking about now. If we place the order and they have farmed out our order. Clearly a lot of that is happening".

Tom Kershaw described in the following way:

"In Leicester we have Tier 1 suppliers – they are people we contract with. They sit on our onboarding. They are the guys we contract with. That is the straight forward thing. Tier 1 can come in different forms and I have grappled with this over months too. They may be just a design house, they may just design garments... Tier 1 is the point of contract with us. ... Tier 2s are often more simple operations. They just do certain things. Often

not design, just cutting and manufacturing. Or they may just do cutting or just manufacturing... This is why it is very complex.... There may be different answers because the industry defines them in different ways”.

When asked how Tier 1 and Tier 2 of Boohoo’s supply chain worked, Mahmud Kamani replied:

“How does that work? I think there are different levels of how we’re moving through processes to get them all better and better... I think it’s a working process to get all of them into a better place. That’s really how I see it. I don’t see it in any complex way.”.

Brian Small described his understanding as being that Tier 1 were those who actually made the garments. Tier 2 were those who supplied the components, such as zips. When asked if he had heard of CMT units, Mr Small said his understanding was that they came within Tier 1. We have been told that Mr Small thinks that this is an unfair comment because throughout the industry there are many different interpretations. Our point is that we would expect the Deputy-Chairman of a company like Boohoo to have familiarised himself with the situation in this company, irrespective of what happens in others.

Company Secretary and General Counsel, Keri Devine, responded to the question of what those in Tier 1 were doing thus:

“That is another interesting question. To me they were factories. So we’d place order with a factory and they’d produce them. Some agency relationships I was aware of but that tended to be in China and India where an agent goes to factory. In Leicester I understood the buyer would go to see the supplier to make the garment.

“The Tier 2, CMT, my understanding was always that often you would have a supplier you’d put the order to who would be responsible for the garment. The actual sewing or the trim, something slightly more difficult, the CMT would be the sub-contractor to do some of but not all of the manufacturing of the garment. The trouble is we are now seeing different patterns of behaviour. Material in Leicester then sent to Morocco and back. That is completely alien to me and seems bizarre. It is not the way I thought it was happening. I have seen number of factories where you go to a supplier where cutting is going on. They say we cut it here and then send it to a sub-contractor to sew it... Tier 2 are doing more refined, detailed work”.

Adam Ogliev said:

“They have several methods of classifying suppliers. ... I have to try to establish a system that connects the dots and allows visibility: vendor, supplier and all definitions”.

This was a sentiment echoed by Edward Toogood, the internal auditor. In response to a question about the definition of Tiers 1, 2 and 3, he said:

“That is one of challenges we faced. One of the first audit committee papers I presented was around that. Trying to explain that succinctly to the Board and the risks we face... I see Tier 1 as the supplier we pay. ... They may or may not have manufacturing capability themselves. They may sub-contract that to someone else. ... Tier 2 are sub-contractor units for those suppliers. Often called CMT units. ... Tier 3 for me is the provider of the materialI think what we have discovered from the Verisio exercise is that there is a Tier below Tier 2, some CMT units that themselves sub-contract work out. They shouldn't but sometimes they do as we've been finding. That is like a Tier 2a and it shouldn't be there”.

A number of commentators have asked, usually rhetorically, why Boohoo permits sub-contracting rather than contracting directly with those who manufacture their garments. Mr. Kamani said *“I think to do with volumes involved”* and the ability of any given factory *“to keep up with capacity and demand”*. Ms. Kane likened the arrangement to using *“middlemen”*, saying *“It speeds things up actually. When buying so many new lines it is hard to do everything with the manufacturer. They are taking a bit of work off you”*.

Keri Devine said suggested that the use of sub-contractors related to the need for speed, saying *“to have all that complication wouldn't be helpful in terms of our resourcing, I guess”*. This was a view echoed by Tom Kershaw who said:

“I think the process is ok if we know you are sub-contracting... Why do we do that?... It's just ease and how we've always done it. It's trust as well. Buyers trust the supplier they are contracting with. Probably easier than contracting with another layer... The smaller CMTs won't be set up in same way main suppliers are in terms of complexity. Just ease, trust - perhaps misguided, but that is way we've always done it. This business is all about speed and reacting and it would take pace away”.

When Mr. Catto was asked what Boohoo's attitude to sub-contracting was he said: *“we are in favour of it but where it's felt we should be applying same kind of audit process to Tier 2 as Tier 1”*.

Adam Ogliev said:

“First of all sub-contracting absolutely fine if its approved and known. It's OK in my book. What weight that holds is debatable. If you understand where those sub-contractors are and what standards they are working towards. No argument to say it shouldn't happen. If illegal or not approved. Boohoo can't be a hypocrite and roll out policy on unapproved contractors because they have never asked for visibility below the line.”

Mr. Lyttle suggested that it had more to do with the design skills of Tier 1 suppliers. He also referred to the issues around *“orders spiking and then [going] back down”*.

It is my view that the system of sub-contracting has developed in order to manage capacity issues and it carries very serious risks for the business.

In terms of visibility of the Boohoo supply chain, it was suggested to us by some witnesses that a list of Tier 2 companies may exist. A copy of that list was requested by the Review team on a number of occasions but was not provided. We are confident that no such list exists.

Edward Toogood confirmed this.

“There is certainly a list of Tier 1 suppliers. That’s easy because we have to pay them. ... Tier 2 – there is a list but is it complete? Not until we have finished that mapping exercise. At the moment, no.”

We observe that to the extent that Edward Toogood suggests that there is a complete list of Tier 1 suppliers which can be relied on with confidence, we believe that he is wrong.

John Lyttle confirmed that Boohoo’s intention is to map all their UK suppliers and then publish the list. Buyers would then be required to “choose from the menu” and would not be permitted to “go off menu”. If a supplier wanted to be “on menu”, Mr. Lyttle said they would be required to give “the business case for why”.

He told us that they were also in the process of developing an online system for placing orders with suppliers which, amongst other things, would require the supplier to give - and the buyer to record - the name of the factory which would actually make the clothing in question.

As would be expected, we asked all the Boohoo witnesses their views on how the company had managed its Leicester supply chain compliance.

Most witnesses appeared to think that what had historically been in place for understanding who was actually in their supply chain and monitoring conditions within their supply chain was probably inadequate. Adam Ogliev told us that when he took up the role of Head of Compliance a few weeks ago, he found that there was a great deal to be done:

“There was an understanding that we needed to go from the back of a fag packet, box-ticking, to semi-professional overnight. There was a lot to achieve in short space of time.”

The point at which witnesses claimed to have realised there were issues varied. Some had been saying they needed more resources for a long time. Others it seemed had genuinely thought that everything was under control. On balance I felt that those towards the most senior end of the organisation had the least appreciation of the fact that there were problems, let alone the seriousness of those problems. Perhaps unsurprisingly, they were shocked and disappointed when Boohoo was criticised so heavily.

Everyone at Boohoo was keen to emphasise that change has been in the pipeline since at least the Autumn of 2019 and thus predated the *Sunday Times* allegations. We accept that that this is true but it does not of course answer either of the following questions:

- (i) Whether they should have realised earlier that there were problems, and
- (ii) Once they did realise, whether they moved quickly enough.

It was recognised by some that there had been delay in introducing appropriate measures, particularly in relation to Verisio beginning the agreed programme of work.

John Lyttle said: *“of course looking back, things could have gone quicker. That period is an extremely busy time for us: Christmas, Black Friday, Cyber Monday etc. We were continuing to grow and expand and launching new brands. It was a very busy period. Of course with hindsight... Could we have been quicker? Yeah of course we could have been”*.

As we have already said, Boohoo does not employ the factory workers in Leicester who make the clothes they sell. I wanted to know whether the officers of Boohoo felt that they were in any way responsible for those workers and if they did, what they felt was the foundation and extent of that responsibility.

In relation to Boohoo’s perceived ‘ethical’ or ‘moral’ obligation, Mr. Lyttle said: *“We have a responsibility for a family to take home a wage packet and pay rent and to be able to put food on the table”*.

Mahmud Kamani said:

“We have a duty of care. We have our audits and processes to make sure people we work with have a duty of care to their people. You wouldn’t want someone like my mother, a machinist being treated badly in any workplace. You wouldn’t want that. For humanitarian reasons you wouldn’t want that. You don’t want that in any part of life....”

“I’m not a government body... the way we run our warehouse is my responsibility...the way we run our business is my responsibility... my management style is my responsibility... the way we treat our people is our responsibility, but if we’re subsequently getting so many garments made in Leicester and there is maybe 20 or 30 thousand machinists, is that my responsibility? If they then eat too many chapatis and become obese, is that then my responsibility? I don’t know where this goes”.

Neil Catto said:

“You definitely do have a responsibility. We have expressed that responsibility by having the supplier manual. We would expect all suppliers to have fair wages. Absolutely we have responsibility for that. It is a moral one first and foremost. ...a moral responsibility that everyone in the supply chain is paid a fair wage and a living wage.”.

Mr. Small said:

*“I think this is something neither black nor white. It is very grey... Certain things should be red flags and complete no-nos. There are mortal sins and venial sins and peccadillos...
It’s impossible for retailers to do all this work entirely on their own”.*

Other witnesses raised similar concerns about the limit of their ability to control conditions within their supply chain. Mr. Lyttle said:

“My authority does stop at the checks I can do. I need cooperation and I need cooperation from the workers. This won’t just be about owners it’s about the workers as well. It’s complex in some instances here. We need cooperation from HMRC and all the different bodies, the council etc. Between us we can work much better together than independently. We engaged last year with local MPs and the police and the fire service. We didn’t really get any steer.”

This was echoed by Keri Devine who said:

“I felt [the Press] were targeting Boohoo when perhaps they should have been targeting the police or GLAA or HMRC. They were putting a lot of blame at our door for the failings of other agencies. Whilst we have some form of contractual relationship with suppliers, we aren’t the police. What do they need us to do? We are a business at the end of the day...”.

Adam Ogliev said:

“There is a lack of resource or willingness to tackle these issues in government. Responsibility is with the retailer but is also with local government.”

In response to whether it was possible to produce fast fashion ethically in Leicester, one ex-employee of Boohoo said:

“It’s hard. I’d say yes, but only if you pay more for it or get less margin for it. There have got to be huge changes in the way things done to make fast fashion ethical”.

This was echoed by Adam Ogliev who said:

“Fast fashion is possible out of Leicester; providing we work with responsible and compliant suppliers (including manufacturers)”.

In response to this question, Tom Kershaw said:

“I think yes, the answer has to be yes but we need to prove that. We need to redefine fast fashion. It means proving the model. Until we’ve proved it can work the question will linger about price. But why can’t it be? People will say it is a very simple garment. They firmly believe it can work. Carol [Kane] is adamant that it can”.

There is an alternative viewpoint about the way that fast fashion can be made both profitable and ethical. We discuss this in Chapter 6E.

Witness 16 said:

“One thing I always said and proudly – all the other retailers put their tails between their legs and ran away from Leicester. Boohoo has always been in Leicester and supporting Leicester... At the end of this I would like to see a better Leicester”.

When I asked Tom Kershaw how he saw Boohoo in the future he said:

“How can we be a better customer? What do we do well? I always hear consistency of purchasing is so key. These aren’t your Bangladeshi factories where they have enormous factories. Leicester is small, maybe 40, 50, 60 machinists. Small factories that rely on smaller orders but on a frequent and a consistent basis. That is fundamental to their survival. Cash flow is king. I heard about retailers paying on 90 or 120 day payment terms in Leicester. Some suppliers are talking about the legs being cut off effectively. The way their supply chain works is they are buying the fabric before they even get the order in so they are investing a lot. A lot of the cost is built in. Payment terms are incredibly important to them so last summer we brought it down to 14 days.

“And then I think we have a duty to be more present in Leicester than we have. I think we have to develop our team on the ground to work with suppliers and help them. Lots of businesses in Leicester aren’t sophisticated companies. They are the mechanic who has worked for a boss for 20 years and thinks they can do it on their own.One thing we can and will do better is trying to enable them to be better businesses themselves and develop their business practices.

“I was brought in to get on top of issues and I was asked to look at this. Is this ignorance. Is it naivety? Is it illegality? I suspect it’s probably a mix of the three

“I have met with people almost pleading with us to stay and help them to change and improve. I have also met people who I wouldn’t want to work with”.

Company Attitude to the Review

Mr. Lyttle told us that one of the reasons for calling for an Independent Review was the desire to *“show we are transparent”*.

The levels of cooperation and candour we received throughout this process varied significantly. For example, Ms. Kane appeared to go to great lengths to make herself available to speak to us and appeared to take the process seriously. We did not have the same experience in all interviews with company witnesses.

We conducted a video interview with Mr. Kamani. He spoke to me from an hotel (he told me that he was in Istanbul on business). The setting in which he chose to be interviewed about these serious matters (having breakfast on a terrace with people coming and going) left me doubtful of the seriousness of his approach to my Review, given his senior position in the company. However, I am prepared to accept that this was a misjudgement of the circumstances on his part rather than a lack of interest.

The preliminary audit visits conducted by Verisio in November and December 2020 have already been described. Tom Kershaw and Keri Devine went with Mr Lyttle to visit the factories that Verisio had described as being some of the worst they had seen in the UK. It was clear that Tom Kershaw and Keri Devine had been shocked and upset by what they had seen and that it had had a lasting impact upon them.

I was struck by the fact that Mr. Lyttle did not mention his Leicester visit to us, nor did he describe the nature of Verisio’s sample audit findings at any point. He had a number of opportunities to do so. The first was:

ALQC *We know that [Verisio] did a sample audit. How did that go?*

JL *“So the sample that they did actually, and again just from memory, that wasn’t just Leicester, that was kind of, I think that was China and I think there was another country in there as well. That was kind of a broader sample. I think from when that came back we said, look if we go through a normal audit process across all of our countries clearly Verisio wouldn’t have the manpower to do that. If they were to do it would take \times amount of time. At that point Tom Kershaw and I really came to the conclusion, look, really you know the UK is our number one priority because there has been lots of pieces written about it, lots of allegations. Can we absolutely stand over it? How strong is our team internally in terms of the work they’ve done so far? I would say that piece was really leading to, let’s map the UK and use that as a model and then with the methodology we’ve used in the UK, then we take that abroad. I would say that was the key piece that threw up to say look, this is going to be too wide of a scope. Some of the things we’re finding were ‘look once you’ve had a SMETA audit done, in the file, it’s approved as such’ – that’s not really good enough in terms of the level and the depth that we need to go into so let’s take one country and let’s do it in depth, proper, and then take the rest from there. In the meantime continue with the SMETA audit and the other ones, but map the UK industry.”*

I was surprised that he had not told me about what they had seen in Leicester so thought I would give him another chance. The exchange was as follows:

ALQC *“So we’ve heard that they went and did a sample audit of ten in Leicester. Does that sound about right?”*

JL *“That sounds about right, yeah”*

ALQC *“And that there was a meeting on the 16th December where they discussed their findings of that initial sample audit. Do you remember that? I think you were there¹⁶³”*

JL *“I wasn’t in a Verisio meeting. It could have been Tom Kershaw and myself but I don’t believe I’ve been in a Verisio meeting”*

ALQC *“Fair enough. What sense did you get of what they had found on their sample of ten?”*

JL *“The viewpoint was that look Leicester is needing a full intensive audit ... for example, is there a time recording device in every factory when you go in? Is there proper records of accounts? Again you know some of these factories are quite small, small businesses, from my experience – there isn’t an accountant on site. They tend to work with a third party accountant. They kind of you know wrap up the books and send them in once a week or whatever to get the books validated but actually, yeah, look the piece of work we had set out to do with Verisio was required to really be safe about our supply chain in Leicester.”*

Mr. Lyttle was given a third opportunity to discuss the findings of the ten Verisio sample audits, and his visit to Leicester in December 2019. He did not take it.

ALQC *“So what happened next as it were? They did the sample audit. What did you do as a result of that?”*

¹⁶³ I now realise that that was a mistake on my part

JL *So following that we went on to... look we need to do a full piece of work in Leicester. I think then between December and January / February, we worked with Verisio to agree a programme of work in Leicester ...*

The company has urged on me more than once that this is not a fair comment, given that Mr Lyttle was not ever asked a direct question about it. I am prepared to accept that it may have been a misunderstanding: for the rest of his interview Mr Lyttle was very open.

There is one further matter which I regard as not without significance. As we have described in section 6B of this report, save for the eighteen months when there were two of them, Witness 16 was the only member of the team actually on the ground in Leicester. However, on 5th August 2019 the *Leicester Mercury* published an interview with John Lyttle, in which it was said that:

“CEO John Lyttle said a 20 strong team based in Leicester was helping ensure its suppliers in the city were treating staff ethically and paying them a fair wage.”

I hope I do not do Mr Lyttle an injustice when I say that when I asked him about this, he acknowledged that perhaps “a 20-strong team” was not an accurate description of what was happening in Leicester. He thought he might have included the Quality Control team by mistake.

Chapter 6D

Responses submitted through the website by means of the questionnaire

This chapter is intended to provide an overview, organised by topic, of the evidence provided to the Review through the website. It should not be assumed that simply because an allegation or assertion is set out here it is accepted. Our analysis of the evidence and the conclusions we have drawn from it appear in Chapters 8 and 9.

Summary of responses

Following the Call for Evidence issued on 5 August 2020, the Review received 39 responses from individuals and organisations who completed the questionnaire and submitted it through the website.

Some of these were from people who said that they had personal knowledge of conditions in factories.

There were also a number from those who might broadly be described as stakeholders¹⁶⁴ and their evidence is summarised later in this section.

Evidence from those who said they had personal knowledge of factory conditions

25 responses were submitted anonymously. Two people later told us their names on the condition that we did not disclose them. We were able to speak to some of these witnesses and in those cases, although we had no way of verifying their identity, we were able to satisfy ourselves that

¹⁶⁴ Such as NGOs, campaign groups and others with an interest in factory conditions in Leicester

they were real people. We accept that in the context of this Review they had legitimate reasons for wishing to protect their identities.

In Chapter 3 we set out our approach to evaluating anonymous evidence and to ‘confirmation bias’.

We received responses from sixteen witnesses who said they had direct experience of garment factories in Leicester. Some gave their occupations as machinist, designer, overlocker and ‘administrative staff’. Others said they were, variously, a factory owner, manager and director. One said that they¹⁶⁵ were an auditor. We received two responses from individuals who told us that their parents have worked in factories in Leicester for 20 years or more. We asked if we could speak to their parents and offered the use of a translator. We were told by one individual that their mother was too frightened to speak to us.

We received thirteen responses from people who did not tell us their occupation but who spoke to conditions in Leicester garment factories.

Wages

(a) *Failure to pay the minimum wage*

One of the most persistent supply chain allegations to emerge from responses to the Call for Evidence related to pay below the national minimum wage. This was alleged by 31 people who completed the questionnaire.

Whilst we received a small number of responses suggesting that the minimum wage was paid, the majority of respondents told us that that pay below the minimum wage was commonplace. Witness 413 suggested that it was the case in 90% of factories. Witness 139, who had described themselves as an auditor with extensive experience in Leicester, said something similar:

“This is widespread. I cannot stress this enough, this is endemic. Upwards of 90% to 95% of the garment manufacturers in the LE5 area are paying below NLW¹⁶⁶/NMW¹⁶⁷ rates”.

¹⁶⁵ This is a deliberate use of gender-neutral language

¹⁶⁶ National Living Wage

¹⁶⁷ National Minimum Wage

The majority of respondents told us that factory workers were typically paid between £3.50 and £5 an hour, although Witness 138 said pay could be as low as £2.50 an hour. This person said that they have been working in factories for 21 years

This allegation was made by people from a wide variety of backgrounds and occupations.

We received submissions from those who said that they were factory workers, such as Witness 170, who said that there were many workers at their factory earning £4.50 an hour, with the minimum wage reserved for a few such as supervisors. Witness 170 told us that for each worker, there were two cards recording working hours: one stored near to the ‘clocking on’ machine and the other kept in the workers’ drawers. Witness 170 suggested that we should examine the cards in the workers’ drawers to understand the true position in respect of hours worked.

We received reports about below minimum wage pay levels from those with experience of providing technical services to factories¹⁶⁸ and one person who told us that they had extensive auditing experience¹⁶⁹.

We received a completed questionnaire from Witness 437, who was prepared to speak to us provided that we did not reveal their¹⁷⁰ identity. Witness 437’s mother, a woman in her sixties, has worked in Leicester garment factories for 20 years. Returning to work having spent a number of years raising her children, she was offered between £3.50 and £4 per hour. She wanted to see if she could get a higher wage and she managed to find a job in a different factory, which agreed to pay her £4.75 an hour. This was still well below the minimum wage, but better than the rate she had originally been offered. Witness 437 told us that their mother had recently stopped work, having been let go by the factory because she was “*not functioning as fast*” as she used to. We asked Witness 437 whether their mother would speak directly to us. Witness 437 said they didn’t think so, because their mother was worried about repercussions and in any event does not speak English. We asked Witness 437 to ask their mother again and said that we would provide a translator. Some days later Witness 437 sent an email saying that they had tried to persuade their mother but with no success. We summarise Witness 437’s evidence about their father’s experience below. Witness 437 told us that they were aware that the factory that their mother previously worked in produced

¹⁶⁸ Witness 153 who describes themselves as a “*supplier of technical services*” to Leicester garment factories

¹⁶⁹ who says that they have many years’ experience auditing factories in Leicester and elsewhere

¹⁷⁰ Once again, this is the deliberate use of a gender-neutral pronoun to help to preserve Witness 437’s anonymity.

garments for Boohoo because when the factory had excess stock, their mother would sometimes bring items like Boohoo t-shirts home.

We received a completed questionnaire from Witness 150 who described themselves as a factory manager. They described the position relating to wages in the following terms:

“We recruit workers [and] know everything [about] what... they [are] getting paid. Packing rates start from £3/hour. Machinists rates start from £4.50/hour. Home workers - piece rate, lower in comparison than above”

(b) Pay at or above the minimum wage

We received a response from Witness 130, who spoke positively about conditions, including the rates of pay, and from Witness 34, who said that they were an independent researcher and that in their view, the prices Boohoo pays for garments is sufficient to allow factory owners to pay the minimum wage. Given that they had only positive things to say, it is of note that both these witnesses wanted to remain anonymous.

Witness 437¹⁷¹ told us that, unlike the case for their mother, their father worked in a factory which paid him the minimum wage. Witness 437 said that the factory at which their father worked was *“probably part of 5% that do things by book”*.

Witness 262, an anonymous witness, stated that *“some experienced staff were paid cash in hand, around £10 or more per hour”*, but this was against the backdrop of a broader picture in which *“staff were definitely paid lower than the legal minimum wage”*.

We interviewed Witness 98, who runs Morefray Ltd, one of the companies at the centre of the allegations made by the Sunday Times on 5th July 2020. The undercover journalist alleged that he was told by other workers that he could only expect to be paid £3.50 - £4.00 an hour. Witness 98 was adamant that this was not true and that workers are paid the minimum wage¹⁷².

¹⁷¹ Whose evidence is summarised above

¹⁷² We examine this in a later section of the report

There is a company in Leicester which is proud of the fact that it pays the minimum wage. The name of this factory is Basic Premier and Boohoo does not use them as a supplier. We deal with this evidence later in this chapter.

(c) Other infractions relating to wages

We also received responses alleging that workers sometimes had to undertake unpaid work. Witness 405, a designer for a company which he named but which we are withholding, said that they were asked to undertake design work at home during lockdown. They described working long hours, finishing sometimes at 3 o'clock in the morning. They alleged that they were not paid for hundreds of hours of work. They said the way they have been treated has resulted in depression and loss of self-confidence.

Witness 138 said "*they never pay us any holiday pay*". They said that their payslips had been falsified to show that they received "*6 – 7 weeks holiday pay a year*".

A further seven respondents told us that they did not receive holiday pay¹⁷³, paid breaks¹⁷⁴ or pension contributions¹⁷⁵.

Allegations of modern slavery

Witness 258, a machine operator who spoke of conditions in two named factories, stated that provisions around wages amounted to "*modern day slavery*".

Witness 402 described conditions as amounting to "*bidden slavery issues in Leicester*".

We discuss this issue in Chapter 7. We have concluded that there is no evidence that Boohoo committed modern slavery offences.

¹⁷³ Witnesses 139, 138, 412, 276, 258, 170 and 323

¹⁷⁴ Witness 258

¹⁷⁵ Witness 258

Workers' freedom to choose

We asked respondents whether workers have any 'choice' about the way they are treated. In Chapter 3 we have already said that some stakeholders have objected to the question even being framed in this way and we have explained what it was that we were trying to capture. We consider this further in Chapter 8.

Witnesses 267 told us that trying to pay the minimum wage was not always straightforward. They said that there is a culture of benefit fraud in Leicester and that it was common for potential employees to turn down an offer of the minimum wage, asking instead to work hours 'off the books' so that they could continue to claim state benefits. Witness 153 told us of a factory which "*wanted to pay the minimum wage*" but was unable to convince the workers that this was in their best interests.

Witness 368 told us that this practice of artificially deflating hours so that workers were ostensibly still eligible for benefits was a "*package most employers offer*", rather than something instigated by the employees. Witness 402 said that workers had "*no choice*" in relation to their level of pay but were "*advised to claim*" tax credits to make up the difference. Witness 139 described this practice as "*extremely common across Leicester manufacturing sites*".

Regardless of whether some workers accepted or even sought such arrangements, some witnesses were concerned about the extent to which there could be said to be "choice" amongst workers operating within an exploitative environment. In relation to the issue of working long hours, for example, Witness 139 said that workers "*rarely*" had a choice, and that:

"[Whilst] it does happen occasionally ... Keep in mind though, that when wage rates are so low, more hours [are] often welcome to cover living expenses, so the idea that anyone in the UK earning £3.50 an hour is working additional hours voluntarily is to oversimplify a complex and exploitative practice".

We have been told that there is high demand for both skilled and unskilled garment workers in Leicester and most factories have a sign outside saying things such as "overlockers wanted". We asked some of the witnesses whether, on the basis of the usual rules of supply and demand, a labour shortage would afford garment workers greater bargaining power.

The majority of respondents said that in their opinion, workers had little or no choice about their conditions. The reasons were said to be complex and historical. Witness 458 told us that wages

below the minimum wage were the “market rate” in Leicester. Witness 141 said that it is “common knowledge in Leicester than no one will pay you minimum [wage] in garment factories. If you say anything, they’ll get rid of you”. The choice, as Witness 354 put it, is either to “take the job or leave it and go to another factory to get the same rate”.

The suggestion that some workers are vulnerable to exploitation because they are not able to demonstrate that they have the right to work in the UK could hardly be described as news¹⁷⁶.

Witness 262 described it in the following way:

“I know for a fact that staff who came here illegally [were] not given the option to work for the minimum legal wage because if they tried to get that money elsewhere, they would have been deported... At least if they were working in these factories, they got some sort of money to be able to provide for their families.”

Other witnesses¹⁷⁷ told us that poor language skills amongst workers foster exploitation. Witness 139 said:

“Some workers are afforded no choice from their initial employment and this is common among [certain] workers who have poor levels of English and are unable to communicate with management. It is common practice for workers to start without knowing their rate of pay, and contracts are often only issued if requested by external stakeholders.”

A further issue raised in relation to choice was that it was in effect a vicious circle in that the less money a worker earns, the more reliant they are on the stability of that income. Freedom to try and stand up for one’s rights or look for alternative employment can seem very risky. Witness 274 said “if they don’t work, how they gonna [sic.] survive?”. Witness 437 told us:

“my parents had to work at a lower level of pay to survive and pay for house costs and to look after us. They are too scared to say anything as they feel they would cause trouble and get in trouble”.

Witness 153 said: “In one factory the workers were told to leave if they didn’t like it. The owner turned to me and said in a low voice, ‘they always stay’ ”.

Concealment

A number of respondents told us of the steps which are taken by factory owners to disguise bad practice. Witness 354 said “things are hidden very cleverly so evidence may be hard to come by”.

¹⁷⁶ This has been commented on frequently by parliamentarians (including Parliamentary committees), journalists and NGOs

¹⁷⁷ Witnesses 139, 282 and 170

(a) False payslips

We were told by a number of witnesses that official records could not be relied upon. They alleged that the hours worked and level of pay recorded on pay slips were often falsified. Witness 258 said that *“hours were reduced on wage slips to minimise employers’ [National Insurance], tax and workplace pension contribution”*.

We were told that even the money received into workers’ bank accounts could not be relied on to give an accurate picture of the level of pay or number of hours worked. Witness 437 stated that their mother would often work 60 hours or more and yet her bank payments would show 20 hours.

This was echoed by Witness 276 who stated that they were paid the minimum wage for *“limited hours”*, with the remainder of their wages paid in cash at a rate below the minimum wage level.

(b) Clawback of wages

Witness 437 said that in order to disguise underpayment of workers, some factories pay the minimum wage only to then ask for cash back from staff. This was a practice also described by Witness 282 who said that payslips would be shown with *“full pay and you are either made to work longer hours or return the money in the form of cash back to the employer”*.

(c) Shadow records

Witness 170 described a system at one factory¹⁷⁸ whereby *“machinists have two clock cards, one they put near [the] clock machines and another they keep in [their] own machine drawer”*.

Witness 354 said that records are *“hidden out of [the] office”* and were *“only brought in when needed”*. They told us that they were usually kept on USBs or laptops which were in turn *“kept in their cars”*. This was also alleged by Witness 258, who said that supervisors took records of hours worked with them at night in order to *“leave no evidence in the factory”*.

¹⁷⁸ Which they named but we will not identify to protect the witness’ desire to remain anonymous

Witness 139 said:

“Finding the true answer to this is impossible unless you are lucky enough to find a workers’ own hidden record of their hours, or unless they trust you enough to open up. Clock cards are routinely falsified, there are normally two sets.”

Witness 368 told us that there were “clean up teams”, who charged a fee to provide factory owners with a complete set of bogus paperwork. It is right to say, however, that we asked one or two of the campaign groups whether they had heard of this practice and they said that they had not.

(d) Coaching workers in what to say

A number of respondents told us that factory owners or managers would coach employees as to what to say during inspections. Witness 170, a machinist, said that all workers at their factory were given training on what to say in relation to wages and hours worked. They went on to describe a visit to their factory which took place three weeks before they completed our questionnaire:

“they didn’t find anything because all workers [were] trained forcefully to tell [them that] everything is okay here and happy. Staff have no choice”.

This was something we were also told by Witnesses 258 and 437. Witness 437 said that their mother had told them that the factory in question “coached all staff on what to say ... if they say anything else then [their] job would be at risk”, describing this approach as the “fear appeal”.

Working Conditions

(a) Good working environments

Some respondents described factory working conditions in positive terms. Witness 130 spoke of “a good working environment of motivated workers”. Witness 170, who described themselves as a machinist, in a response that was otherwise highly critical of the factory in which they worked¹⁷⁹, said that it was “clean and safe”.

¹⁷⁹ Which they named but we will not identify

(b) Unsafe working conditions

Some respondents alleged working conditions were unsafe. Witness 141 said that “*many workers suffered from heat exhaustion*”. Witness 191 said:

“Factories never been safe. There [has] always [been] mess around in the shape of piles of garments and fabrics lying on the floor everywhere.”

Witness 150, a factory manager, described locked fire exits and covered smoke alarms.

Witness 153 said that:

“Conditions are universally poor... Equipment is poorly maintained and the premises are unfit for purpose. Many are very old, electrical safety is poor and equipment is often plugged in [to] a dangerous series of extension cables...When there is media and auditor presence in Leicester many sites simply lock the doors (fire escapes) and workers are trapped inside.”

(c) Unhygienic conditions

We received numerous responses telling us about working conditions that are at best unclean. Ten respondents¹⁸⁰ spoke of very poor lavatory facilities that were variously described as “*horrible*”¹⁸¹ and “*unsanitary*”. One witness, 323, understood from their mother that workers sometimes had to resort to bringing their own lavatory paper and cleaning items to work with them. Another witness, 153, said that in one factory “*toilet rolls were withheld and workers had to ask for it and hand it back in*”. Witness 153 put in their questionnaire that these conditions existed in a factory that was “*doing 10,000 units a week for Booboo*”.

A number of witnesses described poor working environments including conditions that were “*cramped*”¹⁸² and “*dusty and dirty*”¹⁸³. Witness 82 spoke of “*horrible conditions*”. Witness 402 said “*working conditions in the many factories I have been in this year alone are appalling*”.

¹⁸⁰ Witnesses 258,138, 405, 153, 402, 139, 354, 437, 323 and 412

¹⁸¹ Witness 437

¹⁸² Witness 402

¹⁸³ Witnesses 405 and 262

The situation during COVID-19

(a) Positive accounts

A number of witnesses described proactive and positive steps taken by garment factories in Leicester in response to the outbreak of COVID-19. Witness 170 said that there had been “*extra care*” taken and PPE measures were in place such as hand sanitiser. Witness 130 said that “*masks and gloves were put in place with regular hand sanitising*”. Witness 276, a who had otherwise been highly critical of working conditions, described the arrangements put in place as “*good*”.

Witness 153 said that “*in one factory only half the workers are working and are separated by a machine*”. However, the same witness said “*I have been in four factories today and only one had hand sanitising gel*”.

(b) Negative Accounts

A large number of respondents¹⁸⁴ described inadequate or non-existent measures. Witness 150, a factory manager, said that no special arrangements were made “*with the exception of a few*”. Witness 191 said that everything had remained the same.

In answer to the question asking whether special arrangements had been made following the outbreak, Witness 258 said:

“None, no social distancing, no hand sanitizer, face masks. [The] owner said coronavirus was nothing to be worried about and to come into work during lockdown”

Witness 141 said: “*if by special arrangements you mean increased staff and more overcrowding then yes*”.

(c) Recent developments

We heard from two witnesses that the recent allegations in the media had prompted a significant change in working conditions. Witness 437 said:

“My mum did state that as soon as the press came out they started a massive refurbish... I think she was in shock [at] how much they had changed... She had never seen anything like it... Before the Booboo scandal, nothing was changed that much, other than providing hand sanitisers, but after the scandal all

¹⁸⁴ Witnesses 258, 141, 153, 3, 437, 314, 191, 150 and 274

machinery was moved to two metres apart, everybody was provided with face masks etc. to show that they are compliant”.

Witness 3 said that there was “*no compliance whatsoever*” initially and “*only when the news broke, COVID measures [were] put in place*”.

(d) Factories remaining open during lockdown¹⁸⁵

A large number of respondents told us that factories had stayed open during the lockdown period. Whilst some witnesses have expressed the view that this was, in principle, within the law, others have raised serious concerns about factories continuing to operate, sometimes apparently doing larger amounts of work than before, during a global pandemic.

Witness 413 said that “*all the [factories] in Leicester stayed open during lockdown*”. This was echoed by many others, including Witness 314, who said that “*most of the factories [were] open*”.

We heard from a number of witnesses that factories that had initially closed then reopened two weeks later¹⁸⁶. Witness 354 said that after remaining closed for a fortnight, the factory he was talking about then “*continued production in secret*”.

A number of respondents¹⁸⁷ attributed continued production at least in part to increased orders from Boohoo. Witness 413 said that factories remained open because of “*big demand ...from Boohoo and PLT*”. Witness 402 said that orders needed to be fulfilled because “*online sales jumped*” during lockdown.

(e) Furlough Fraud

Ten respondents¹⁸⁸ said that Government furlough funds were claimed in relation to employees who in fact continued to work. Witness 402 spoke of “*a big abuse to the furlough scheme*”, saying that

¹⁸⁵ Whether or not factories should have been open is far from straightforward. We consider this in Chapter 7

¹⁸⁶ Witnesses 153, 141 and 354

¹⁸⁷ Including Witnesses 402, 141 and 413

¹⁸⁸ Witnesses 368, 413, 138, 402, 141, 153, 3, 170, 437 and 150

those responsible were “*very dishonest people*”. Witness 170, a machinist, described a situation in which 20 people were working in the relevant factory whilst ostensibly furloughed.

Witness 437 described the situation as they understood it from their parents:

“Even in furlough period they [the factory owners] were claiming money from the Government but yet they were working undercover ... I was flabbergasted... to see how they could get away with it”.

It has also been alleged that in some instances employers successfully claimed furlough money in respect of employees who had been sent home but the money was not paid to them, rather, it was kept by the factory owner. Six respondents suggested that this was the case¹⁸⁹.

Allegations that factory owners are involved in other types of fraud

Three respondents¹⁹⁰ said that some factory owners in Leicester were committing VAT fraud. Witness 413 described three factories within Leicester and said that they were “*engaged in large scale VAT fraud in a way that even the HMRC would be unable to detect*”.

Witness 258, a machine operator, made a startling allegation that in one factory there was “*a hidden false wall that hid additional workers when checked by HMRC/immigration*”.

Allegations about the extent of Boohoo’s knowledge

Of those who responded to the Call for Evidence via the questionnaire, a large number were of the view that Boohoo either was aware of the sorts of conditions within their supply chain that have been described above or that, with proper due diligence, they could have easily discovered them. A number of witnesses took the view that Boohoo turned a “*blind eye*” to certain practices and conditions within their supply chain¹⁹¹.

¹⁸⁹ Witnesses 258, 141, 354, 170, 437 and 323

¹⁹⁰ Witnesses 413, 258 and 170

¹⁹¹ Witnesses 368 and 258

There were some witnesses who thought that because Boohoo employees, including the “*compliance team*”¹⁹², “*quality control*”¹⁹³ employees and buyers¹⁹⁴ were physically present at factories in Leicester, they must have been aware of conditions. Witness 153 asserted that they had seen Boohoo’s Chairman Mahmud Kamani in “*at least two factories this year*”.

Some respondents questioned the extent to which Boohoo’s inspections were effective at uncovering poor conditions. For example, Witness 368 described visits as the “*compliance team*” as “*focussed on ticking boxes*”.

Some respondents said that poor working conditions are the inevitable result of Boohoo’s business model and thus they must have known. Witness 282 made reference to the apparent ease with which the “*investigation by the newspaper*” was able to uncover allegations of poor conditions. Witness 141 said that “*Boohoo are [definitely aware]*” because there was “*no other way*” they could sell their clothes so cheaply.

Some respondents suggested that garments simply couldn’t be made for the prices that Boohoo paid to suppliers. Witness 139 said:

“It is unfathomable to me that Boohoo, at least some people within the business, were unaware. How could they not be? If you are retailing a dress at £5, what do you expect the labour cost to be, and how can you justify there being no price impact from the 30% increase to min wage since [Witness 216] published his report¹⁹⁵. Who is responsible for the costings?... They knew”.

Witness 258 suggested that “*basic maths*” and checks in relation to orders that were “*far too large*” would have readily uncovered the truth. They said that employers made “*so little on each garment (pence) that they couldn’t afford to raise wages*”. Witness 413 said that conditions would remain the same unless Boohoo paid more to their supplier, suggesting “*this is the only reason [factories] cannot pay minimum [wage]*”.

It should be noted that the accounts given of suppliers left with unworkably tight margins were in contrast to the descriptions given by some witnesses in relation to the difference in wealth between

¹⁹² Witness 368

¹⁹³ Witnesses 413 and 150

¹⁹⁴ Witnesses 413 and 150

¹⁹⁵ This is a reference to the report published in 2015 by the University of Leicester which was highly critical of working conditions in Leicester factories

some factory owners and their employees. Witness 402 described “*owners of business who are [living] in a million pound house ... two - three cars, top of range beginning with [a] brand new Range Rover*”.

A response from Witness 34 who described themselves as an “*independent research firm*”, purported to have examined the information put forward in Boohoo’s 2020 Annual Report, together with information said to have been gathered in an interview with an anonymous Boohoo auditor. They concluded that the costs of goods sold were in fact high enough “*to pay many workers in Leicester fairly*”.

Other respondents raised concerns about the volume of orders received by some garment factories in Leicester and the speed at which they were expected to be processed. Witness 258 suggested that “*orders are given that are far too large for the factories*”.

Witness 315 said:

“Boohoo, PLT etc. pressure the factories to churn work out fast ... this has a knock on effect on the workers. The more overtime they have to do, the more bosses have to pay them. Because per garment prices are so low factories in turn make workers work for less than minimum pay. The problem is at the top. Boohoo needs to look into how can a small factory churn out more than 50,000 garments a week?”

Some witnesses raised concerns in relation to Boohoo’s buying practices. Witness 153 said that “*Boohoo buyers are taught to drive down costs from suppliers*”.

Witness 368 said:

“Buyers need to be educated or put on a training course to better understand amount of [approximate] fabric used for different styles and understand the labour cost associated with producing these garments”.

Witness 87 said:

“Ultimately until there are serious changes in the composition of the board and the way which the way the board operates and runs the company, the issues across the business will remain. There is a culture of fear throughout the business and the problems arise from the top management and buying practices which are enforced on the buyers by those at the top, and the dizzying pace at which this business operates. Leicester could be a fantastic sourcing area for the group if it was a quarter of its size. The growth of Boohoo has driven greed in Leicester, with the number of units spiralling out of control. And nobody within the business [is] able to step up and challenge. This business does a lot of good, which is always overlooked. It’s a huge employer of people in the North and there are some fantastic people who really try to move the business in the right direction. John Lyttle’s appointment is an enormous positive, albeit a truly independent and experienced non exec chair would properly complement John’s appointment and enable Boohoo to move through these difficult times.”

Trades Unions

We did not receive responses from any Leicester garment worker who said that they were a member of a trade union, although some witnesses expressed interest in joining one. For example, Witness 141 said that there is “*not enough education on unions*”. Witness 138 said “*I think all of us would like to join a trade union if possible.*” Witness 405 believed that there were no unions. Witness 170 said that although they were not a trade union member, they would “*like to join later*”.

Chapter 6E

Stakeholder Evidence

As well as issuing the public Call for Evidence, I and my team contacted those whom we have characterised for convenience as ‘stakeholders’ and consultees. They include Non-Governmental Organisations¹⁹⁶, campaign groups, charities, community groups and leaders, trades unions, journalists, politicians, members of statutory bodies and members of Parliamentary Committees. A full list of those whom we consulted is to be found at Appendix C.

I am acutely conscious that a number of the issues touched upon by this Independent Review are not new. I am also aware that some of the questions that I have been asked to answer have been extensively and expertly researched, analysed and spoken about by individuals and bodies in the categories above. I owe a great debt to their research and reports, which we have considered with care and which we have been able to draw upon when considering the questions set out in the Review Terms of Reference.

We wrote letters to a number of stakeholders, inviting them to provide any evidence and recommendations for the future that they felt able to share. We received a large number of responses, many attaching thoughtful and detailed submissions and evidence and directing us to other resources. We were able to interview a number of the respondents and we are grateful for the time that they gave us. Some were happy for us to share their identities; others wished to remain anonymous for the purposes of this report, for a variety of reasons.

In this section we have summarised some of the material evidence with which we were provided; it follows that I will not repeat these submissions in their entirety. I mean no disrespect to those who gave generously of their time; I make the point emphatically that simply because a piece of information or evidence has not been set out here does not mean it has not informed my thinking. Equally, whilst I have been immensely assisted by the views and work of stakeholders, the conclusions reached in this report are mine alone.

¹⁹⁶ ‘NGOs’

In relation to the allegations themselves, that is to say of poor working conditions and exploitation of the workforce, the overwhelming majority of respondents expressed the view that they were true.

In particular, I received a large number of responses in relation to failure to pay the minimum wage. Most respondents said that this was endemic.

Some respondents have conducted extensive research into this area, including academics and investigative journalists. One journalist to whom I spoke was at pains to emphasise that as far as they were concerned, Boohoo should not see this as a witch-hunt or feel that they had been unfairly singled out. The journalist said that there was a responsibility to tell companies like Boohoo and their customers about the conditions in which their clothes were being made and that they would keep saying it until something was done. I asked this journalist whether they had had to work hard to find someone prepared to speak to them and they said that the opposite was true: in the first street that they had visited, someone approached them and asked to speak about the conditions in which they worked.

A consistent theme was that factory workers would not speak to us because they were frightened. Whilst primary source material is self-evidently best, we were content to receive hearsay evidence if that was the most that we could get. One respondent provided us with a number of case studies relating to individuals working within Leicester garment factories. Those workers had been subjected to various unethical practices, including being paid at below minimum wage levels. In respect of one person, our correspondent showed us a payslip that the recipient had informed her recorded a false level of hours and pay. There is a very obvious point to be made here, which is that I and my team have neither the powers nor the time to investigate this further. That being said, we appreciate that this was an attempt to provide evidence of the allegations being made.

Some respondents raised real concerns that these issues have existed for so long and have become so entrenched that ideas of what is ‘normal’ or acceptable have been corrupted. One respected journalist said:

“In over a dozen interviews, I have time and time again been told that retailers and politicians alike have been made aware of widespread benefit fraud and labour exploitation in Leicester’s garment manufacturing industry. My understanding is that these issues have been ongoing for so long that they have become normalised”.

A number of respondents suggested that elements of Boohoo’s business model in its current manifestation may have a direct bearing on conditions in Leicester garment factories.

Labour Behind the Label declined to engage with me, on the ground (amongst others) that my Review was insufficiently independent. Their Policy Director said in a letter to me:

“Abuses in Leicester garment factories – including underpayment of wages, dangerous conditions, and harassment - have been well documented over many years... These abuses are facilitated by relentless pressure on suppliers by brands such as Boohoo (and are not limited to the UK)”¹⁹⁷.

One respondent who has undertaken research into the garment industry in Leicester, said:

“In my view, this isn't a case of Boohoo having too-lax auditing standards, so occasionally being surprised to find bad apples in the supply chain. I think illegality is an inevitable consequence of the way it does business.”

A number said that the prices that Boohoo pays for its garments are so low that suppliers can only meet them by paying illegally low wages and compromising health and safety standards, or by subcontracting the manufacture to companies with lower standards than their own. Boohoo’s General Counsel was told by the owner of company #57¹⁹⁸, in December 2019, that this, together with uneconomically small orders, was why Boohoo’s clothes had ended up being made in factories which were described by Verisio as the worst they had ever seen in the UK, instead of being made in company #57’s own ‘model factory’¹⁹⁹, where their competitors’ clothing was made.

One stakeholder who has undertaken extensive research into this topic said,

“In decades of research and campaigning for better conditions within the garment industry, the issue has not necessarily been of non-compliance and exploitation at factory level – there is ample evidence – but of brands’ responsibility and accountability.”

The suggestion has been made that Boohoo is something of an outlier in the industry at present. This was not the stance taken by all, but some felt that it was significant that Boohoo is not yet a member of initiatives which their competitors have joined, such as the Ethical Trading Initiative (‘ETI’)²⁰⁰.

¹⁹⁷ The organisational response of Labour Behind the Label to this Review can be found here: https://labourbehindthelabel.net/wp-content/uploads/2020/08/Ltr_QCLEvitt_Boohoo_LBL-response.pdf

¹⁹⁸ For the purposes of the open version we have anonymised this company

¹⁹⁹ We explain this evidence in more detail in chapters 6B and 6C

²⁰⁰ It should be noted that Boohoo had a number of preliminary engagements with the ETI in the period following the report of the Environment Audit Committee, including discussions about membership. Boohoo completed and sent an application form to the ETI. Due to ongoing discussions around the expected approach over a long period

Some drew attention to the fact that other retailers have removed or significantly reduced their business in Leicester because of what one described as *“the widespread and well-known problems in the garment sector”*, whilst Boohoo has become *“more and more dominant as a customer”*.

A number of respondents suggested that Leicester plays a fundamental part in Boohoo’s success. One said that given that Boohoo sources such a large percentage of its garments in Leicester, it follows that Leicester must be *“absolutely critical to the business model”*.

One took the view that Leicester was an essential component of Boohoo’s “test and repeat” model. Another questioned what was truly behind Boohoo’s decision to manufacture a large proportion of its garments in Leicester, saying that we should ask ourselves: *“How are boohoo's gross margins well ahead of those of Primark, despite vastly smaller production runs in apparently higher cost locations?”*

While some respondents have questioned Boohoo’s decision to continue to use Leicester suppliers when other brands have abandoned them, others have highlighted the positive reasons to stay if conditions can be improved.

Dame Sara Thornton DBE QPM the UK Independent Anti-Slavery Commissioner, said:

*“The best companies work with suppliers to cascade ethical standards down the supply chain, they don't abandon them at the first sign of trouble... They say they're going to work on the issues together. I think that's very important”*²⁰¹.

One witness was adamant that it is possible to make ‘fast fashion’ both profitably and legally in Leicester but that it requires the retailer to think differently about how they go about it. They²⁰² said that the way to do this involves retailers doing the following.

- (i) Trying to eliminate sub-contracting. If the retailers contract with larger factories and work with them to ensure that they have consistent and dependable levels of orders and are able to manage their capacity, there should be no need for sub-contracting.

of time, the ETT’s concerns around Boohoo’s engagement with Usdaw and the fact that Boohoo were awaiting a new senior manager, their application was withdrawn by mutual agreement. Boohoo have never been formally considered for membership by the ETI

²⁰¹ Dame Sara Thornton DBE QPM replied to my letter and sent me a number of copies of speeches she had made including [news.trust.org/item/20200709162604-298da/](https://www.trust.org/item/20200709162604-298da/)

²⁰² Once again, this is the deliberate use of a gender-neutral pronoun to disguise the identity of the speaker

- (ii) Working with factory owners to invest in ‘upskilling’ the workforce. It has been a consistent theme that we have heard from the Boohoo buyers that it is only possible to manufacture very basic garments in Leicester. Our respondent said that it is a circular problem: the skills have died because the retailers won’t pay the prices required for investment to be made in training.

- (iii) Using factories which have a skilled workforce and placing a ‘mixed bag’ of orders. The higher price that the retailer can charge for the more complicated garments can be used to subsidise the cost of more basic clothes, allowing the workforce to be paid properly and the factory owner to make a reasonable profit.

- (iv) Educating their buyers so that they truly understand how clothes are made and the costing of them. Our respondent said that most factories in Leicester have depressing stories about interactions with Boohoo buyers whose sole interest is in driving down their cost price. This is to be contrasted with some of their competitors whose buyers are more skilled and knowledgeable, who understand how to calculate the basic cost of a garment²⁰³ and will work with the supplier to discuss how a price can legitimately be reduced by, for example, introducing an additional seam or changing a trim.

A core concern raised by a number of stakeholders was what they perceived to be Boohoo’s lack of transparency. We were told²⁰⁴ that Boohoo scored poorly on the Fashion Transparency Index²⁰⁵ in relation to issues such as whether they disclosed their approach to achieving the payment of the living wage to workers in their supply chain or their method for calculating and ring-fencing labour costs.

One expressed it thus:

“Crucially, though, there is no transparency. We do not know who the suppliers are, how they are socially audited, what the terms of reference of those social auditors are, who pays for their work, what they have found (think of a possible range of issues from minor health and safety issues, to persistent wage theft, to money laundering), what happens with their findings.”

²⁰³ At its most unsophisticated level, this is an uncomplicated process, in which the time it takes to make the garment is multiplied by the minimum wage and added to the cost of the materials

²⁰⁴ Submission by the Global Operations Director of Fashion Revolution

²⁰⁵ Described as “a tool to incentivise and push major brands to be more transparent, and encourage them to disclose more information about their policies, practices and supply chain.” - <https://www.fashionrevolution.org/about/transparency/>

As part of the push for greater transparency, a number called on Boohoo to publish its supply chain.

The power of publishing a supply chain was described by the Assistant General Secretary of IndustriALL Global Union, as follows:

“Knowing the names of major buyers from factories gives workers and their unions a stronger leverage... It also provides the possibility to create a link from the worker back to the customer and possibly media to bring attention to the issues.”

The founder and Global Operations Director of Fashion Revolution, said,

“Publishing supplier lists can also benefit brands themselves. With this information publicly available, unions and civil society groups can help clarify when unauthorised subcontracting occurs in a brand’s supply chain, as Boohoo claim happened ... It can also enhance investor and consumer trust in the brand, showing stakeholders that brands are willing to be open and honest about where their products are being made”.

One possible solution proposed is a licensing scheme. On 18th July 2020 the British Retail Consortium wrote a letter to the Home Secretary²⁰⁶, in which they called for a licensing scheme called “Fit to Trade” designed to ensure “all garment factories are meeting their legal obligations to their employees”²⁰⁷. Indeed, this is an initiative that Boohoo has also urged upon the Home Secretary²⁰⁸.

However, not all are in favour of such a scheme. We were provided with an open letter sent to the Home Secretary on behalf of the Leicester Textile Manufacturers Association, urging the government to reject the proposed licencing scheme, saying:

“We feel the suggestion burdens companies with undue regulatory burdens at the expense of a minority of firms who have broken the law.”

Some respondents were able to provide examples of Boohoo taking positive remedial action. Boohoo became a member of the Slave Free Alliance²⁰⁹ in 2018²¹⁰. We were encouraged to hear

²⁰⁶ Supported by Fast Forward

²⁰⁷ Letter to the Home Secretary, dated 18 July 2020, signed by Dr Lisa Cameron MP, Chair of the APPG for Textiles and Fashion, Baroness Young of Hornsey OBE, Chair of the APPG for Ethics and Sustainability in Fashion, Helen Dickinson OBE, Chief Executive of the British Retail Consortium and with numerous “supportive signatures” from others

²⁰⁸ Letter from John Lyttle to the Home Secretary on 18 July 2020

²⁰⁹ A social enterprise and membership initiative launched by anti-slavery charity Hope for Justice that helps retailers work towards a “slave free” supply chain

²¹⁰ Statement on the boohoo Group plc website <https://www.boohooplc.com/sustainability/supply-chain-review/modern-slavery>

from senior members of the Alliance that they believed Boohoo's engagement with their work was sincere²¹¹.

Nazir Afzal OBE, former Chief Crown Prosecutor for North West England, said:

*"It has to be said that Boohoo's Annual Modern Slavery Statements – the 2019 iteration being the last I have seen – are as good as any I have examined during the several years since they were introduced by the Modern Slavery Act. It demonstrates a clear understanding of their duties and responsibilities under the Act, and, outwardly, a willingness to proactively tackle any concerns in their operation and supply chain"*²¹².

He went on to emphasise the need for action, a concern echoed by a number of others. He said:

*"The concerns raised by the recent newspaper-led investigations, however, allege that the words in the Statement are not an accurate reflection of current practice. What is seemingly unusual (and largely to be applauded) about boohoo's operation is its reliance on U.K- based suppliers, in contrast to many of its competitors. What this does, however, is put a greatest responsibility on boohoo HQ to audit its supply chain; because of its proximity, it cannot argue that the supplier is 5000 miles away and operating under a different legal regime, as some of these competitors have done"*²¹³

A significant number of respondents have warned about the limitations of auditing and said that it should not be relied on as the solution to poor working conditions and practices. At most, it can provide reassurance. An effective compliance system will use audits as but one tool. This warning is repeated by Grant Thornton and by Verisio themselves.

Dame Sara Thornton has said that,

*"while the most proactive companies are embedding human rights principles into day-to-day operations, many are defaulting to compliance activities that are unlikely to protect the most vulnerable workers or corporate reputations"*²¹⁴.

We have heard persuasive argument in support of the need for a collaborative approach between stakeholders in Leicester. This was expressed by some as bringing recognition that Boohoo, nor indeed any fast fashion retailer, could be held solely responsible for conditions in some parts of the Leicester garment manufacturing industry.

²¹¹ Interview with members of the Slave Free Alliance

²¹² written submission to the Review in August 2020

²¹³ written submission to the Review in August 2020

²¹⁴ As reported in *The Times* on 13 July 2020, Fiona Hamilton *No supply chain is safe from slavery, says tsar*

Mr Afzal said:

“My information suggests that there is a bit of passing the buck between both Boohoo and the local authority which has slowed progress. We mustn’t forget the primary responsibility for the state of the workplace lies with the suppliers themselves.

“However, as boohoo has selected these suppliers in this country under our laws, then questions have to be asked about whether their audit and inspection procedures are adequate enough.”

For others, the need for a joined-up approach is borne out of the desire to bring about real and lasting change in Leicester. It has been suggested that whilst Boohoo has a significant role in bringing an end to exploitative and poor conditions, it is not something they will be able to do alone.

When we spoke to the Rt. Hon. Baroness Verma she emphasised the need for a comprehensive investigation by government that goes beyond manufacturers and suppliers. She cautioned against the risk of an examination of these issues becoming a *“blame game for the small producers right at end of the supply chain who won't have the legal knowledge or the financial backup to defend themselves properly”*.

There was powerful argument for the need for meaningful collaboration between retailers and the statutory authorities in Leicester. I was told that strong intervention is required from entities including government, HMRC, the HSE, the Gangmasters and Labour Abuse Authority, MPs, local councillors, the police and the fire brigade. Given what we saw in the short time we spent in Leicester,²¹⁵ it is truly shocking that those with statutory powers in relation to Health and Safety have not acted sooner. One respondent went so far as to say that Leicester has become essentially lawless; central Government passes laws but no one enforces them and so they are routinely ignored.

It was argued forcibly that an effective, considered approach, tailored to the local realities and cultural nuances, requires the involvement of community leaders, NGOs including charities, journalists with experience in the area and representatives of the communities involved, that is to say, those who work in the affected Leicester garment factories and their families.

²¹⁵ See section 6J

A number of stakeholders emphasised the importance of finding a means through which to give factory workers a voice. The difficulties in doing so were also made clear. The Senior Joint Head of the Highfields Centre, said to us,

“If we are to make a difference to the garment factory workers’ lives, we have said for several years that there needs to be funding provided to assist those workers for a service they can have trust and confidence in. We have been having this conversation for the best part of ten years.”

The founder of the Zinthiya Trust, a charity that offers support to women from disadvantaged backgrounds, told us that:

“The majority of these individuals who are subject to exploitation are women from ethnic minority backgrounds as they make up a large proportion of the labour force within the sector. Some of these women are British citizens while others are new arrivals either on a spousal visa and have no recourse to public funding or are on temporary visas such as a visitor visa with no right to work. There are also others with no legal status such as those whose visa has expired and some undocumented immigrants.

“Insecure immigration status combined with other disadvantages such as lack of employment opportunities, lack of skills, inability to read or write English, economic abuse as a result of domestic violence and various cultural barriers that prevent women from taking up employment outside of their homes have contributed to continuation of the exploitation.”

Mr Afzal said:

“The suggestion that minimum wage regulations are not being complied with is one that I have heard from a number of mainly minority women-led or minority women-supporting organisations in Leicester. They also talk about a culture of fear that prevents them and/or those whom they are supporting from speaking out. The perceived threats and intimidation coming not just from within the workplace but from outside in the communities they live in”.

In her submission to the Review, Claudia Webbe MP, Member of Parliament for Leicester East, drew our attention to the fact that she had raised concerns regarding unsafe working conditions in her constituency in her maiden speech, and with others in government since. She was heavily critical of successive governments’ failure to act in this area.

Ms Webbe described issues raised with her by her constituents. She said she had heard multiple instances of workers being paid lower than the minimum wage, and other *“extreme instances of exploitation in sections of Leicester’s garment industry”*, including pressure to continue working during lockdown. She said that,

“A culture of fear and the silence of workers in Leicester’s Garment Industry is extremely worrying. Many of the workers who have bravely approached me for help are women and in significant numbers from African, Asian and minority ethnic communities”.

One issue that has attracted a significant level of attention in recent years is Boohoo's relationship (or lack of it) with trades unions, and in particular USDAW²¹⁶. This is outside the scope of this Review²¹⁷. However, we received some useful insights in relation to the importance of platforms designed to give workers a voice in the Leicester garment industry, including unions.

The General Secretary of USDAW, wrote to us to say that whilst they were “*not able to comment on the conditions within Boohoo's suppliers, as we do not organise in those workplaces*” they suggested that:

*“Looking to how the situation can be improved, I think it is important to stress the benefits of trade union involvement. The role that trade unions can play in enforcing workplace rights, monitoring health and safety ...and the ability to formally raise concerns at a high level with companies provides an important independent voice within a company.”*²¹⁸

We spoke to a representative of industriALL²¹⁹ a global union representing 50 million workers worldwide including those in the manufacturing sector. She emphasised a need for “*systemic solution*” to the problems in some parts of the garment manufacturing industry in Leicester. She described the enormous impact of collaborative efforts between unions, retailers and manufacturers, citing the success of such initiatives in Bangladesh²²⁰.

We also heard about alternative programmes that were not based around trades unions but which were also designed to give workers a voice. Mr Thamotheram described an initiative that involved conversations between Highfields Centre and several brands which sourced from Leicester factories. He said that the intention was:

“to make that contact with those workers and begin to develop those relationships so worker issues could be tackled on an individual basis or a group basis if they found more than one person experiencing those issues at a particular factory. The idea was...that the process could lead, over a two year period, to the establishment of some kind of workers' representation and for that to be more formally incorporated into resolution of these issues going forward.”

Brands involved had offered to invest money in the initiative through funds saved by underspending their budgets in the last financial year. Although the initiative has suffered recent

²¹⁶ The Union of Shop, Distributive and Allied Workers

²¹⁷ The focus of that matter has been Boohoo's distribution centre in Burnley. This Review is focussed solely on Boohoo's Leicester supply chain

²¹⁸ Letter written to the Review on 14 August 2020

²¹⁹ Director of the Textile, Garment, Shoe, and Leather Sector of IndustriALL Global Union

²²⁰ Including ‘the Accord on Fire and Building Safety’ - <http://www.industrialall-union.org/what-we-do/bangladesh-accord>

setbacks, when brands considering removing funding “*ostensibly for fear of relationships with toxic suppliers here in Leicester*”, Mr Thamotheram expressed the hope that it could be revived.

CHAPTER 6F

GRANT THORNTON

This section of the report deals with the evidence of the forensic accountants, Grant Thornton²²¹ I have treated them as independent experts: on my advice, they were engaged on that basis with the approval of Boohoo.

I have set out in Chapter 3 the issues which I asked them to address and the approach I have taken to their report.

In preparing their report Grant Thornton had access to the following material:

- (i) All the Verisio audits and spot checks for suppliers and sub-contractors which had been provided to the Independent Review team;
- (ii) Supplier data for Boohoo and PrettyLittleThing²²²;
- (iii) Extracts from Boohoo's financial reporting / accounting systems and purchase order / goods management systems;
- (iv) Some Boohoo emails;
- (v) Other pieces of material which had been provided by Boohoo to the Independent Review team, such as Board and Audit Committee meeting Minutes.

Because of time constraints they were not asked to conduct any interviews or hold any discussions with stakeholders, factory owners or workers or any other witnesses. For the same reason, they conducted no on-the-ground investigations.

At Grant Thornton's request, on 3rd September, the Independent Review team asked for access to the emails of the Boohoo Board from 1st January 2020 onwards. This was refused by Boohoo

²²¹ Grant Thornton UK LLP

²²² For Boohoo: A master supplier ledger, individual supplier ledgers, purchase order listings from 1 January 2018 to date. PLT: the same information save for contact details of companies

on the basis that the request was too late and too broad to be complied with within the timetable for delivery of my report.

Thus Grant Thornton's report had to be prepared without access to the communication data of the executive members of Boohoo's management, which, in their view, would have provided important material to aid them in understanding the guiding actions and strategic management regarding its purchasing and supplier relationship behaviour.

Boohoo's supplier data covered 2,103 companies, of which 1,256 had UK addresses. 296 suppliers had Leicester postcodes; those suppliers with no purchases placed by Boohoo within the period 1 May 2018 to 17 August 2020²²³ were disregarded. On this basis, the total number of relevant Boohoo Leicester suppliers identified was 209.

Grant Thornton conducted a 'dip-sample'²²⁴ of Boohoo suppliers and sub-contractors on the basis of what they deemed to be "*indicators of heightened supply chain risk*" in the Leicester supply chain. At our request, they also looked at some companies selected by us. Grant Thornton warn that this means that their sample is inevitably biased towards the riskiest suppliers and may not be representative of the whole of Boohoo's Leicester supply chain, far less its supply chain in the whole of the UK or worldwide.

They applied the following eleven 'risk indicators'²²⁵ in order to select their sample.

1. Change in purchasing behaviour from March 2020:

- (i) Suppliers with purchase orders in excess of £400,000²²⁶ in the period from 01 January to 17 August 2020²²⁷; and

²²³ May 2018 is when Boohoo placed its first purchase orders with these suppliers and 17 August 2020 is when Grant Thornton were provided the purchase order information.

²²⁴ This was the only viable way of conducting the exercise, given the time constraints

²²⁵ Reached by an analysis of the themes within the Verisio spot checks and by examining Boohoo's Leicester supply chain

²²⁶ A threshold of £400k was selected to identify those suppliers with which orders of more than £50k were placed, on average, per month

²²⁷ the date on which purchase order data was provided

(ii) suppliers with differences in net purchase order values²²⁸ in excess of £100,000 between 2019 and the period from 1 January to 17 August 2020²²⁹ were reviewed.

Certain suppliers with purchase orders below those thresholds were also analysed if there was a connection between them and the suppliers selected for review.

2. **Orders placed during a period of potential facility closure:** Where Verisio spot check reports recorded a period of facility closure connected with the COVID-19 pandemic²³⁰ or where dates were provided suggesting a closure of facilities or the “furlough” of workers, those dates were used to analyse whether a supplier recorded a significant increase in purchase order value during that period (based on the purchase order date and the required delivery date).
3. **Payments made to suppliers during a period of potential facility closure:** supplier ledgers were analysed to identify payments made between April and July 2020, to indicate potential production activity from March 2020 onwards. A comparison was made between the months for which payments were made to suppliers (taking into account the supplier payment terms) and the closure of facilities / furlough dates (where available).
4. **Shared post codes between suppliers:** used to establish unidentified connections with other suppliers (making allowance for the fact that in Leicester suppliers may often be located in the same industrial unit).
5. **Shared bank account details between suppliers:** to identify common connections between suppliers (notwithstanding potential use of “invoice factoring services”²³¹ which would result in the same bank details).

²²⁸ In this context, “net purchase orders” refers to the total value of purchase orders placed with a supplier, less the value of any cancelled orders or items returned to a supplier

²²⁹ Taking into account the impact of the COVID-19 pandemic from March 2020 - supplier manufacturing capacity from March 2020 could reasonably be considered to have been constrained

²³⁰ They did not always include that information, nor did they clearly state if the suppliers were unable to operate remotely during any such period or make a distinction between supplier facilities being closed and the use of the UK Government’s Coronavirus Job Retention Scheme

²³¹ Invoice factoring is where payment is provided (as a type of loan) to a company (in this case, the supplier) immediately upon issue of an invoice and the provider recoups the money from the payee at a later date

6. **Shared contact details between suppliers.**
7. **Shared VAT registration numbers between suppliers:** Grant Thornton did not identify any such issue with the suppliers reviewed.
8. **Resistance to Verisio inspection:** suppliers that denied access to Verisio.
9. **Limited access to basic management information:** inability of a supplier to provide basic management information was considered as a risk indicator, as where Verisio auditors reported no, or limited, access to financial, accounting or contractual information, or the documents did not exist.
10. **Supplier relationship networks:** evidence of inter-connectivity between suppliers was also considered to be an indicator of heightened risk.
11. **Negative audit findings:** such as failure to pay the national minimum wage, allegations of potential furlough fraud, possible use of child labour, potential breaches of right to work regulations or the absence of contracts of employment. Grant Thornton included in their definition of ‘findings’ situations where Verisio were unable to confirm the position. This is because in Grant Thornton’s expert opinion, it is a central tenet of supply chain audits and inspection processes that it is incumbent upon suppliers to demonstrate compliance with requirements utilising sufficiently reliable information, rather than upon auditors or a purchaser to identify instances of non-compliance.

109 companies which had been subject to a spot check by Verisio in July and August 2020²³² were not recorded in the Boohoo supplier master file. Many were noted as being sub-contractors to Boohoo’s primary suppliers. Several of these reports were also included by Grant Thornton in their sample.

Once the sample had been selected, Grant Thornton performed detailed testing on those suppliers. This included the following:

²³² Following the allegations made by the *Sunday Times* on 5th July 2020

- (i) Using open source corporate intelligence to gather key information about the supplier, such as its ownership structure, and comparing it to information provided by Boohoo;
- (ii) analysing the available purchase order information for the supplier;
- (iii) identifying whether the supplier had complied with Boohoo's processes, as well as Boohoo's own adherence to its compliance processes for individual suppliers²³³;
- (iv) analysing material detected during the data analytics exercise
- (v) identifying connections between suppliers and sub-contractors, including unauthorised subcontracting identified from the Verisio spot checks or other documents; and
- (vi) an overall analysis of other relevant information.

Grant Thornton's findings and conclusions

Grant Thornton concluded as follows:

1. Boohoo has experienced significant growth in the last few years and this has continued during the COVID-19 pandemic, when it placed increased orders with suppliers.
2. Boohoo's approach to managing its supplier relationships and risk historically does not meet generally accepted practice expected of a UK-listed retail company.
3. Boohoo's supplier management function has not kept up with the company's commercial growth.
4. There are significant elements of the supply chain process which are undocumented and there is a lack of formality in documenting control activities and policies (including the fact that documents are not consistently time-stamped, so it is not possible to ascertain if, and when, controls operated).

²³³ Based on information provided by the Independent Review team

5. Boohoo has made recent efforts to improve its supplier management processes through new policies and procedures²³⁴ but there are significant further improvements which could be made²³⁵.
6. There is no evidence of consistent and robust supplier onboarding or due diligence process being used before orders are placed with a potential new supplier, which is accepted practice for a large UK retailer. In the instances where there has been some form of onboarding process undertaken, there was no robust testing of supplier claims about their capacity to fulfil orders or their use of sub-contractors.
7. In the past, SMETA audits, paid for by the audit subject, have been heavily relied upon to give Boohoo comfort. Although this may appear reasonable, Grant Thornton notes that there are marked differences between the findings of the earlier SMETA reports and the Verisio 2020 spot-checks. In addition, by September 2019, 84%²³⁶ of the SMETA audits for Leicester and Manchester suppliers were out of date²³⁷.
8. There was some in-house monitoring by the Boohoo compliance team over the years. However, these visits were informal and often short; the email evidence suggests that generally those visits were announced and expected. The fact that several sites were visited per day, suggested that few detailed assessments took place. Documentation surrounding the visit and next steps arising from it are not recorded or communicated to the business in a structured manner and from August 2019 the recording of in-house visits completely ceased²³⁸.
9. There was no evidence of formal ongoing supplier monitoring, periodic auditing or due diligence designed to identify any changes in supplier management, financial position or ownership²³⁹ and no structured escalation of issues identified at site visits.

²³⁴ The report does not list what these policies are

²³⁵ Grant Thornton's recommendations are included in Chapter 10

²³⁶ According to an internal audit report dated September 2019

²³⁷ This figure comes from the Boohoo internal audit report of September 2019

²³⁸ This was confirmed by the Boohoo in-house compliance team in an email to Tom Kershaw, Director of Sustainability, in August 2020.

²³⁹ In other words, to deal with the risk presented by phoenix companies entering the Boohoo supply chain

10. Boohoo's approach was very much "light touch monitoring" relying on management representations and building relationships with suppliers in a collaborative fashion. This approach may have permitted compliance issues to develop or continue without repercussions.

11. The Verisio July and August 2020 spot-checks identified failings²⁴⁰ in health and safety, payment of the national minimum wage, potential furlough fraud, right to work and COVID-19 controls in the majority of Boohoo suppliers. It was noted that many suppliers had put in place risk assessments²⁴¹ immediately before the spot-checks took place, creating suspicion that these had merely been implemented to deal with the negative publicity about the Boohoo Leicester supply chain or with rumours within the company networks that Boohoo had put auditors into Leicester.

12. Grant Thornton's overall conclusion was that:

"Whilst our sample was biased towards entities likely to carry higher risk of non-compliant indicators....the nature and scale of issues identified [by Verisio] highlights significant weakness in Boohoo's supplier relationship management".

13. In respect of the Boohoo top five Leicester-based suppliers by value²⁴², Grant Thornton concluded that they all had risk factors present (although this does not automatically translate into a compliance breach).²⁴³

14. Grant Thornton also drew attention to the "inherent weakness in the periodic or anticipated audit approach as the **sole compliance tool** in reviewing and assessing suppliers" (emphasis added).

15. There is evidence of "phoenix" structures²⁴⁴ being used within the Leicester supply chain, with no documented assessment by Boohoo of the new supplier and no evident disruption in trade. In Grant Thornton's opinion the 'old' company would be likely to have issues with compliance²⁴⁵ and the 'new' supplier would have no compliance history. Phoenix structures

²⁴⁰ Including an inability to verify

²⁴¹ Such as Covid-19 risk assessments

²⁴² Approximately 20% of Boohoo's purchase orders from Leicester-based companies in the period

²⁴³ With all conclusions it must be noted that COVID-19 will have had an impact on businesses

²⁴⁴ A phoenix structure is where the legal entity of a supplier changes, but management remains the same

²⁴⁵ Usually including issues about unpaid tax

present a significant supply chain risk as they permit suppliers to ‘shed’ legal obligations and continue operations free from legal or regulatory history. Boohoo have said that they consider the practice to be merely “*a financial restart*” but in Grant Thornton’s expert opinion the practice is often linked to tax evasion and the failure to pay creditors, including employees and should be regarded as a significant risk factor.

16. Grant Thornton identified examples of relationships with, and between, key Boohoo suppliers which did not appear to have been recorded in the compliance documentation. Close relationships warrant closer inspection in any supply chain risk assessment, particularly where general supply chain risk was heightened due to the impact of COVID-19 and suppliers were receiving an increased level of orders.
17. They had identified two instances of members of the Kamani family having an indirect interest in a key supplier, or a close personal relationship with the supplier, which did not appear to have been recorded in Boohoo’s compliance files. For example, on 8 April 2020, the Chairman’s brother (minority shareholder in Boohoo and brother of the Executive Chairman) appears to have issued a secured loan to the beneficial shareholders of company #54²⁴⁶, which is a major supplier to Boohoo. Further, the Chairman has a social and family relationship with Witness 98 and their family, who owns Morefray Limited and Revolution Clothing Co Limited, the two companies at the centre of the media allegations in early July 2020²⁴⁷.

Supply chain issues during the coronavirus pandemic

18. Practically all of the Leicester-based suppliers received a notable increase in purchase orders from Boohoo in the period March to June 2020, compared to the historical level of orders. Some were awarded an unprecedented volume of orders in spite of a limited track record in supplying the company. Boohoo placed heavy reliance on supplier representations as to available capacity and operating in a safe working manner during this period, seemingly without reference to any pre-existing risk indicators when determining available supply.

²⁴⁶ This company has been anonymised for the purposes of the open report. It also appears to be a “phoenix” company for one of Boohoo’s Top 20 suppliers

²⁴⁷ This relationship has already been extensively reported in the media

19. In March 2020 Boohoo issued a note to suppliers regarding operating during COVID-19 which read: *“the boohoo group is only willing to work with suppliers who are adhering to the government advice and our buying teams will be in touch with you to ensure you are following these important guidelines closely”*. Internal correspondence shows that in fact there had been a robust discussion of how to respond to the pandemic, including asking for photographs of facilities. The Boohoo in-house senior compliance manager had doubts over the willingness or ability of suppliers to meet required standards but it seems that those concerns were not acted upon²⁴⁸.
20. Grant Thornton would have expected the strategy to have been discussed at Board level, with senior focus on short- and mid-term purchasing strategies and decisions. The Board Minutes do not record any such discussion, but Grant Thornton acknowledges that this could be due to the fact that the fast-changing nature of the pandemic meant that formal note-taking procedures were interrupted.
21. The Boohoo Leicester in-house compliance ‘team’ only in fact consisted of one person by this stage and he was placed on furlough during the pandemic²⁴⁹. As a result, Boohoo had no way of monitoring conditions in the factories until the Verisio spot checks started in July and August.
22. A whistle-blower report indicated that the workforce in one factory were instructed to lie to the Verisio auditors. This is an inherent weakness with the ‘announced audit’ process which is currently the accepted standard in the UK.

Boohoo’s governance controls compared to industry-standard ‘good practice’

- 1) **Books and records:** corporate governance documentation should be kept in accordance with an overall document management strategy, to demonstrate legal compliance and management decision-making processes and actions. In contrast, the documentation provided by Boohoo

²⁴⁸ We have included a detailed summary of these email exchanges in Chapter 6I

²⁴⁹ Until mid-May; after his return to work he was telephone-based

was not clearly structured, consistently named nor time stamped. It did not demonstrate compliance with the Quoted Companies Alliance Corporate Governance Code²⁵⁰.

- 2) **Supply chain strategy and road map:** there should be a supply chain roadmap outlining supply chain strategy (reflecting values, ethics, brand vision of Boohoo), relevant targets and how they will be achieved, to ensure consistency in approach and lessen the risk of regulatory breach. In contrast, there was no evidence of Boohoo having any comprehensive document outlining the future strategy of its supply chain. However, certain elements already exist that could form part of it and two key roles have recently been filled: Head of Compliance and Director of Sustainability.
- 3) **Governance framework:** a clear governance structure, policy framework and control environment should exist for the supply chain. There should be a defined reporting and escalation process for supplier issues, to ensure the Board become aware of relevant matters on a timely basis. In contrast, Boohoo showed no evidence of any such structure and no evidence of how the Executive and senior management team provide oversight or challenge compliance of supplier activity. There was also no ‘assurance map’ of all sources of assurance on the supplier base across the ‘three lines model’ - legal, regulatory and ethical compliance.
- 4) **Board and Audit Committee oversight:** the Board and the Audit Committee should review and approve compliance processes and the annual compliance plan with regular routine updates on progress. At Boohoo, reporting to the Board and Audit Committee on the supply chain does occur, but not routinely – it is unsystematic and typically reactive and in response to media coverage of issues.
- 5) **Policies and procedures:** supplier policies and procedures should reflect industry good practice and should be periodically reviewed and updated. There is otherwise a risk that key supplier management activities are not consistently delivered. In contrast, Boohoo has limited documentation of supplier management policies and procedures. The Boohoo Supplier Code of Conduct was created in line with the ETI Base code but there are certain key omissions including: overtime should be paid at a premium, workers should be provided with

²⁵⁰ Assuming the records are an accurate representation of all Boohoo documentation in this regard

information on their employment before beginning work, and the 60 hour working week and freedom of association clauses²⁵¹.

- 6) **Communication of policies to suppliers:** Boohoo should inform all suppliers of its expectations (mapped to industry good standards) prior to the commencement of any business. This should be reflected in contracts, tender documents and supplier terms and conditions. Suppliers should provide an acknowledgement of receipt. Suppliers may otherwise be unaware of Boohoo's expectations and act in a way that is not aligned with them. Boohoo engaged Verisio in June 2020, and part of their remit involved emailing suppliers to obtain such confirmation of receipt of the Boohoo Supplier Code of Conduct²⁵², although no update appears to have been received. The internal compliance team previously obtained supplier confirmation of receipt of various Codes and policies *ad hoc*, but it is unclear if this is complete. Suppliers were also issued with the "Supplier Guidance Tool" (essentially an audit programme used to measure compliance to the Code) but there is no guidance articulating the consequences of non-compliance.
- 7) **Supplier due diligence:** there should be a robust risk-based approach to due diligence on all suppliers to ensure they are the appropriate strategic, ethical and financial fit for Boohoo. This should be re-performed every 2-3 years. In contrast, Boohoo practice has been to place an order with a new supplier prior to completion of due diligence and other onboarding controls. There is no evidence of ongoing periodic due diligence. Boohoo requires suppliers to obtain approval in advance for the use of sub-contractors yet unauthorised sub-contracting was taking place.
- 8) **Supplier contracts:** should be in place for all suppliers. Boohoo does not issue separate contracts to suppliers (from the evidence reviewed). Suppliers were given a paper order, including terms and conditions and a system-generated Purchase Order. The terms and conditions do not include the right to audit to verify supplier adherence to the Code, nor reference compliance to it.
- 9) **Supplier records:** details of supplier capacity should be held, to be checked by regular factory visits. There should be a central record of orders and delivery dates to avoid shortfalls in

²⁵¹ These are included in the August 2019 Modern Slavery Statement rather than in the Supplier Code of Conduct

²⁵² 'the Code'

supplier capacity leading to a failure to fulfil orders or unauthorised sub-contracting. Boohoo holds some information on supplier capacity but it was not possible to verify whether the information was complete and accurate, what attributes of supplier capacity were considered, when the exercise was completed, what decisions and actions flowed from its use, and how the fact that suppliers may also supply for other customers is taken into consideration.

10) Three Lines Model and Supplier Assurance Plan: Boohoo should obtain assurance that all suppliers are operating to its expected standards, using the “Three Lines Model”²⁵³, otherwise inappropriate practices will not be identified promptly, escalated and remedied. Boohoo obtains assurance from several sources including the in-house Compliance team, Verisio, the Slave Free Alliance and Bureau Veritas. However, there is no evidence of an overarching risk-based assurance plan and no central log to risk-assess the full supplier base. Where risk assessments were recorded it was not clear what the assessment involved or why certain suppliers were not assessed.

11) Audit programmes: there should be a defined internal Compliance team assurance methodology and audit activity should be consistently documented. Boohoo had no evidence of a defined supplier audit methodology. Some factory visits conducted were short with multiple factory visits included in one day; the comprehensiveness of these audits and their scope is unclear.²⁵⁴

12) Audit action monitoring: there should be a clear framework for monitoring audit results and completion of recommended actions. Compliance should maintain a set of Key Performance Indicators concerning the monitoring and closure of actions. In contrast, Boohoo showed no evidence of findings from audit being consistently escalated or followed up. The consequences for poor results were also not defined. There was a list of dropped suppliers but it was not clear if it was complete or why suppliers were ‘dropped’.

13) Compliance function resourcing²⁵⁵: the Compliance team should have appropriate experience and qualifications to complete the compliance activities. The team should be sufficiently resourced. The Compliance team in the UK had six individuals²⁵⁶ for a supplier

²⁵³ Ensuring legal, regulatory and ethical compliance

²⁵⁴ Grant Thornton were not provided with internal compliance visit reports since mid-2019 but emails suggested visits were taking place – they could not confirm focus and coverage

²⁵⁵ Grant Thornton requested, but did not receive, a copy of an ‘organisation chart’ for the Compliance function

²⁵⁶ ETI membership application dated May 2019

base of 220 suppliers (and in Leicester there was only one individual ‘on the ground’; the others were based elsewhere). By way of comparison, in May 2019 the China Compliance team was reported as consisting of ten individuals for a China supplier base of 87. The sole Leicester-based compliance auditor was placed on furlough during the pandemic. There was no evidence of a skills gap analysis performed on the Compliance team to ensure resources aligned with expectation.

14) Key Performance Indicators²⁵⁷: Boohoo should maintain a set of KPIs related to the performance of the supply chain and compliance activities. Boohoo showed no evidence of KPIs being in place with a clear target relating to the performance of the supply chain and compliance activities, nor of appropriate monitoring of the KPIs as to effectiveness.

Grant Thornton made a number of recommendations. I have incorporated those with which I agree in Chapter 10.

²⁵⁷ ‘KPI’

CHAPTER 6G

THE *SUNDAY TIMES* ALLEGATIONS

On 4 July 2020, the *Sunday Times* contacted Boohoo and informed them that they were going to publish a story making allegations about Boohoo and working conditions in its supply chain in Leicester. The newspaper asked Boohoo for any comments.

Boohoo immediately started an investigation.

On Sunday 5th July 2020, the *Sunday Times* published two articles detailing the experience of an undercover reporter in a Leicester factory which they said was manufacturing clothing for Boohoo:

- (i) *Boohoo's sweatshop suppliers: 'They only exploit us. They make huge profits and pay us peanuts'*²⁵⁸;
and
- (ii) *Boohoo: fashion giant faces 'slavery' investigation*²⁵⁹.

The allegations made in those articles are that:

- (i) Some of the goods at the factory had Boohoo and Nasty Gal labels;
- (ii) There was a sign saying 'Jaswal Fashions' on the wall;
- (iii) The factory had continued operating during the lockdown period;
- (iv) Insufficient measures were in place to prevent the spread of Covid-19 in the factory:
 - No social distancing measures were in place
 - Most workers were not wearing masks
 - Hand sanitiser was not available
 - There were no health warning signs;
- (v) The undercover reporter was hired "*on the spot*";

²⁵⁸ <https://www.thetimes.co.uk/article/boohoos-sweatshop-suppliers-they-only-exploit-us-they-make-huge-profits-and-pay-us-peanuts-lwj7d8fg2>

²⁵⁹ <https://www.thetimes.co.uk/article/boohoo-fashion-giant-faces-slavery-investigation-57s3hxcth>

- (vi) Another worker warned him that he was “*working illegally*” and should not discuss it with anyone;
- (vii) When asked, the ‘boss’ would not say what the undercover reporter would earn;
- (viii) Another worker said wages were likely to be between £3.50 and £4 an hour and that he only earned £5 an hour having been there for 5 years;
- (ix) The undercover reporter was not paid for the work he completed;
- (x) The factory was dilapidated and the working conditions were cramped, hot and untidy.

On 6th July, Boohoo issued an RNS²⁶⁰, amongst other things thanking the *Sunday Times* for drawing its attention to the situation and saying that it was investigating the matter.

On 8th July 2020 Boohoo issued a further RNS in which it said it was “*shocked and appalled*” by the allegations and that:

“we are committed to doing everything in our power to rebuild the reputation of the textile manufacturing industry in Leicester. We want to ensure that the actions of a few do not continue to undermine the excellent work of many suppliers in the area...”

“As soon as the Group was made aware of the allegations of mistreatment of garment workers by our third party suppliers, as detailed in the 6 July announcement, an immediate investigation was launched.”

In his interview with us, Tom Kershaw seemed surprised by the use of the word “*investigation*” until it was pointed out that that had been used in Boohoo’s own market announcement. John Lyttle told us that Tom Kershaw was the person “*leading the investigation... the main person pulling the different parts together*”²⁶¹.

The second RNS of 8th July gave an update on its investigation. Boohoo’s findings can be summarised as follows:

- (i) Jaswal Fashions is not and never has been a supplier for Boohoo;
- (ii) The order in question had been placed with Revolution Clothing Co Limited (a company based in Manchester);
- (iii) Revolution had “*instructed*” Morefray Limited “*to manufacture in Morocco and repackage the garments on their behalf in Leicester*”;

²⁶⁰The ‘Regulatory News Service’ which is owned by the London Stock Exchange and which transmits information published by companies allowing them to comply with local market transparency legislation.

²⁶¹ John Lyttle Review interview

- (iv) Boohoo’s investigation had “*not found evidence of suppliers paying workers GBP3.50 per hour*”;
- (v) However, it had found “*other evidence of non-compliance with our Code of Conduct*” and as a result had taken the decision immediately to terminate the relationship with both Revolution and Morefray.

The foundation for the statement in the RNS was that on 7th July, Verisio had gone to Morefray’s premises and conducted a spot check. It is not necessary to set out their findings in detail, but in summary they found a number of infractions. There was no information on the premises to show the working hours so wages could not be verified and the accountant was said not to be available to produce the records that day. The people in charge recognised the description of the *Sunday Times* journalist and said that he had posed as a student and that he had been given work to do ‘on trial’. The clothes in question were not being made in the factory; they had in fact been made in Morocco and were being repackaged to be sent to the Boohoo distribution centre in Burnley.

The auditors said that they were approached by a ‘whistle-blower’²⁶² who had worked for Morefray in the past and said that he had been paid less than the minimum wage.

Up until that point both Revolution and Morefray were approved Boohoo suppliers. Interestingly, both are ‘design houses’: in other words, neither has a manufacturing capability.

Later that day²⁶³, Boohoo sent letters to both suppliers terminating their relationship with them.

The *Sunday Times* subsequently published a correction stating “*Jaswal Fashions has advised that it ceased operating a clothing business at the premises in November 2018 and never undertook work for Boohoo*”²⁶⁴.

It is fair to say that the reaction of the majority of the officers of Boohoo is that the *Sunday Times* allegations are basically untrue and that they have proved them to be so; they cite the *Sunday Times*’ correction about Jaswal Fashions as evidence in support of this.

I take a different view; my reasons for doing so are explained in Chapters 8 and 9.

²⁶² This is how the person was described in the Verisio audit report

²⁶³ 8th July

²⁶⁴ Issued on 12 July 2020: <https://www.thetimes.co.uk/article/corrections-and-clarifications-j06dmz2wf>

In relation to the allegations, Mr. Lyttle said:

"I felt awful. Our culture isn't to take advantage of people and pay £3.50 an hour. I don't feel proud or that it represents the company in terms of that story. Also I'm a very practical person – OK let's get the facts. Jasmal doesn't exist. Secondly, we know haven't placed an order with them. Next thing is to try to find the garments. We did a study in terms of who we gave the order to. We had a picture of the item in a bag. We looked to get that done but we didn't get that evidence until the Monday afternoon.

"We could tell Morefray was the supplier and we knew that they hadn't got the order from us. We were not getting as much info from Morefray as we'd like to at the time. ... It was only on Sunday afternoon that we got the style number.

"One of the key pieces on my list when I joined was trying to understand Leicester and what was going on there. If there is stuff there and we are working on it I'd rather keep UK jobs and money going to families rather than saying we can't deal with it and it's too much of headache. Like the Sunday Times story The factory²⁶⁵ quoted there had not existed for years. The goods were made in Morocco. If you are going to say that people are paid £3.50 an hour get some proper investigative stuff in. The guy²⁶⁶ said he worked in there for 4 hours. I am like "Show me the cash you got"".

In other words, Mr Lyttle was saying that he wanted to see physical proof that £3.50 an hour was actually being paid and until he saw that, for him the allegations were unproven.

When I asked him whether it made things better or worse that the garments had been manufactured in Morocco, he said,

"Fifty- fifty. The fact that they weren't made in Leicester was good, but the fact that we didn't know they were made in Morocco was not good."

When asked how she felt when she heard about the *Sunday Times* allegations, Carol Kane said to me:

"Confused was my initial reaction. We hadn't heard of that manufacturer²⁶⁷

"Most of it was untrue. The hourly wage has yet to be proven either way but the rest of the allegations were untrue".

Mahmud Kamani told me:

"Revolution is one of my very good close friends. He has done nothing wrong. He passed the order on. ...He went to Morefray who he passed the order to and Morefray made it in Morocco, I am led to believe, who repacked it in the UK for us to deliver it."²⁶⁸

²⁶⁵ Jaswal

²⁶⁶ The undercover journalist

²⁶⁷ Jaswal

²⁶⁸ Mahmud Kamani Review interview

Mr. Kamani listed inaccuracies in the report including the fact that Jaswal were not operating at the premises, the fact that the goods had not been made in Leicester, the suggestion that the reporter had been at the premises for 2 days and in fact had done four hours of work. As far as the allegations that the factory workers were paid less than the minimum wage, Mr. Kamani said there was “*still no proof*”. He said he had thought it was “*just another story, another lot of b*****s*”.

When Brian Small²⁶⁹ was asked how he felt when he was told about the article he said,

“It was disappointing but I already have experience of the press making mountains out of molehills. I am not wanting to dismiss this but as you know there have been number of documentaries about retail warehouses... Lots said by journalists was nonsense but sometimes there is no smoke without fire. Although the Sunday Times article was factually inaccurate the real point is whether there is any substance in any of the allegations, whether the facts of particular allegations were right or wrong. The Sunday Times had to apologise for part of that and that is no great victory at all. My overriding view on it was that it was disappointing.”

Asked whether it was disappointing to realise there may be factories like the one described by the *Sunday Times* or disappointing that Boohoo is getting unfairly bad press, Mr. Small replied “*disappointing on the former*”.

Tom Kershaw said to me that:

“The Sunday Times story was really poor journalism to be honest. So many errors in there. I think you can almost park the Sunday Times thing because frankly it was nonsense....Jaswal Fashions hasn’t run the business for a number of years and he’s been dragged through the mud. I think the Sunday Times issued a correction. But the principles that were raised, there was no evidence, so again it was poor journalism, but the principles are the ones we have been looking at for the last six months and I felt we needed to understand once and for all.”

In relation to the termination of Boohoo’s relationships with Morefray and Revolution, Tom Kershaw said:

“John [Lyttle] said in the past there will come a time where we need to make an example of a supplier. There were clear breaches²⁷⁰. There was a view that there needed to be a statement of intent that we can’t accept this within the supply chain.”

Keri Devine said in her interview with me:

“I think the main tenor of the Sunday Times article was the £3.50 an hour piece. I was focusing on that. We have audit processes, they should have seen that. I was thinking “£3.50 an hour? Yes it could have happened but it shouldn’t be happening”. It felt to me the suppliers were the people in this that perhaps

²⁶⁹ Non-Executive Deputy Chairman and Chair of the Audit Committee

²⁷⁰ By Morefray and Revolution

weren't playing ball. If they are using the units I've seen²⁷¹, god knows what else they might be doing and what they might be putting in their books. From Boohoo's perspective it felt like work we had been doing maybe hadn't been quick enough to capture that before the Sunday Times had, maybe. Hindsight is a great thing. We were in a position where we were going to have to fight a battle in public that we were hoping to rectify, not in private, but which we trying to get sorted.

We contacted and subsequently spoke to Witness 98, who was described as being responsible for the “day to day running” of Morefray, the supplier for whom the undercover reporter undertook work. We were also able to speak to his son, Witness 291, the managing director of Morefray. They feel that the *Sunday Times* article was untrue and unfair. They are also indignant about the way they have been treated by Boohoo and say that the termination of the relationship has left them with a large number of difficulties, one of which is how to pay their workers.

We were provided with a timeline prepared by Witness 98 and Witness 291 which included events they say were captured on CCTV on 2nd July 2020, the day on which the undercover reporter is said to have worked at the factory. We have not been able to see this CCTV footage in the time available to us, but for the reasons we give in the paragraphs which follow, we do not regard this as material.

Witness 98 and Witness 291 informed us that the undercover reporter had in fact begun work at another factory, not owned by them but which shares an “interlinked door” with Morefray. We were told that the owner of the other factory brought the worker to Morefray's premises. Witness 98 said that he gave the man a job because he was crying, pleading and saying that he had no money.

Witness 98 and Witness 291 informed us that none of their workers were paid below at minimum wage levels and they did not break the law. They told us that many of their machinists earned between £9 and £11 an hour and that many of their designers earned between £20 and £25 an hour.

Witness 98 said that at the end of the day he offered the man a desk job because he had IT qualifications. He asked him to return the next day with his passport, but he did not return. He said they did not discuss wages and no money was exchanged because the work that he had done that day was intended to be a trial.

²⁷¹ In December 2019 following the Verisio sample audits

We have concluded that it is not necessary for us to resolve the disputes of fact between Morefray, the *Sunday Times* and Boohoo, for the reasons we give in Chapters 8 and 9.

Chapter 6H

The Coronavirus Pandemic

On 23 March 2020 the Government announced a lockdown in response to the COVID-19 pandemic, to come in to force on 25 March 2020.

This posed a serious threat to Boohoo's continued operation of both its online operations based in Manchester and its warehouse and customer service facilities in Burnley. The uncertainty surrounding the business at the outset of the pandemic was such that, as Carol Kane said: to us: *"We were checking how much cash we had to see how long we could keep the business going"*.

When we interviewed him, John Lyttle summarised the position as follows:

"Like a lot of businesses, we work from the office...so we had to get a lot of people out of the office and working from home...to get the business to be able to run without people being in the office. You'll remember...it was just developing rapidly. We were all waiting for the Prime Minister to make his 5 o'clock announcement. Then it was 'what did they say, what did that mean, what are the guidelines on the Government website, what do we need to do and then how do we brief our organisation in terms of what they need to do and what they can't do?' Certainly in the first few weeks it was quite difficult to keep up".

Tom Kershaw described this period as being:

"extremely challenging for the business. In the immediate period we were making decisions on a daily basis and following the advice of government. Our approach throughout was to closely follow government guidelines and put the safety and wellbeing of our people as a priority."

At the outset of the pandemic many suppliers to the garment industry were under severe pressure from retailers cancelling orders. It is to Boohoo's credit that it did not do this.

Boohoo was fortunate in that it was able to continue to trade online and experienced an increased demand for certain types of clothing, particular casual loungewear. The challenge for the company was sourcing the clothing.

We enquired what steps had been taken to check capacity in factories in Leicester during lockdown. A written response was prepared by the company and provided to the Review team on 7th September 2020, which said as follows:

“From the start of lockdown, Sam Brocklebank, trading director who has accountability for the buying and merchandise team, instructed the heads of buying to speak to buyers on a daily basis to find out:-

- a. Were they open for business?*
- b. If so what measures they had put in place to work safely? For example removing every other machine, masks etc*
- c. What capacity there was to fulfil orders*

The purchasing strategy was centred around utilising the capacity of those suppliers who were still operating during the lockdown, who could fulfil orders safely, and what product was in demand. The demand from our customer base was for casual loungewear such as simple jersey products and leisurewear such as sweats, tops and pants. This category of product is that most associated with our sourcing in Leicester. Therefore, our order volume for such products increased from our Leicester supply base.

All visits to, and audits of, the suppliers were paused during the lockdown in accordance with government guidance. We carried on daily communication with all suppliers to reiterate our expectation that they were operating in a COVID safe environment. Our understanding was that the Police and local authorities were very present in Leicester at the time by inspecting open units to establish whether they were fit to continue trading. This gave us comfort that a factory was operating safely”.

There were plainly tensions between the need to source product to meet customer demand and the need to ensure that suppliers were operating safely. We accept that managing this tension was a far from straightforward task.

We have been provided with internal correspondence between various members of the buying and compliance teams regarding the ability of suppliers to operate safely during lockdown. There was clearly robust discussion and consideration of how to respond to the unique business interruption challenges posed by the pandemic.

On 24 March 2020 Witness 307²⁷² sent an email to Witness 152 in which she said:

“[We are] getting reports that several CMT units are being closed down in Leicester today regarding poor social distancing practices, they’re getting shut down by local Police.”

²⁷² Head of Buying at PLT

On 25 March 2020 Witness 152 sent an email to Tom Kershaw in which she said:

*“I have just spoken with [Z (director)] from [company #10]²⁷³ and she is a bit upset as buyers are asking her to stay open this week to get out loungewear and [Sam Brocklebank] has been advising as long as keep 2mtrs between workers etc ok to keep manufacturing as the warehouse is open – but the warehouse is huge – and she is worried about spreading infection etc.
“I don’t think we should be encouraging factories to stay open especially as hygiene levels are not the best anyway”*

Tom Kershaw responded to Witness 152, copying in Witness 16 and Sam Brocklebank:

*“Sorry, I don’t disagree.
To be clear though the government has not said that only essential services should open. The government has said that you should continue to work if you can’t work from home provided that you operate social distancing.
Adding [Sam Brocklebank] as I know his team are working closely with suppliers”.*

On 25 March Witness 152 sent a further email to Tom Kershaw:

*“...my main concern is the cmt’s as small spaces and usually no soap, loo roll in normal times and definitely no hand sanitisers.
Suppliers who have in house production could control this better i.e. could introduce shifts but only if they already have hygienic practices in place and the workers are happy to continue working...”*

Sam Brocklebank replied: *“Agreed that is a concern. Do we know which CMTs are open?”.*

Witness 16 also responded to Witness 152’s email:

“...currently most CMT units are closed, especially after yesterday’s crackdown by the police...this actually scared most of the workers and I have been told by various units they are closed due to the workforce not willing to go into the units to work.

However what we possibly can do is utilize the suppliers that have full control of their own manufacturing ie suppliers with in house internal manufacturing unit.

As long as these suppliers can assure us they will only operate within the government set guidelines for hygiene and keep physical distance between each worker to the standards set by the guidelines.

Also we have to be really vigilant that due to the current shortage of units and workforce, these suppliers do not place any orders with unauthorised units.

I will be doing a general drive-by to see what the latest on the ground”.

²⁷³ This company has been anonymised for the purposes of the open report

On 26 March 2020 Witness 152 wrote again to the buying and compliance team members:

“I think we need to send out communication supporting our suppliers and pausing manufacturing until at least the 3 weeks lockdown.

We are not going to come out of this well and need to avert focus from Leicester / us”.

Tom Kershaw responded as follows:

“There’s absolutely an ethical challenge here and we are well aware of that. The government guidelines remain clear – work can continue and the government have expressly said that online sales can continue. The focus is on ensuring that all businesses that continue to operate do so and follow the government guidelines whilst doing so.

The key challenge for us is to have visibility of those suppliers that we are working with at the moment. I understand from Sam Brocklebank that this is a much reduced number as many of the suppliers have closed of their own accord. We then need to ensure that we have spoken with the suppliers and ensure that they are familiar with the government guidelines around social distancing and other measures. Again, I understand that Sam Brocklebank and the buyers are doing this.

In terms of pausing manufacturing in Leicester, then this is one for the product teams across the group to consider. The obvious challenge being that we are still open for business and rely on product to continue to operate. This is absolutely a time for our buyers to be working closely with our suppliers and managing this to the best of their abilities and in an ethical and compassionate way. [Sam Brocklebank] and I have spoken daily on this matter this week”.

Witness 152 replied to Tom Kershaw as follows:

“Thanks and understand the below but you know how it is in Leicester and regardless of what we do behind the scenes this is not visible to those guys.

The problem we have is these guys will not follow the guidelines and I understand PLT is a separate issue but combined together with the above puts the group in a poor media light...

This is escalating from a couple of days ago and my instinct says this could be blown up in our faces”.

On 3 April 2020 Witness 152 sent an email on behalf of Tom Kershaw to suppliers, as follows:

As we all continue to operate in incredibly challenging times, I wanted to reach out to you to reiterate the importance of continuing to comply with the government guidelines through this period. We are of course strictly following the government guidelines and urge you to do the same.

You must follow the guidance provided by our Government to keep yourselves, your workforce and your families safe and well. The Government has confirmed that workers can continue to travel to work where their work cannot be done from home. The link to the latest government advice is set out in the link below.

The booboo group is only willing to work with suppliers who are adhering to the government advice and our buying and compliance teams will continue to be in touch with you to ensure that you and any contractors that you work with are following these important guidelines closely.

The guidance from the government is simple:

- *Social distancing, so those people that have to be in work, are not working in close contact – they should be at least 2 metres apart*
- *Hand-washing for at least 20 seconds and very frequently*
- *The use of hand-sanitiser should be made available to your colleagues*
- *Thorough and repeated deep cleaning of all work spaces to ensure that your colleagues are able to operate in a safe clean working environment.*

To help us understand if further support is required can you confirm by return e-mail latest Wednesday 07/04/20 accompanied by photographic evidence the steps your business has taken to ensure the relevant measures are in place”.

On 21st April 2020 an administrative assistant in the in-house sourcing and compliance team, sent an email to suppliers copying the contents of the 3rd April email and requesting that each supplier “...please reply advising the current measures you have in place within the factory...to help us understand if further support is required can you confirm by return e-mail accompanied by photographic evidence the steps your business has taken to ensure the relevant measures are in place”.

She sent a further email on 5 May 2020, copying the contents of the emails of 3rd and 21st April and reminding certain suppliers that:

“You have now received the below email twice but have not responded.

Please do not respond without photographic evidence.

Some examples of photographic evidence are –

- *Hand washing facilities stocked with soap and paper towels*
- *Hand sanitiser*
- *PPE you have provided for staff*
- *Signage throughout the factory*
- *Spatial distancing measures between work stations*
- *Any cleaning rotas and/ or cleaning equipment available for staff to clean work stations*
- *Any correspondence you have sent out to employees*

- *Any other measures you have in place within the factory”.*

From the evidence provided to us in the form of a spreadsheet ‘*Compliance team liaison with suppliers re COVID-19 control measures*’ and such photographic evidence as we have seen, it appears that there was limited engagement from suppliers.

On 15 May 2020, Tom Kershaw sent an email to Boohoo’s suppliers following an announcement that the Government planned to ease some of the lockdown measures. He made suppliers aware that:

“Witness 16, ... and the rest of the compliance team are available to provide guidance, support and advice and he will also be ensuring that you have the right measures in place to protect your teams. Please continue to engage with them during this period. PPE, whilst not compulsory, may provide your teams with some reassurance and reduce anxiety. We have also made available some supplies of hand sanitiser which we are able to provide to supplement your handwashing procedures”.

A link to the latest Government guidance was also provided.

On 29 May 2020, John Lyttle sent an email to suppliers:

“Firstly, I wanted to take the opportunity to say that I hope you are keeping safe and well during this current period. Our teams will continue to maintain close dialogue with you as we all progress through this time. Whilst the government have started the next phase of its response to Covid-19, the principles of good hygiene, social distancing and managing risk will be more important than ever over the weeks and months ahead. Please do continue to speak with our compliance team should you have any queries or concerns”.

In the same email Mr Lyttle made suppliers aware that Boohoo was now ready to launch its new compliance programme, in conjunction with Verisio. He emphasised that *“The aim is to help you and your subcontractors and CMT units enhance and embed compliance across your sites”.*

We recognise that Boohoo, in common with many if not all UK businesses, was faced with an extraordinary challenge in knowing how best to deal with the situation which confronted the country. No one knew how long lockdown would last, how great the threat was to people’s lives, never mind their livelihoods, or what the world would look like when we emerged.

A number of witnesses were asked by us to reflect upon the risks posed to by the pandemic to factory workers in Leicester.

Tom Kershaw said that:

“it undoubtedly created a risk to every industry that continued to work from their usual workplace. I was mindful of whether they could social distance and have access to face masks and hand sanitiser etc. That was the drum beat from government. We were encouraging them to operate which they were allowed to do according to the government, but those were the things I was mindful of – could they operate within the government guidelines.

I genuinely didn’t consider the risk of exploitation...my question was whether they could work within the guidelines not thinking “does it heighten exploitation?”. In hindsight I wish we had done more but the reality was that it was a period like no other...I don’t think we had the resource to deal with that at the time.

Perhaps I dropped the ball. It is difficult to be on top of the supply chain at the best of times...this was a crisis no other. We will have made mistakes”.

John Lyttle said that *“Everyone was finding their way. Most importantly we looked after our own colleagues directly in the office. Our own office and our own warehouse. That was really our main focus”.*

Chapter 6I

Corporate Governance

In this section, I consider the evidence from Board members, including the current and former Chairmen, together with that of relevant Boohoo staff, in relation to the following subjects:

1. The priorities of the Board (including the extent of Mahmud Kamani's personal influence on priorities and Board level management);
2. The management of risk generally;
3. The frequency with which supply chain risk issues were discussed at Board level (including the level of understanding by company officers of how the supply chain works and the nature of the risk);
4. The mechanism for escalating supply chain issues to Board level;
5. The adequacy of company records.

Our analysis of this evidence and the conclusions we have drawn from it are set out in Chapters 8 and 9.

Peter Williams was Non-Executive Chairman of Boohoo for 5 years²⁷⁴, during which time he also served as Chair of the Audit Committee. It has been widely reported in the Press that there was tension between him and Mahmud Kamani in relation to what might be characterised as governance issues.

Peter Williams told us that, in his view, Mr Kamani had found the IPO process quite difficult because the company had to disclose detailed information. It was not that Boohoo were trying to hide anything, it was merely that they found it difficult to make the mental transition to the kind

²⁷⁴ 2014 – 2019

of governance regime which is required of a public company and what that meant. That being said, he (Peter Williams) found the early years at Boohoo immensely stimulating: “*Mahmud would say, why open a store when we have whole countries to aim at? It was a very go go environment*”.

Peter Williams told us that, from day one of becoming a public company, the subject of sourcing garments and how to manage that was always on the agenda (he seemed to mean both literally and figuratively²⁷⁵):

“I hope when you go through Board Minutes and Audit Committee Minutes, you will find that we did quiz the Executive and check with the Executive about what it was doing in terms of checking factories and having a proper audit thing. the instances we had whilst I was there were generally where someone we contracted with was a genuine supplier but subcontracted unbeknownst to us to a not-genuine supplier – we did not condone that. You will assess whether we were diligent enough. At Board level this was a hot topic whenever it came up.”

We asked him about the various pieces of negative publicity during his tenure, for example the publication of the University of Leicester and the Environmental Audit Committee Reports. He said:

“Whenever that came up, we were keen to make sure we were on top of it. Both the facts of the matter and publicity that stems from it. Boohoo is a public brand. [Negative publicity] tarnishes it and destroys the value of the business.....we wouldn’t necessarily get into massive detail about individual companies or contracts.... [but] it was important to us to have a framework of compliance, independent people checking these things and getting reports on outcome. There were one or two instances where things went wrong, whether we were seeing enough of the iceberg I don’t know, [but] they came down hard on them. There was a team of people based in Leicester that carried out audits - surprise visits – there was a system of checks going into premises and then it was reported up the line. As a Board we were always anxious to make sure we were getting to the bottom of things and being told and that someone was not feeling bullied into not telling the whole story. What I had a slight sense of was whether we were tough enough about cutting people off when they misbehaved. I refreshed my memory yesterday – a company called #16²⁷⁶ or something They had a visit from Mahmud and I am not sure if the company was cut off the list”

We asked Mr Williams about how Boohoo dealt with the issue of supply chain as a corporate risk. He told us that supply chain malpractice, together with sourcing generally, was on the risk register and included issues like the use of child labour. He believed that there was an onboarding process for new suppliers but could not recall the details.

²⁷⁵ In the sense that it was both a priority and an item on the Board agendas

²⁷⁶ For the purposes of the open version of this report we have anonymised the company

We asked him where, given his experience in retail, he would place Boohoo in terms of the gold standard of corporate governance. He replied:

“I would say the reality was we were in the second half and maybe even the bottom quartile..... not because in any way I'm thinking we deliberately flouted rules or anything like that – just the sort of tenor really..... I would say they were concerned and that [suppliers] mattered, definitely. If ever there was an incident then they tried to correct it and do the right thing. Just whether the atmosphere, culture and history of the business always enabled that aspect to flourish as much as it should do”.

We asked him how he would characterise Mahmud Kamani’s attitude to the business. He said:

“It is still a family owned business. He and his family for most of time had 40% - 45% of the company. I'd say “I'm here for the 55% who are not in the room”. I was not trying to be aggressive but I needed to make sure as they're not here their interests need to be represented. [Mahmud] wasn't necessarily resistant to that but forgot on occasion..... [Boohoo] still has vestiges and traits of a family business. That is not necessarily a bad thing as long as it is exercised in right way. But some ways in which people behaved and the culture isn't as open as it might be in fully fledged public company.”

On 10th March 2019, the *Sunday Times* wrote an article about Boohoo, in which it quoted a column written by Peter Williams in September 2018 in the trade magazine *Retail Week*. In this he

“indirectly criticised Kamani saying that because Boohoo was valued at more than £2bn, it needed to start acting like a blue chip and respect corporate governance rules – even if that meant going against Kamani’s wishes”²⁷⁷.

When I asked the CEO, John Lyttle, whether the fact that this had been a family business, together with the strong personality of the Chairman, created a governance problem, he was emphatic that if Mr Kamani wanted to do something and he, John Lyttle, disagreed (on the basis that this was not right given that this is a public company), his - Mr Lyttle’s - will would prevail.

We have set out much of Mahmud Kamani’s evidence in section C. Interviewing Mr Kamani was a colourful experience. One possibility is that he didn’t care what I thought; the other is that

²⁷⁷ <https://www.thetimes.co.uk/article/tears-in-the-boardroom-at-mahmud-kamani-s-boohoo-ql0fybnw3>

these answers represent his real opinions. Either way, this is a cause for concern in terms of the light it throws on the governance of Boohoo.

When I asked him about his relationship with Peter Williams he said;

“From day dot we never got on. We were growing and growing, and he was busting my balls. [in answer to a different question]” ...it is my business and I started it.. I still treat it as my own business. Right or wrong, I don’t care. The day I don’t, shareholders should sell their shares and get out’

In relation to negative publicity about conditions in the Leicester factories, if one takes his answers at face value it seems that he knew little about the various reports and articles that have appeared over the years; for example, he said he didn’t know about the 2015 University of Leicester report or the 2018 *Financial Times* article, though he said he had heard the expression ‘dark factories’.

I asked Mr Kamani a series of questions which were designed to try and understand his views about what others²⁷⁸ have characterised as the dawning²⁷⁹ awareness in the company of the fact that there were serious issues in the Leicester supply chain compliance function.

I wanted to know what he thought about the September 2019 paper written by Boohoo’s internal auditor, Edward Toogood, which was presented to, and discussed at the Audit Committee meeting on 19th September 2019. Edward Toogood paper had set out a number of serious concerns – for example that 84% of the Leicester and Manchester suppliers had out-of-date audits – and the discussion was Minuted with the Audit Committee meeting recording as an Action: “Review of information given to EAC²⁸⁰ **versus the reality** of the supplier audit status” (emphasis added).

Mr Kamani’s answers were as follows.

ALQC

“Did there come a time when you became concerned that you didn’t have visibility on what was happening in Leicester?”

Mahmud Kamani

“No not really, I never had that concern”

²⁷⁸ Tom Kershaw, Keri Devine, John Lyttle and Edward Toogood

²⁷⁹ ‘Dawning’ is my word. I discuss the question of the timing of the company’s awareness in Chapters 8 and 9

²⁸⁰ Parliamentary Environmental Audit Committee at which joint CEO Carol Kane had given evidence the year before

ALQC *“Do you remember [Edward Toogood] raising it?”*

Mahmud Kamani *“.....who is this guy? [Edward Toogood] who??”*

ALQC *“He’s your internal auditor”*

Mahmud Kamani *“ He had some concerns did he?”*

ALQC *“Yes”*

Mahmud Kamani *“And did he make it better?”*

ALQC *“It’s fair to say it’s taken a while”*

During the period being discussed in this exchange (September 2019) Mahmud Kamani was Chief Executive of the Boohoo Group. Edward Toogood had been appointed as Boohoo’s Head of Internal Audit in September 2017 and remains in post to this day.

Mr Kamani appeared to exhibit a similar lack of knowledge of (or possibly interest in) the Verisio spot checks on the Leicester companies which took place during July and August 2020. These had been ordered (presumably by the Board) as part of Boohoo’s response to the *Sunday Times* article of 5th July 2020. I interviewed Mr Kamani on 21st August, by which time 204²⁸¹ spot checks had taken place. The outcome of these has been set out in detail in section B of this chapter and in the table at Appendix D, but, to put it neutrally, the Verisio reports have made unhappy reading for the company.

ALQC *“Have you seen them?”*

Mahmud Kamani *“No, John [Lyttle] is looking at them”*

ALQC *“What are [Verisio] finding?”*

Mahmud Kamani *“Is it 50:50? I haven't got a full brief”.*

Carol Kane, former Chief Executive and now Executive Group Director, was very clear about the importance of the supply chain:

²⁸¹ From the material we have seen. Note too that some companies received more than one spot check from Verisio

“I’ve always said that you’ve got to look after suppliers. If you want them to be there for the future growth of the business, then you have to pay them enough to make them profitable....you have to look after your supply chain for your future because you are nothing without them”.

She told us that she now has little knowledge of the ‘on-boarding’ procedure for new suppliers:

“I did know but it might not be the same process today....my understanding was that it used to go through the compliance team where someone would go and check, but I’m not 100% sure”.

She does not know how often compliance matters were escalated to Board level nor whether supply chain issues had made their way on to a risk register. When we asked how compliance information was flowing through the company at a senior level, we gained no sense from her that anyone at Board level had any ownership of this subject. She remembered the issue of joining Fast Forward being brought to the Board, she believed in 2018, but was uncertain why the recommendation was not to adopt it, except that they had been told that *“it wouldn’t add anything”*.

Keri Devine has worked for Boohoo since 2014. She is General Counsel and has been the Company Secretary since 28th September 2015. As such, she is under a duty to keep the company’s records. She says that supply chain risk has always been discussed at the Audit Committee and that people would be held to account by coming to the Audit Committee meetings. She told us that looking at the Audit Committee Minutes would be a good way to track the monitoring of the Leicester supply chain. Her recollection was that it has always been seen as a risk, that it has always been controlled and *“we’ve accepted the level of risk”*.

Her recollection was that the person who was responsible in the main for supply chain issues was the then the merchandising director who has since left. Keri Devine said she has had concerns about supply chain issues for some years; in 2017 she commissioned PWC²⁸²

“to do a bit of benchmarking of where we were against other retailers. I was concerned about marking our own homework, I wanted to say to the Board “we’ve taken a deeper dive” Was it reassuring? It was actually; it showed we weren’t that different to other retailers. To be honest that appetite sort of died when [the merchandising director] left as no one was really driving that.

“To be honest the risk was more around the financial risk, risk of supply, increase of cost. Was risk around a wider piece? Probably not. ... were the Board under the illusion that the supply chain was perfect? No they weren’t. Did they know work was needed around the supply chain? Yes. Me and Tom Kershaw getting involved began to push that. I felt there wasn’t really a sponsor on the Board for it.”

²⁸² Then Boohoo’s auditors

I have assumed that the work being commissioned from PWC – and the cost of it – would have been discussed and signed off at Board level, but there is no record of this.

I asked Keri Devine some questions about Carol Kane’s evidence to the EAC in November 2018, (she had been one of those who had helped to brief Ms Kane): Keri Devine said:

“The information we were given [from the compliance team] seemed a little too good to be true. [When considering the frequency of visits to the suppliers] I was asking myself ‘are they just going in and having a cup of tea?’ But I had to rely on what we were being told by Witnesses 152 and 16”.

She said that in January 2019, after the EAC report came out, she felt a sense of unease and thought that there needed to be a new strategy; from that point of view the EAC report was a good thing although it had made uncomfortable reading. I asked her why, in that case, nothing much seemed to have happened for some months; she said that the Board realignment had led to a feeling *“not of treading water, but of waiting for John Lyttle to arrive to reignite things”*. She described the Board as being unsettled at that time, because the then Chairman, Peter Williams, had said he was leaving. She said that whenever the subject of the EAC report and associated issues were raised, Mahmud Kamani kept saying that sustainability was one of John Lyttle’s “four pillars” and they needed to wait for him to arrive to deal with that.

Keri Devine speaks with enthusiasm about Boohoo, about Mr Kamani and Ms Kane (for whom she has a great deal of affection and to whom she plainly feels loyalty) and the atmosphere in the company. I asked her whether there had in the past been tension at a senior level. She said that Mr Kamani had said to her that *“ Peter Williams wants me out”*. She said that by contrast, Mr Kamani and John Lyttle get on well and *“[John] has his own ways of standing up to him”*.

She thought that there was some truth in the suggestion that Boohoo is run more like a family company than a large corporate: *“it’s Mahmud and Carol’s baby – they’ve grown it, but they don’t come from that professional PLC background, we’ve always relied on non-executives to bring that to the table.....But Mahmud has the best interests of Boohoo at heart”*. She was emphatic that Boohoo is run in the best interests of Boohoo, not those of the Kamani family.

I asked her what had happened in December 2019, when Verisio had done the first sample audits of factories in Leicester, which resulted in Leon Reed reporting that some of the factories

had some of the worst conditions he had seen in the UK and which might even amount to modern slavery. She said: *“I was shocked... I felt that we needed to get a grip on what was going on”*.

I asked her when she had she had the feeling that things might really be quite bad in the supply chain. She said it was in December 2019 when they went round the factories; they were horrified at the conditions and they had asked the supplier why Boohoo’s clothes were made in these awful places and not in his “model factory”. She asked herself *“crumbs, have we just hit the iceberg?”*.

She said that she wasn’t present at the December 2019 meeting between Tom Kershaw, Verisio and one other²⁸³ but that *she ‘put her head round the door to say hello’*. I asked her what the purpose of that meeting had been; she thought that it was *“what did we need from the company perspective and what to do to protect the company...”*. She told me that she could not remember what the outcome had been. When she was asked how the issues about what had been found by Verisio were communicated to the Board she said:

“I think that Tom Kershaw would have gone to the Board at some point and given an update...there was a very frank meeting. I remember [Tom] saying “I didn’t want to paint a pretty picture” and I said “you didn’t”.

There is no record of the Board being told at all. That is not to say that it didn’t happen (indeed, the few emails with which we have been provided show that John Lyttle was personally very aware of what was going on) merely that there is no record.

Keri Devine said that for many years there have not been enough staff in the areas of ‘legal’, of compliance and of sustainability: *“we have grown and haven’t been allowed to boot up these areas”*. She said the current line of responsibility is that Tom Kershaw²⁸⁴ *“reports to me so I can report to the Board”*. She has felt for a long time that there really should be someone on the Board with responsibility for supply chain compliance issues.

Brian Small has been Non-Executive Director and Chair of the Audit Committee since March of April 2019 and Deputy Chairman since December 2019. He said: *“As Deputy Chairman I have slightly more influence on the Board generally and on the Agenda for Board meetings”*.

²⁸³ The name of whom has been removed from the open version for legitimate reasons

²⁸⁴ Director of Sustainability

His knowledge of how orders for garments are placed and how supply chain compliance is dealt with appears to be sketchy. He told us:

- (in relation to how buyers know with whom they can place orders): “*there will be an approved list of suppliers*” (there isn’t);
- As far as ‘onboarding’ new suppliers is concerned: “*it would certainly not be unusual to test suppliers before they have full listed approved supplier status..*”;
- In relation to how many suppliers are on the ‘list’ – he said “*there will certainly be 100*” . In fact there are in the region of 200 Tier 1 suppliers to Boohoo, and somewhere around 300 Tier 2 sub-contractors, in Leicester alone;
- His description of how the tier system worked in the Boohoo context was wrong. He thought that Tier 1 companies were those which made the garments and that Tier 2 were the suppliers of things like fabric and zips. He had heard of CMT units and believed that these were examples of Tier 1 suppliers (in fact they are invariably Tier 2 sub-contractors)²⁸⁵.

As far as governance is concerned, Mr Small said: “*the risk register goes through the Audit Committee on a regular basis*”. I asked him what level of priority in the risk register was given to supply chain compliance, for example whether it was green, red or amber. He said: “*I think it was always there as a priority but not always seen as the most dangerous to the business*”.

I probed his understanding of what supply chain risk consists of²⁸⁶ in the Boohoo context; he said that the “*risk ultimately is reputational which goes to shareholder value and consumer protection*”. He did think that there may not have been enough Audit Committee meetings: “*most businesses have 4 or 5 audit and risk committee meetings per annum*” (Boohoo had three Audit Committee meetings a year and I do not know if it has a Risk Committee)²⁸⁷.

I asked repeatedly to see the risk registers; eight documents purporting to be them were eventually sent to me, but I have never seen a ‘RAG²⁸⁸-rated’ risk register despite repeated specific requests for these.

²⁸⁵ I have already said that I am aware that he regards this comment as unfair

²⁸⁶ What I meant by this is that there are a variety of risks, such as the risk of a supplier failing to fulfil an order on time or it could be that a supplier uses child labour

²⁸⁷ I have seen no reference to a Risk Committee. I would have expected to have been told if there was a separate committee which considered risk and to have been given the Minutes.

²⁸⁸ ‘Red-Amber-Green’ ratings

Mr Small understood that the supply chain audit system had purpose but that there was room for improvement. When I asked whether the allegations about unacceptable working conditions in Leicester are well-founded²⁸⁹, he said: *“they are clearly because I have seen the [Verisio spot checks]...I accept that we have further to go on a journey there...I personally believe that the audits were too light touch, not independent enough and not reported in a formal enough way”*. When asked the extent to which the Board and the senior management team were aware that there were issues, he said: *“I am not aware that I recall anything other than noise, but I go back to the fact that change was in process almost from the moment I started... at [my] first Board meeting I said that we should have formal quarterly reports on supplier auditing and I would like to see monitoring of the coverage as well”*. In his view, Boohoo should give consideration to supply chain compliance issues being dealt with by a separate committee of the Board and that the reporting does need to be more formalised. He said that all matters *“which are red”* should be reported on a monthly basis with action taken.

Mr Small thinks the suggestion that Boohoo is run like a family company is *“completely unfair – the family has done very well and I don’t see anything wrong with that – there is lots of jealousy around”*.

Tom Kershaw joined Boohoo in 2014. He, like Keri Devine, is a solicitor by profession. In September 2019 he became Boohoo’s Director of Sustainability. As such, he does not attend Board meetings as of right, but the supply chain compliance ‘team’²⁹⁰ reports in to him and he reports to Keri Devine. He attends the Audit Committee by invitation. He has never seen any risk registers.

He said that the nature of his job was that: *“Anything no one else wants to deal with falls onto Keri Devine and I”*; Keri Devine had said something similar.

When asked what his view was as to how the supply chain issues had gone undealt with for so long, Tom Kershaw said:

“This company is run on profit. Very fast paced, everyone trying to deliver. Buyers aren’t working with KPIs on ethical standards. It’s all about how much they are buying and selling it for. That is the model of the business. Test and repeat and the speed, it all comes down to that.... “[Witness 152] shouldn’t be a fall guy for this either. I know [they²⁹¹ have] battled in the past to bring this up the agenda but I think the business had outgrown [them].... Nobody took [them] seriously”

²⁸⁹ The first of the Terms of Reference questions

²⁹⁰ Which a for the last year has consisted of one person on the ground in Leicester

²⁹¹ We have used a gender neutral pronoun in the open version in order to preserve anonymity

As will have been seen from the above, the members of the Board to whom I spoke believed that the governance principles were broadly adequate to deal with supply chain issues and that these issues were considered with frequency by the Board and the Audit Committee.

In the closed version of this report I set out a detailed chronology of the Minutes in order that the Board could see the frequency with which risk in general, and the supply chain in particular, were recorded as having been discussed. I have decided that the Board has a legitimate interest in preserving the confidentiality of the Minutes and so in this, open, version I have replaced the chronology with a summary, which includes a number of other matters of interest.

There were 57 Board meetings²⁹² from 28th March 2014 to 5 July 2020²⁹³. According to the Minutes, risk in general was discussed on 8 occasions and supply chain risk specifically on 10 occasions²⁹⁴.

I have seen the Minutes of 18 Audit Committee meetings during the same period. According to those Minutes, risk in general was discussed on 10 occasions and supply chain issues specifically on 9 occasions.

I also give a very brief account of incidents which I would have expected to have been discussed at Board level, as follows:

18th February 2015: Publication of the University of Leicester's highly critical report about garment manufacture in Leicester. There is nothing to show this was ever discussed at either the Board or Audit Committee.

23 Jan 2017 *Dispatches* programme about failure to pay minimum wage in Leicester factories, mentioning Boohoo and three of its competitors. Briefly discussed at the Board meeting, but the Board was seemingly more concerned about the upcoming second half dealing with conditions in the Burnley warehouse.

²⁹² Including Board Strategy Meetings

²⁹³ Board meetings take place after this but they are concerned with the *Sunday Times* article and its aftermath

²⁹⁴ There are some Minutes which are either missing or which are plainly not in fact Minutes

- 29 March 2017 Parliamentary Human Rights Committee report published – highly critical of conditions in garment factories in Leicester. Not discussed either in the Audit Committee or at the Board.
- 17 May 2018 *FT* published Sarah O'Connor's article *Dark Factories* which is explicitly critical of Boohoo and suggests that there is widespread exploitation of workers in factories in Leicester. Not discussed either in the Audit Committee or at the Board.
- 19 Feb 2019 EAC publishes its full *Fixing Fashion* report. Discussed at the Board meeting which followed, where it is noted that investors are asking for reassurance.
- 11th Dec 2019 Verisio send an email setting out their anxieties about the three factories they audited. At 2219 Tom Kershaw forwards it to John Lyttle and to Keri Devine saying "*it is not a good read at all*". Neither this, nor their trip to Leicester to see the conditions for themselves, is mentioned in either Audit Committee or Board Minutes
- 25th March 2020 Numerous emails between the compliance team and the Director of Sustainability, in which compliance raise the question of COVID-19 risk in Leicester and say orders should be paused. The concern is "*that this could be seen as putting profit before supplier welfare*". The response is that this is a matter for the product teams. No evidence that supply chain risk (particularly the risk of exploitation) or how to manage capacity in Leicester is ever discussed at Audit Committee or Board.

On five occasions there are references to the Board having concerns about the amount of influence exercised by the Kamani family and related matters.

Company Documentation

Many of the Board Minutes are undated²⁹⁵ and at least one has the wrong date on it. In at least two instances a document is described as ‘Minutes’ when it appears to be the Agenda, just with the names of those present added at the top, but no record of what was discussed or decided. A meeting plainly took place on those dates but I have been provided with no other document.

The first tranche of Minutes arrived from the company in random order. It took me a full day to sort them out; having done so I realised that there were a large number missing. After many requests and some pressure from me, I received a further 24 sets of Board Minutes on 9th September 2020 (nine days after I delivered my interim report and six days before my final report was due)²⁹⁶. One or two sets of Board Minutes which I believe must exist (because they are referred to in other Minutes as having been approved) have never materialised.

I was sent eight documents which purport to be the company risk registers from the date of the floatation to the present day. The documents are largely undated and most of them are word-for-word identical. I have never received a ‘RAG-rated’ risk register.

I have seen no records which document the company’s risk appetite, nor how risks for which the mitigation is in conflict are evaluated and resolved. If there are documents which I have not been sent that is in itself unacceptable, given the number of requests I have made for governance documents and particular those which relate to risk management.

²⁹⁵ At least as to the year; some are entirely undated.

²⁹⁶ I am told by the company that these had been supplied on 3rd September and I accept that

Chapter 6J

Leicester Visit

On 10 September 2020 I and my team visited a number of Leicester garment factories.

As we have already said in Chapter 3, we were accompanied by Leon Reed, Managing Director of Verisio. We had said that we wanted to visit factories rather than design houses and we were keen to see a cross-section of standards. The one thing we did not want to see were model factories, if they were unrepresentative of working conditions generally. We did not intend to interview anyone or examine documents. Other than setting these parameters, we left it to Leon Reed to suggest where we went. We are very grateful to him for the time he spent with us that day.

We visited nine sets of premises, all except one of which²⁹⁷ manufacture garments for Boohoo brands. We did not spend more than five to ten minutes in any of them, with the exception of Basic Premier. None of the factories that we visited were forewarned that we were coming and, in that sense, the visits were unannounced. As far as we could tell, they were not expecting us. With the exception of one²⁹⁸, we were introduced to the person apparently in charge as ‘colleagues’ of Leon Reed.

As will be well-known to anyone familiar with the Leicester textile industry, the factories are grouped together, sometimes sharing the same building.

We were never refused entry to any factory, although at some we faced initial resistance, sometimes being told that we needed to “wait for the manager” before we could go in. Leon Reed told us that this could sometimes be used as a delaying tactic and that it was an important part of an unannounced visit to be able to get in straightaway. We witnessed Mr Reed politely but firmly

²⁹⁷ Basic Premier

²⁹⁸ Basic Premier

enter the premises and go straight onto the factory floor, explaining that as a supplier of Boohoo they had consented to unannounced visits at any time.

Sometimes there was a noticeable delay before a factory door was opened. On one occasion Mr Reed knocked on the door at least three times and we could hear voices from inside saying ‘shhh’. Eventually we were let in.

One or two of those who appeared to be in charge complained to Mr Reed that Verisio had been in their premises a matter of days earlier. He explained politely but firmly to them that this was the nature of the new regime and that they would never know when he and his colleagues were going to appear.

In one ramshackle building, as we climbed the stairs we went past a series of locked doors. From behind them came the noise of sewing machines. Leon Reed said that they were all small factories; he did not believe that Boohoo clothes were being made there and therefore we had no right to enter.

In a number of factories we could see CCTV cameras at the door. At one we were also shown the screens in the manager’s office which showed the entrance, meaning that those inside could see who was at the door before they opened it.

In a number of premises we saw a whistleblowing poster displayed, a new initiative instigated by Boohoo and Verisio intended to encourage workers to report poor conditions and instances of exploitation. Leon Reed told us that it is a requirement for Boohoo suppliers that the whistleblowing poster is displayed in a prominent place. He told us a grim story: that in one factory he had found the poster had been altered to remove the confidential whistle-blower hotline number and replace it with the factory manager’s phone number.²⁹⁹

Mr Reed had recently returned from audit work overseas (they perform audits in many countries) He told us that some factories in Leicester are “*some of the worst [he’d] seen in the world*” but that that was not universally the case and he had hopes that things were improving.

We asked him whether poor working conditions would be apparent to visitors, for example to Boohoo buyers, the compliance team or the Director of Sustainability if they visited, He said that

²⁹⁹ We do not know who this supplier is

it was perfectly possible not to realise that there were problems: in many cases the factories will look superficially clean and tidy and well-run, but if you dig deeper you will discover problems. We saw an example of this in one of the factories we visited in relation to the clocking-in cards. It is now compulsory to have an automated clocking-on machine in any factory which manufactures for Boohoo and handwritten time sheets are banned. In the factory in question, we witnessed Leon Reed ask to see the clocking-on cards; he was shown them stacked in a container on the wall next to the machine and he went to look at them. As we left, Leon Reed told us that they were all stamped at exactly 10 o'clock which made him suspicious that they had just been run through the machine in a batch by the manager. He said that having seen this, he would be returning soon.

Of the factories we saw, conditions were mixed. Whilst some were light and bright with sewing machines spaced appropriately far apart to allow for social distancing, in many others conditions were poor.

In almost every factory that we visited, we would walk through the door into the area where the machinists and the packers were and see that no one was wearing any kind of face covering. Within moments of our arrival, the managers and workers had quietly slipped on masks or the equivalent so that when we turned around, most had their faces covered, although many of the masks were being worn incorrectly. On one occasion no one put on a face covering until Leon Reed raised it with the person who appeared to be in charge. The man denied that he was in charge and when asked who was, replied “*no one*”. In the same premises face shields were hanging on the wall, unused. We walked to the back of the room to allow Leon Reed to show us something and when we returned, all the workers were wearing some kind of face covering.

In this factory, the women’s lavatory cubicle had no lavatory seat or soap. There was no sign of any hand sanitiser.

In other buildings we saw for ourselves a number of health and safety hazards, as well as many locked fire doors. In one building Mr Reed pointed out hinges on doors that were not compliant with fire safety regulations. “*If there was a fire*”, Leon Reed told us, “*these hinges would melt and lock the door shut*”³⁰⁰. He said that he raises this repeatedly with the statutory authorities, but nothing is done.

In the factories we visited, most, but not all, of the machinists were middle-aged women apparently of South Asian origin. They followed us with their eyes as we walked around; to us they looked frightened. We asked Leon Reed if we were right; he said it was because they thought we would have the power to close the factory and cause them to lose their jobs.

We went to one large and to our eyes apparently well-run print factory³⁰¹ occupying the ground floor of a large building. The factory owners were tenants. We were shown around by the friendly manager, who introduced us to some of his workforce. It was apparent that there had been a great deal of investment in machinery and the processes were almost all automated. He told us that each of the screen-printing machines cost about £350,000 pounds, with the material-printing ones costing more. He showed us the locked cupboards in which the chemicals are stored and a very well-organised room where the different coloured paints were kept on shelves.

It rapidly became apparent why Leon Reed had wanted to show us this building. Above the print factory was a rickety external staircase, partly enclosed but with nothing preventing one getting into it. It was littered with rubbish and full of pigeons. Right at the top was a huge unlocked room filled with enormous quantities of what appeared to be bales of dirty and discarded clothing. We were warned to be careful because there were rats. We should make it clear that Mr Reed said he had never seen any Boohoo clothing in this room, (though other brands' labels were visible). The room had become an improvised scrapheap; you did not need to be an expert in health and safety to see what a danger it was and, as Mr Reed pointed out, were a fire to break out in there, the building would almost certainly collapse on top of the well-run print factory on the ground floor.

Mr Reed said that he had raised this many times with the various authorities; they kept telling him that they were aware of it. Nothing has been done. This is plainly not Boohoo's fault, but we would urge them to use whatever influence they have with the authorities to try and get some action in relation to this building purely on humanitarian grounds.

³⁰¹ Print factories use screen printing to put motifs and other decorations onto clothing; they also make patterned fabrics

We had wanted to visit the Imperial Typewriter building³⁰², having heard much about it during the Review process. Mr Reed told us that Boohoo has made it clear to its suppliers that they are not to use any factories inside the building because conditions are so poor. He showed us the building from the outside, pointing out an unsafe fire escape, but was unwilling to take us into the building on the basis that we might not be safe in there because even his auditing team had experienced hostility and threats. It was a decrepit and depressing place, apparently housing a warren of small untidy factories.

As were walking along a street in which we had already visited a number of factories, I noticed a sign on a the door which said *Basic Premier*. I knew about this factory because its owner, Mick Cheema, has been interviewed by journalists on a number of occasions. He and his wife run a garment factory on ethical principles³⁰³. They pay at least the minimum wage, holiday and sick pay. I suggested that we should ring the bell. Leon Reed said to us that he wasn't familiar with Basic Premier, which is unsurprising because it is well-documented that Mr. Cheema has said that he cannot legally produce clothes for the prices Boohoo are prepared to pay and thus they do not use him as a supplier.

When we had interviewed Boohoo witnesses, I asked them why they didn't use Basic Premier. All said that they had never heard of them. This included the Chief Executive, John Lyttle and Carol Kane. This was disappointing, given that even I knew all about them and I do not work in the fashion retail industry. We suggest that Sarah O'Connor's 2018 *Financial Times* article called *Dark Factories*³⁰⁴ should be required reading for the Boohoo Board.

We rang the bell and Mr. Cheema himself answered. I explained who we were and that we were accompanied by Leon Reed from Verisio and asked if we could come in and meet him. Mr Reed was extremely keen to do so; he told us that he has been tasked by John Lyttle (CEO of Boohoo) with recommending to him any examples of good factories that he finds.

Mr. Cheema (who wore a mask throughout) let us in through the door which had a sign saying "JOBS VACANCY" with various roles listed "@ £8.72 Per Hour³⁰⁵". He took our temperatures, asked us to use hand sanitiser³⁰⁶ and to sign the visitors' book before taking us upstairs to meet

³⁰² In which there are many small textile factories.

³⁰³ I had in fact written to Mr. Cheema at the outset of my review asking to speak to him

³⁰⁴ <https://www.ft.com/content/e427327e-5892-11e8-b8b2-d6ceb45fa9d0>

³⁰⁵ The National Living Wage

³⁰⁶ We were all already wearing masks

his wife. We saw the factory floor which was occupied by about twenty machinists all wearing masks. The whole place was neat, tidy and well-organised. We saw a clean and tidy canteen and pristine lavatories well-equipped with hand-sanitiser.

Mr. Cheema and his wife were charming and helpful and most generous with their time.

The Cheema's experiences and valuable insights into the Leicester garment industry are well-documented and for that reason they are not repeated here.

When we left, Mr. Cheema struck a hopeful note: *"only good can come of this"* he said, *"the silver lining is that it has brought these issues to light"*.

Chapter 6K

The Future

Board members and senior management at Boohoo told us that the company had already started the process of change some time before the recent allegations were made.

Keri Devine, General Counsel, described the position in which Boohoo found itself following the *Sunday Times* allegations in the following terms:

“we were going to have to fight a battle in public that we were hoping to rectify - not in private, but that we were trying to get sorted”.

We were told about a number of important initiatives for development and improvement that are either in the process of being implemented or are planned for the near future.

One of the core changes has been the move to ensure that the right people and teams are in place in relation to sustainability, audits and compliance.

Leon Reed, founder and Managing Director of Verisio, appeared to be reassured by the quality and commitment of the team with whom he is now engaging at Boohoo. For example, he described Tom Kershaw, Boohoo’s Director of Sustainability as proactive and impressive. He said of Adam Ogliev, Boohoo’s recently engaged Head of Compliance³⁰⁷, that he is someone who has “great credentials”:

“[Boohoo] now employ people from very good, well-structured places. They have been doing more and more of that and I believe that they are employing more people from an internal point of view who are well qualified”

Edward Toogood, Boohoo’s Head of Internal Audit, told us that in recent times he has found the Boohoo Board receptive to change. He said that he had been given access to Mahmud Kamani and John Lyttle to discuss the future of audit work at the company.

This was echoed by Adam Ogliev who told us that although he had been reluctant to work in the fast fashion industry in the past - indeed he had turned down offers of work with other major fast fashion retailers - he had been persuaded to accept his current role at Boohoo because he felt that

³⁰⁷ His first day was 10th August 2020

their commitment was sincere. Early conversations with the senior members of the company, including Mr Lyttle and Keri Devine, had left him feeling “*quite motivated and inspired*” by the prospect of the positive changes that could be made to Boohoo’s compliance systems.

John Lyttle us told that Boohoo is in the process of recruiting a Sourcing Director, whom they hope to have in place by the end of this month.

Mr. Lyttle also explained Boohoo’s plans for a ‘model factory’, a project we were informed had been planned for some time. Boohoo has bought a former Vauxhall dealership site in Leicester for the purpose. Mr. Lyttle told us that this was in part driven by a desire to prove that garments could be manufactured for the prices that Boohoo currently pay to manufacturers with fair wages paid to workers. Mr. Lyttle told us that it was hoped that the factory would provide a new home for the compliance and Quality Control teams based in Leicester, as well as cutting and sewing facilities, a packaging area and a canteen.

Mr. Lyttle also told us that Boohoo were planning to discuss the possibility of apprenticeship schemes with the British Fashion Council.

We learned that Boohoo is in the process of incorporating more technology into its business model. Mr. Lyttle said “*In a fashion technology business in 2020, lots of pieces paper just don’t stack up*”. Adam Ogliev told us that Boohoo hopes to “*make better use of technology*” to understand and map its supply chain.

Adam Ogliev has been asked to help develop various e-platforms for the company, including a ‘critical path’ platform which would allow for “*tracing the whole timeline from a product being developed to being approved by the brand to being delivered and everything in between*”. This, we were told, would allow for greater transparency and accountability.

Mr. Lyttle described an ‘order app’ that Boohoo are in the process of developing. We were told that the app would require buyers to input detailed information at the point of placing an order, including the name of any subcontractor. In a piece of written evidence submitted by Boohoo to the Review, we were told,

“A main focus of the 2020 Technology Strategy has been on digitising the currently manual processes. The drivers for this are efficiency, compliance and the need to move away from legacy and out-of-date systems. The Mobile Order Application is a key component of this strategy. The full compliance application ecosystem will be in place by March 2021 with applications and features currently being implemented with a full compliance roadmap.”

The work we are doing on the Supplier Portal to onboard the Suppliers will mean compliance is at the heart of our order process. With a link between compliance onboarding and the order app we can validate orders being raised against the approved supplier list”.

During our visit to Leicester, Leon Reed told us that plans were also in motion to develop a means to monitor suppliers’ and subcontractors’ capacity. The intention is that this would help to phases out the need to subcontract and ensure that Boohoo were not placing undue pressure on suppliers, of the type which have historically led to a loss of visibility on who is actually making Boohoo clothes.

Leon Reed agreed that the key to this project is reliable information about how long a particular garment takes to manufacture and how many employees a supplier has available to help fulfil the order. Leon Reed said that the only source they could currently draw on for such information was the supplier themselves and he acknowledged that commercial pressures may drive suppliers to provide skewed data. Leon Reed told us that Verisio are currently working on a solution to this problem with Boohoo.

We note however that some of our witnesses³⁰⁸ have told us that this process is neither complex nor sophisticated and that what is key to it is that the buyers have training in and understanding of garment technology and processes. An example of a manufacturer making a rapid calculation of the basic cost price of a dress was provided by Sarah O’Connor in her article *Dark Factories* in the *Financial Times* as long ago as May 2018.

Mr. Lyttle also told us that as part of a drive to have better visibility of Boohoo’s supply chain, the company intends to reduce the number of suppliers with whom they work. Mr. Lyttle referred to the possibility of reducing the size of their Leicester supply chain by 50%, although he said, “*I don’t have a statistical equation*”. We observe that many commentators would see this as Boohoo coming rather late to the party given that for some time now many of their competitors have made it clear that reducing the number of suppliers so that they have better control of them is a pre-requisite for a proper compliance system.

³⁰⁸ For example, Witnesses 267 and 255

Boohoo are in the process of mapping their supply chain and we were informed by a number of witnesses that they are clear about their intention to publish it once this process was complete. Tom Kershaw told us that one of the purposes of working with Verisio “*was to get to a point of complete confidence in our supply chain and then disclose it*”. I observe that the process of mapping started a year ago and Boohoo now needs to draw this to a conclusion so it can move forwards.

During our visit to Leicester Leon Reed highlighted a number of factories that had vastly improved since, and perhaps in part owing to, Verisio’s first spot checks. In relation to one supplier, Leon Reed described it as “*a million times better than it was*”³⁰⁹.

Boohoo has also asked Verisio to identify “*really good suppliers*” with a view to establishing relationships with them.

Leon Reed also said that Boohoo were doing everything that Verisio asked of them and he felt hopeful for an improved future.

Throughout the Review process some witnesses have expressed reservations about Boohoo’s sincerity. They point out that there have been great many studies undertaken and just as many recommendations made and nothing has changed. They say that my Review will result in the expression of many good intentions by the Board and Boohoo will then quietly return to business as usual.

However, it should be acknowledged that there have been others who have expressed faith in Boohoo’s commitment to improve and develop.

At the very outset of his Review interview, Leon Reed told us:

“I have been given full go ahead to discuss what we’ve found, how we found it, our engagement with programme and what the shortcomings are

“Leicester is very, very, very unique in the culture and in the way business has developed. The whole way that business is done is very different. I’ve never encountered a supply chain like it.”

“No retailer has been responsible enough to see that through and deal with that. One thing I am seeing from Boohoo’s stance is that they are willing to see it through... and deal with this situation.....there certainly seems to be the desire to really deal with those situations and make those changes”.

³⁰⁹#5 (anonymised for the purposes of the open report)

However, Mr Reed was also keen to emphasise that Verisio values its integrity and reputation. He said, *“I hope you see that we are responsible and take what we do very seriously”* adding that *“if Boohoo don’t do the right thing we will walk away from it. This is not something we would risk our reputation or our business on”*. That being said, he was optimistic about the prospect of meaningful change.

Adam Ogliev, Boohoo’s newly appointed (and first) Head of Compliance told us that he had made it clear to the Board that if he and the compliance team did not get *“the backing”* that he needed, he would *“not be here in six months”*. He too felt confident that he would not need to take such a stand.

Tom Kershaw told us that Boohoo’s desire to make positive change was sincere. He said,

“What I want to be on the back of this is a better business. We want to be better in the areas in which we’ve been accused. It has been stressful for everyone. I said to the guys at the start, this is going to be painful. We’ve had gaps in the way that we’ve done stuff but I was delighted that they wanted to do [the Review]. This is the turning point for this business. Investors said, ‘it could be the end of the business if you don’t get this right’. When someone says that to you, you yelp! It is a big point for our business. You have to come out with a transparent process.”

This was a sentiment echoed by Mr. Lyttle who said, *“If injustice has been done here, we’d like to be part of the fix”*.

Leon Reed said,

“[Boohoo] are taking a very proactive stance on dealing with this situation. Other fast fashion companies in the UK will benefit from the work that we and boohoo are doing if we are successful”.

Chapter 7

The Legal Framework

Introduction

We have only considered criminal offences. Whether civil liability or liability for breach of statutory regulations exists is beyond the scope of this review.

It is also beyond the scope of this Review to reach conclusions about specific criminal liability of other people or companies. The potential offences that could have been committed by Boohoo's suppliers and sub-contractors are set out below purely to permit consideration of Boohoo's potential liability in relation to those offences.

This section will discuss:

- (i) the general principles of corporate liability;
- (ii) inchoate offences and 'secondary participation';
- (iii) Boohoo's liability for the actions of sub-contractors generally and in relation to the specific offences which might have been committed by its supply chain;
- (iv) any duty to have reported or acted upon failings identified within its supply chain, and
- (v) substantive criminal offences, such as modern slavery.

General principles of corporate liability

Corporate criminal liability is a subject of some complexity. What follows is a brief summary of the main principles.

For most crimes, a company will be criminally responsible for the acts or omissions of its 'directing mind(s)'. The company's Memorandum and Articles of Association will normally be the starting

point for determining who is entrusted with the exercise of the powers of the company³¹⁰. A company will therefore be unlikely to be criminally liable for the actions of a sub-contractor, because its directing minds are unlikely to be aware of, or involved in, what a sub-contractor is doing.

The usual rule, however, can be modified, where a particular statute's content or policy intended that a wider rule should apply³¹¹. A wider rule has often been applied in consumer protection and health and safety cases³¹² and appears ultimately to be a matter for the courts.³¹³

Many strict liability offences (offences which do not require the prosecution to prove an element of intention or fault) impose criminal liability on a company for acts of which its directing mind was not aware, and may even have taken steps, albeit insufficient ones, to prevent. This will turn on the matter of the wording of a particular statute.

Many such provisions establish a defence of taking 'all reasonable steps', or similar, where the company can escape liability by showing it acted reasonably in the circumstances. In such cases, simply appointing a sub-contractor will not automatically amount to taking all reasonable steps, but neither will the sub-contractor's failure automatically be attributed to the company which appointed them. The company is not vicariously liable for the actions of its sub-contractor. In most cases the company will need to show it took steps to ensure its sub-contractor would be competent, and to ensure the sub-contractor was doing what it ought to have been.³¹⁴

³¹⁰ *Tesco Supermarkets Ltd v Natrass* [1972] AC 153

³¹¹ *Meridian Global Funds Management Asia Ltd v Securities Commission* [1995] 2 AC 500

³¹² C.f. *Alphacell v Woodward* [1972] AC 824, *Atkinson v Sir Alfred McAlpine & Son Ltd* (1974) 16 KIR 220, *St Regis Paper Co. Ltd* [2011] EWCA Crim 2527.

³¹³ *St Regis Paper Co. Ltd* [2011] EWCA Crim 2527

³¹⁴ *DEFRA v Keam* [2005] EWHC 1582 (Admin)

Inchoate offences and secondary participation

1. Inciting another to commit a crime

This was abolished at common law³¹⁵ but certain statutory exceptions have been retained such as solicitation to murder and inciting drugs offences. It has now been replaced with the encouraging or assisting offences.

2. Encouraging or assisting an offence

The *Serious Crime Act 2007*³¹⁶ creates three offences:

- (i) intentionally encouraging or assisting an offence³¹⁷
- (ii) encouraging or assisting an offence believing it will be committed,³¹⁸ and
- (iii) encouraging or assisting offences (where there is a possibility of more than one)³¹⁹, believing one or more will be committed.

An offence of 'intentionally encouraging or assisting' (section 44 *SCA 2007*) takes place where a person (i) does an act (ii) capable of encouraging or assisting the commission of an offence, and (iii) they intend it to encourage or assist its commission. It does not matter if an offence ultimately did not take place.

The 'act' includes a failure to discharge a duty and the taking of steps to reduce the possibility of criminal proceedings being brought. Impossibility of the act encouraging or assisting a crime is a defence.

The person must intend to encourage or assist the anticipated offence, though not necessarily the person committing it. That encouragement or assistance was a foreseeable consequence of the act is not sufficient. Recklessness as to the circumstances or consequences of the offence being criminal is sufficient.

³¹⁵ *Serious Crime Act 2007* section 59

³¹⁶ '*SCA 2007*'

³¹⁷ Section 44 *SCA 2007*

³¹⁸ Section 45 *SCA 2007*

³¹⁹ Section 46 *SCA 2007*

There is a statutory defence in section 50 *SCA* 2007 of acting reasonably. That is to say, either that the accused knew certain circumstances existed and it was reasonable to act as they did in these circumstances, or that the accused believed certain circumstances to exist and it was reasonable to act in the circumstances that they believed existed. 'Reasonable' is a matter for a jury and encompasses the seriousness of the offence, the purpose of the action and any authority purportedly acted under.

Under sections 45 and 46 *SCA* 2007 the requisite *mens rea* is that the person believes an offence or offences will be committed and that their act will encourage or assist the offence or one of them. Recklessness as to circumstances and consequences continues to suffice.

3. Offences of secondary participation

There is a significant degree of overlap of the above offences with secondary participation, that is to aid, abet, counsel or procure an offence or offences. These offences are covered by section 8 of the *Accessories and Abettors Act* 1861 and section 44 of the *Magistrates Court Act* 1980. The law provides that where convicted as an accessory the punishment is the same as if the offender were the principal.

The offences are still ones of assisting and encouraging. The most easily discernible difference is that for secondary participation an offence usually needs to have been committed. The essence is that the accused does an act of assistance with knowledge of the necessary facts (for example, that somebody is going to commit an offence), and intends to assist that offence by their action, they are guilty in the same way as the principal offender. An intention to assist is complex. It does not require an intention or desire that the offence be carried out, rather that the act would assist in the commission of the offence. For example, providing a gun to a person who the accused knows will use it to commit murder, even if they don't intend the murder to be carried out will suffice. In essence, intention can be inferred from knowledge.³²⁰

Secondary participation is also sometimes known as joint enterprise, which is a complex area of criminal law and which it is not necessary to discuss in the context of this Review.

³²⁰ *National Coal Board v Gamble* [1959] 1 QB 11

4. Conspiracy

The type of conspiracy which is possibly relevant in the context of this review with here is statutory conspiracy pursuant to the *Criminal Law Act 1977*³²¹, section 1.

A conspiracy is: (i) an agreement (ii) between two or more people³²² to (iii) pursue a course of conduct (iv) that, if the agreement is carried out in accordance with their intentions, would constitute a criminal offence (or would save for impossibility).

It is the agreement to commit the crime which constitutes the offence. It is possible in law to conspire to do the impossible.

A company can be guilty of conspiring to commit an offence. However, the offence is not made out if the only two parties to the conspiracy are the company and the 'directing mind and will of the company' (usually directors / board members) because they are not two distinct legal persons and as such there is no meeting of minds. A third party to the conspiracy would be required.

The *mens rea* is an intention for an unlawful act to take place and at least one person must have knowledge of the circumstances necessary for the commission of the offence.

There is no evidence that Boohoo has committed an inchoate offence, nor been a secondary participant to any offence.

Boohoo's liability in criminal law for the actions of its suppliers and sub-contractors

There is *prima facie* evidence that some of Boohoo's suppliers and sub-contractors were non-compliant at audit for health and safety, payment of the national minimum wage, working hours, right to work documentation. There may be evidence of breaches of the *United Nations Guiding Principles on Business and Human Rights*³²³.

³²¹ *CLA 1977*

³²² In the legal sense, ie. a company is a person for these purposes

³²³ 'UNGPBH'

In criminal law, a company is generally not liable for the acts of its sub-contractors. However, there may be some statutes which impose liability in particular circumstances.

Many of the audits of companies in Boohoo's supply chain have applied the *UNGPBH*, which is an instrument consisting of 31 principles implementing the "Protect, Respect and Remedy" framework on the issue of human rights and transnational corporations and other business enterprises. It has no force of law in the UK and thus a breach could not by and of itself amount to the commission of a criminal offence.

Health and Safety Offences

The *Health and Safety at Work etc. Act 1974*³²⁴ section 3(1) provides that it shall be the duty of every employer to conduct his or her undertaking in such a way as to ensure, so far as is reasonably practicable, that persons not in the employer's employment who may be affected by it are not thereby exposed to risks to their health or safety.

HSWA 1974 section 3(1) defines the general duty upon an employer as being to ensure the safety of all those who are not employed by the employer and who may be affected by the way in which she or he conducts the undertaking.

The word 'undertaking' is an ordinary English word that means 'enterprise' or 'business'. There must be a connection between the conduct of the employer's undertaking and the exposure of a person to a risk to health or safety. *HSWA* 1974 section 1(3) provides that 'risks arising out of or in connection with the activities of persons at work shall be treated as risks attributed to the manner of conducting an undertaking, the plant or substances used for the purposes of an undertaking and the condition of premises so used or any part of them'

The boohoo Group carries on its 'business' or 'enterprise' as an online retailer of clothing. It is not and has never been a manufacturer. The suppliers (whether Tier 1, Tier 2 or otherwise) who manufacture the clothing are not owned or operated by the boohoo Group and the Group has no control over their factories, their employees or their day-to-day activities.

³²⁴ '*HSWA* 1974'

I have seen no evidence that the boohoo Group has committed any offence contrary to section 3 HSWA.

Offences in relation to State Benefits

In summary, there are benefits available to eligible adults of working age in the UK, consisting of Universal Credit, Job Seeker's Allowance, Income Support, Working Tax Credits, Child Tax Credits, Employment and Support Allowance and Housing Benefit. A description of the eligibility criteria is not required for these purposes.

To make a false declaration of one's income or working hours in order to claim benefits is a criminal offence. Possible offences include:

- (i) Fraud by false representation under section 2 of the *Fraud Act* 2006;
- (ii) Offences under sections 111A and 112 of the *Social Security Administration Act* 1992³²⁵;
- (iii) False accounting, contrary to section 17 of the *Theft Act* 1968.

These offences can only be committed by the person claiming the benefit. Whilst in this case there is considerable suspicion that unidentified persons may have made false claims for benefits and even that they may have been assisted in doing so by their employers, there is no actual evidence against any individual. In the absence of such evidence, it follows that there is also no evidence against Boohoo on the basis of secondary liability. There is also no evidence that they conspired with anyone to make fraudulent benefit claims, indeed all the evidence points the opposite way.

Working Hours

The law on working hours in the UK is set down in the *Working Time Regulations* 1998/1833³²⁶. The Regulations apply to workers defined as '*an individual who works under a contract of employment, or any*

³²⁵ The more likely charge for a benefits offence

³²⁶ Applying the EU *Working Time Directives* (Council Directive 93/104 and 94/33)

other contract where the individual undertakes to personally perform any work or services for another party to the contract' and it includes agency workers.³²⁷

An employer will commit an offence if it fails to comply with the Regulations³²⁸, as will any manager or officer of the company where the failure is with their consent or connivance.³²⁹

Workers can work up to 48 hours per week³³⁰ (although this can be changed by agreement) and up-to-date records of working hours must be kept (for 2 years), workers are entitled to at least 11 consecutive hours' rest during each 24 hour period³³¹, and two rest periods of 24 hours (or one of 48 hours) every 14 days.³³² They are entitled to a 20-minute break every shift of 6 hours or more.³³³ Workers are entitled to 28 days' annual leave each year.³³⁴ Most of the time limits are shortened (or in the case of rest breaks etc lengthened) in the case of young workers (those aged under 18).

Workers have the right not to be dismissed or suffer any detriment by reason of their refusal to forgo any rights conferred on them by the Regulations.³³⁵

There may be evidence against some factory owners for contravening the Regulations. There is nothing to indicate that Boohoo conspired with its suppliers to commit such offences nor is there evidence of secondary participation by Boohoo in such offences.

Failure to pay the national minimum wage

The national minimum wage ('the NMW') was introduced by the *National Minimum Wage Act 1998*³³⁶. This was supplemented by the *National Minimum Wage Regulations*³³⁷ 1999, now 2015.

Section 1 of the Act requires that a person who qualifies for the NMW must be remunerated by his employer in any pay reference period at a rate not less than the NMW. The NMW is different

³²⁷ Regulation 36

³²⁸ Regulation 29

³²⁹ Regulation 29B

³³⁰ Regulation 4

³³¹ Regulation 10

³³² Regulation 11

³³³ Regulation 12

³³⁴ Regulation 13 and 14

³³⁵ Regulation 31, amending section 45A of the Employment Rights Act 1996

³³⁶ 'the 1998 Act'

³³⁷ 'the NMW Regulations'

for: certain apprentices, those under 18, those 18-20, those 21-24, and those 25 and over. It increases on April 1st each year.

Certain types of employment for work experience, trial periods, work schemes providing accommodation for the homeless, and family businesses, are exempt from the NMW.³³⁸

The employer must keep records sufficient to establish that an employer is working at a rate at least equal to the NMW, for three years from the end of the pay reference period.³³⁹

It is a criminal offence³⁴⁰ to refuse or wilfully neglect to pay the NMW where it applies, to fail to keep records in accordance with the Regulations, to knowingly make or cause to be made a false record under the Regulations and / or to delay or obstruct an officer acting under the Act.

It is a defence for a person to prove that they took all due diligence and all reasonable precautions to secure that the provisions of the Act, and any regulations, were complied with.

Where one of those offences is committed by a company, an officer of the company will also be guilty of an offence where it was committed with the officer's consent or connivance, or can be attributed to his or her neglect.³⁴¹

There is considerable suspicion that some factory owners may have committed such offences but at present I have seen no actual evidence which would be admissible in a criminal court or sufficient to give a realistic prospect of conviction of the factory owner. That notwithstanding, there is nothing to suggest that that Boohoo conspired with its suppliers to commit such offences nor is there evidence of secondary participation by Boohoo in such offences.

³³⁸ Part 6

³³⁹ Regulation 59

³⁴⁰ Section 31

³⁴¹ Section 32

Right to work

All employers in the UK have a duty to carry out checks before employing someone, to ensure they can legally work in the UK.³⁴² Where an employee has a temporary right to work, the employer must carry out a follow-up check. The duty to make checks cannot be delegated and no statutory defence can be relied on if the check is completed by a non-employee.

The guidance states that although it only applies to employers:

“Even if you are not the direct employer of the workers involved in your business, there are compelling reasons why you should seek to know that your workers have a right to work. If illegal workers are removed from your business, it may disrupt your operations and result in reputational damage. There could be adverse impacts on your health and safety and safeguarding obligations, as well as the potential invalidation of your insurance if the identity, qualifications and skill levels of your workers are not as claimed. Accordingly, you may wish to check that your contractors conduct the correct right to work checks on people they employ. You may also wish to use this guidance when you use workers who are self-employed.”³⁴³

There is, as can be inferred from this extract, no legal requirement for companies to check the right to work of employees employed by sub-contractors in their supply chain.

An employer who employs someone who did not have the relevant right to work can be made to pay a penalty by the Secretary of State, but the employer is excused from paying the penalty if it can show they did not know the employee did not have the right to work, and have complied with the prescribed requirements.³⁴⁴

An employer will commit a criminal offence if it employs someone he knows does not have the right to work, or where there are reasonable grounds to believe that the employee does not have the right to work. A company will be treated as knowing any fact that any employee who has a responsibility for an aspect of the employment knows. Where the company commits an offence with the consent or connivance of one of its officers, the officer will also commit an offence.³⁴⁵

³⁴² Immigration, Asylum, Nationality Act 2006

³⁴³ Home Office: *An Employer's Guide to Right to Work Checks*

³⁴⁴ Section 15

³⁴⁵ Section 21-22

This liability is placed on the ‘employer’ in relation to the criminal offence and there is no liability for the actions of sub-contractors.

There is considerable suspicion that some factory owners may have committed such offences but at present I have seen no actual evidence which would be admissible in a criminal court or sufficient to give a realistic prospect of conviction of the factory owner. That notwithstanding there is nothing to suggest that that Boohoo conspired with its suppliers to commit such offences nor is there evidence of secondary participation by Boohoo in such offences.

Breaches of COVID-19 lockdown rules

The law surrounding COVID-19 (both regulations and statute) is complex. Due to the fast-changing nature of the pandemic the law was frequently updated. We attach a summary of the law as it developed is at Appendix F.

There have been three key Regulations: The *Health Protection (Coronavirus, Business Closure) (England) Regulations 2020* initially closed some businesses on 21 March 2020. These Regulations were quickly replaced by the *Health Protection (Coronavirus, Restrictions) (England) Regulations 2020* on 26 March, which introduced very strict restrictions on anyone leaving their house. These were gradually amended to ease those restrictions. On 4 July 2020, these were replaced with the much less strict *Health Protection (Coronavirus, Restrictions) (No. 2) (England) Regulations 2020*. However, also on 4 July the *Health Protection (Coronavirus, Restrictions) (Leicester) Regulations 2020* disapplied the easing of restrictions from Leicester. That Regulation was gradually amended to bring Leicester into step with the rest of England, but then on 3 August, the *Health Protection (Coronavirus, Restrictions) (Leicester) (No. 2) Regulations 2020* reintroduced certain restrictions in Leicester. As at the time of writing, Leicester still remains under more restrictive lockdown measures than the rest of England (the Regulations are to be reviewed again on 25 September).

These statutory instruments will be collectively referred to as ‘the Regulations’.

Breaching these Regulations or obstructing a person from carrying out their duties under them will result in the commission of a criminal offence, punishable by a fine.

Clothing manufacturing businesses were never required to close during the pandemic. Such factories did not form part of the listed companies under the Regulations. It was also never mandatory to work from home under the *Coronavirus Act 2020* and the Regulations. Declining to follow the advice to work from home does not involve the commission of an offence. Leaving the house for work, even during the strict 'lockdown' period, was always permitted³⁴⁶.

In a series of pieces of guidance the government advised employers to ensure COVID-19 controls were in place in their workplaces where workers had to be on-site to work. This included social distancing, hand washing measures, provision of PPE and the undertaking and implementation of a COVID-19 risk assessment.

The Verisio spot check forms show that there may be evidence that companies did not have sufficient COVID-19 controls in place; half (22 out of 44 companies³⁴⁷) had some form of non-compliance with the COVID-19 controls checks but this would not constitute a criminal offence.

However, by not carrying out sufficient risk assessments nor taking steps to protect their employees, it is possible that the factories have committed offences under the *Health and Safety at Work Act 1974*. For the reasons we have already given, there is no evidence of offences having been committed by Boohoo.

Modern Slavery and Human Trafficking

Pursuant to the *Modern Slavery Act 2015*³⁴⁸ it is a criminal offence to engage in 'human trafficking', that is to arrange or facilitate travel for another person with a view to them being exploited³⁴⁹.

It is also a criminal offence knowingly to hold a person in slavery or servitude, or knowingly to force a person to perform compulsory labour³⁵⁰.

³⁴⁶ Regulation 6

³⁴⁷ For further explanation see Chapter 6B and discussion at Chapter 8

³⁴⁸ 'MSA 2015'

³⁴⁹ Section 2 of the *MSA 2015*, not to be confused with people smuggling which involves moving people across borders illegally

³⁵⁰ Article 4 of the *European Convention of Human Rights*, given effect in the UK by the *Human Rights Act 1998* and *MSA 2015* section 1

- (i) 'Slavery' is the status or condition of a person over whom any or all of the powers attaching to the rights of ownership are exercised³⁵¹.
- (ii) 'Servitude' is an obligation to provide services imposed by coercion.
- (iii) 'Forced labour' is generally defined as work which is exacted from a person under the menace of any penalty and for which the person has not offered himself voluntarily.³⁵²

Crucially in this context, low wages and poor conditions do not in and of themselves amount to the crime of modern slavery, nor does a situation of economic 'necessity', such as where a worker feels unable to leave a job because of a real or perceived absence of alternatives.³⁵³

I have seen no evidence in this case which would establish even a *prima facie* case of modern slavery. Section 54 of the *MSA* 2015 requires employers with an annual turnover of £36 million or more³⁵⁴ to publish an annual statement setting out the steps it has taken to ensure that slavery and human trafficking are not taking place in its supply chains or any part of its business; or a statement that it has taken no such steps. There is Home Office guidance setting out the factors to be included within the statement³⁵⁵ including the structure of the business and its supply chain, its relevant policies, its due diligence regarding modern slavery, identification of the areas of its supply chains where there is a risk of modern slavery and its management and training. The statement must be approved by the Board of directors, signed by a director and published on the company website.³⁵⁶

Boohoo has published its modern slavery statement as required. In my view it has taken steps to manage the risks of modern slavery within its supply chain including references to relevant policies set out in its 'Group Supplier Acknowledgement Form' which is sent to suppliers for acknowledgement.

³⁵¹ The 1926 *Slavery Convention*, adopted in *Silidan v France* (2005) App. No. 73316/01

³⁵² The International Labour Organisation definition as adopted in *Silidan v France* (2005) App. No. 73316/01, and Statutory Guidance under the *MSA* 2015 §2.34-2.35

³⁵³ Statutory Guidance under the *MSA* 2015 §2.36

³⁵⁴ Boohoo falls into this category

³⁵⁵ Transparency in Supply Chains: A Practical Guide (Home Office)

³⁵⁶ Where a company fails to comply with section 54, the Secretary of State can bring an action for an injunction in the High Court, to force them to do so

Money Laundering Offences

The factual matrix for this part of our advice is as follows. Verisio provided a report to Boohoo dated 11th December 2019³⁵⁷, following sample audits of companies #5, #1 and #55³⁵⁸ which were all sub-contractors for Boohoo suppliers. The report was highly critical of the conditions Verisio had found, commenting that #55 was one of the worst factories the auditors had ever seen in the UK.

Had Boohoo continued to trade with those sub-contractors (particularly without assurances that the offences would cease), this might have exposed them to the risk of committing money laundering offences under the *Proceeds of Crime Act 2002*³⁵⁹.

On 9 January 2020, John Lyttle wrote to one of the suppliers in question, #57 and required it to cease allowing its two sub-contractors, #5 and #55, to be involved in the production of Boohoo garments. I have seen a copy of that letter. He reiterated the importance of #57's compliance with its code of conduct and supplier manual.

I have been told³⁶⁰ that all three of the sub-contractors were 'terminated' at the same time, though I have not seen a letter to #54³⁶¹ in relation to #1. If no such letter was sent then this advice will need to be revisited.

It follows therefore that as far as Boohoo was concerned it had no further relationship with the entities in question, nor did it have any reason to believe that its suppliers did, it having given an instruction that they were not to sub-contract Boohoo work to them.

I have been told that #55 has gone out of business. I have no reason to believe that #1 has produced garments for Boohoo since January 2020.

The position in relation to #5 is less straightforward.

³⁵⁷ Via an email to Tom Kershaw as set out in full in Chapter 6B

³⁵⁸ We have anonymised these companies for the purposes of the open version of this report

³⁵⁹ 'POCA 2002'

³⁶⁰ By Tom Kershaw

³⁶¹ Anonymised for the open report

It was discovered in Verisio's spot checks in July and August 2020 that other approved Boohoo suppliers were using #5. It is my understanding that until this point Boohoo had no idea that #5 was continuing to manufacture its clothing. The Verisio spot check on #5 carried out on 23rd July 2020³⁶² revealed that conditions in the factory had improved. In July 2020, #57 asked if they could be allowed to resume using #5 as a sub-contractor given that it was now compliant. It appears that permission was given; certainly when I and my team visited Leicester on 10th September 2020, one of the factories we visited was #5 and saw that they were manufacturing clothes which had Boohoo and PrettyLittleThing labels.

Once again, if my understanding is incorrect in any way I will need to revisit this aspect of my report.

Sections 327 and 329 of *POCA* 2002 create offences of concealing, disguising, converting or transferring the proceeds of crime (section 327) and acquiring, using or possessing the proceeds of crime (section 329). Section 328 creates an offence of entering into, or becoming concerned in an arrangement, in which the person knows or suspects the retention, use or control of the proceeds or crime.

For the offences to apply, the proceeds of crime must constitute a person's benefit from criminal conduct, in whole or in part and directly or indirectly, and the offender must know or suspect that to be the case³⁶³.

Before the report by Verisio on 11 December 2019, there is no evidence that Boohoo knew of or suspected any criminal activity in its supply chain. Suspecting that your supply chain compliance systems might not be up to the industry gold standard would not, in my view, be enough to fix you with the *mens rea* for a money laundering offence.

After 11th December 2019 anyone who had seen Verisio's email must have at least suspected criminal activity by the sub-contractors.

Boohoo immediately took steps to end its relationship with the sub-contractors and reiterate its compliance standards with its suppliers. After 9th January 2020 it had no reason to believe it had

³⁶² This is not the date on the face of in the document. The date reads 23 March 2020, but it has been confirmed in an email from Verisio on 14 September that this was incorrect

³⁶³ Section 340

any relationship with companies committing criminal offences or was receiving any criminal property.

Unless further information came to Boohoo's attention which would have caused it to know or suspect that its sub-contractors were committing criminal offences, then Boohoo could not have committed one of the principle money laundering offences. It had, as far as it was aware, ceased any business relationship with the sub-contractors who were committing offences. The first time it became aware of any behaviour which might constitute criminal offences was following the Verisio spot-checks in July and August 2020. It is my understanding that a number of companies were 'exited' as a result and Boohoo no longer does business with them.

Other offences arising from continued trade

We have also considered other offences such as those under the *MSA* 2015, and the *Criminal Finances Act* 2017. They require actual knowledge of wrongdoing, so would not apply where Boohoo had removed themselves from any business relationship with the sub-contractors and had no further information which would put them on notice of modern slavery offences or tax evasion.

Conclusion

As far as all the possible offences which I have considered are concerned, even in the situations where there may be evidence of offences by factory owners, there is no evidence that Boohoo had any involvement in the commission of any crime committed by its suppliers and sub-contractors.

Boohoo cannot be said to have encouraged or assisted any of its suppliers or sub-contractors to commit offences, nor to have conspired with them to do so.

Duty to report offences

There is no obligation in English law for a person to report a crime to the police.

There is an obligation to report under *POCA* 2002, however it only arises in the regulated sector or prior to engaging in offending behaviour under sections 327 – 329 of *POCA* 2002. Further, reporting under the *MSA* 2015 only required proactive reporting from public bodies.

Companies may gain advantages by self-reporting or reporting things such as modern slavery, bribery, or other criminal offences, and it may indeed be commercially desirable to do so.

However, Boohoo has committed no criminal offence by not reporting the activities of its sub-contractors.

CHAPTER 8

DISCUSSION & ANALYSIS

One of the aspects that I have observed is a tendency by the Boohoo Board to treat every piece of negative publicity about the Leicester garment industry as though it was the first time they had ever heard it.

This was exemplified by their response to the *Sunday Times* articles published on 5th July 2020.

I have concluded from the evidence I have seen that the fundamental allegations made in the articles are plainly true, that is to say, that much of the time, Boohoo has simply no idea where its clothes are being made and thus has no chance of monitoring the conditions of the workers who make them.

I have concluded that what the *Sunday Times* revealed was a microcosm of what was happening in the period from 23rd March 2020 onwards and probably long before that. My reasons are these.

In the middle of the lockdown period, Nasty Gal³⁶⁴ had placed an order for some jogging bottoms with Revolution, a design house in Manchester which has no manufacturing capability. Who then did Nasty Gal think was going to make them? I have concluded that the truth is that they did not know and did not really care. Their concern was that the order should be delivered on time, be of acceptable quality and at a price which allowed them the margin they have been told to achieve. How that was to be achieved was not Nasty Gal's responsibility; after all, they are retailers not manufacturers. They buy and they sell, they do not make.

What in fact happened was this. Revolution sub-contracted the order to Morefray, a company owned by members of the same family. Morefray itself is also a design house with no

³⁶⁴ One of the Boohoo brands. I asked repeatedly to speak to the buyer who had placed the order but they were never made available

manufacturing capability; thus they could not make the jogging bottoms themselves and they did not do so. They had them made in Morocco, something of which Nasty Gal was completely unaware. Once made, the jogging bottoms were returned to Morefray's premises in Leicester to be 'repackaged'³⁶⁵ with the intention that they would be sent to the Boohoo warehouse in Burnley to be despatched to customers. Nasty Gal was completely unaware of all of this.

It follows that since the Board did not know where the clothes were being made or packed, it is not in a position to say what conditions were like or to refute the journalist's assertion. We pause to comment that if things were bad in Morefray's factory in Leicester, how much worse may they have been for the workers in Morocco, of whom Boohoo knew nothing.

Boohoo's attitude to the question of whether the Morefray workers were being paid less than the minimum wage is baffling. I have been told by the Board and by Senior Management that there was 'no proof'. When it is pointed out to them that the proof comes from what the journalist says he was told by the workers, they are sceptical about that and appear to be suggesting that this may have been invented or exaggerated in order to sell a story. They either have forgotten or regard as irrelevant that when Verisio conducted the emergency audit on 6th July as part of Boohoo's investigation into the *Sunday Times* story, they were approached by a whistle-blower who told them that they used to work in that factory and were paid less than the minimum wage.

I am troubled by the fact that there is no acknowledgement by the Board that this evidence should simply confirm something they already know. These are sophisticated and experienced retailers. They know that the more stages there are in the manufacturing process the greater the cost. In this case, all the steps of which Boohoo was unaware cost money; all these separate sub-contractors were not providing their services for free. Thus Revolution (the company with whom the order was placed) will have an element of profit taken from the cost, Morefray will have had to pay the Moroccan manufacturer (who will in turn have had to pay their workers as well as make some profit for themselves) as well as the freight costs of shipping the garments back from Morocco to be 'repackaged'. Plainly, Morefray too will have taken some element of profit.

What is left over is what the workers will be paid. It is axiomatic that the greater the number of sub-contractors involved, the higher the profit element and the lower amount available for

³⁶⁵ I have never got to the bottom of why they needed to be 'repackaged'; it may be that this is not sinister but there is no obvious explanation for it

workers' wages. Leon Reed said to me that it is an industry given that the more layers of sub-contracting involved in the manufacture of an order, the greater the chance that the workers are underpaid.

Had the Boohoo Board viewed the *Sunday Times* article against the background of everything else they knew (which included what John Lyttle had seen with his own eyes in Leicester just before Christmas 2019 and the Labour Behind the Label report issued the week before the *Sunday Times* article was published) they would have concluded, as I have, that the allegations made by the journalist were almost certainly true.

Instead of which they concentrated on disproving minor elements of the story such as whether or not Jaswal Fashions was in fact the sub-contractor involved. I was dismayed to be told by more than one witness was that one of the things which showed the story to be untrue was that the clothes were made in Morocco not in Leicester. In my judgement that is the proof of the central allegation, which is that as recently as July they had no idea who is making their clothes or under what circumstances.

Late in the afternoon of 6th July, the Boohoo Audit Committee met to discuss the *Sunday Times* allegation. Neil Catto, the Chief Financial Officer, is recorded as asking whether this is an isolated incident. I find this comment extraordinary.

It was a pre-requisite of this process that I should reach evidence-based conclusions as to whether the allegations about poor working conditions and low pay in the Leicester supply chain were broadly true. I decided that the best way of testing this was to ask whether the allegations, if proved, appeared to relate only to a small number of companies or whether the problems appear widespread.

I have concluded that the problems are endemic. I have reached this conclusion on the basis of the following evidence:

- (1) The Verisio spot check reports of July and August 2020;
- (2) The Verisio sample audit checks of November and December 2019;
- (3) The evidence provided to us in response to the Call for Evidence;
- (4) The evidence of the NGOs and the campaign groups;
- (5) The evidence of journalists and academics;

(6) The evidence given to Parliamentary Committees.

There is no hierarchy of evidence. In my view the approach which Boohoo historically has taken which is to treat everything they are told as though it was an isolated incident is the wrong one. There is now such a wealth of material that either all these sources are exaggerating or the allegations made are true. They provide support for each other. It is my belief that the Boohoo Board also now know in their hearts that they are true.

It is reasonable to ask why the Verisio spot-checks in July and August 2020 reveal such a dismal picture of non-compliance in companies which in many cases had not previously had such a poor audit history. The evidence that this is so is to be found in Appendix D where we have set out in tabular form the audit history of a sample of the suppliers and sub-contractors.

There are three possible explanations:

- (1) The Verisio spot-checks are inaccurate or unrepresentative;
- (2) Conditions have markedly deteriorated in July and August from a previously acceptable standard;
- (3) The earlier audit and compliance system was insufficiently rigorous.

I am satisfied that the last of these explanations is the true one. Whilst it might be the case that a few companies let their standards slip during the pandemic, I do not accept that that would account for all Verisio's findings. Further, we have been warned by a number of sources, which include Verisio themselves, Grant Thornton and some campaign groups, that an audit programme is an inadequate system of measuring compliance when used in isolation, particularly when those audits are performed on an announced or semi-unannounced basis.

The picture is a complex one. More than one witness told me that the workers 'collude' by wanting to keep their state benefits and thus insist either on being paid in cash or their hours being underdeclared. I am unhappy with the suggestion that the exploited can be accused of colluding in their own exploitation. The fact that years of poor treatment have caused them to believe (wrongly) that they are better off than if they had a proper full-time job paid at the proper rate does not make it any less exploitative or excuse those who take advantage of them.

I have concluded that many of the problems exposed by this Independent Review can be attributed to the system of sub-contracting. Sub-contracting makes superficial commercial sense in that it means that workforces are fluid and no one is responsible for ensuring that they have jobs throughout the ebb and flow of orders (what was described to me as ‘flex’). One has only to articulate it this way to appreciate how this exposes workers to the risk of exploitation. If Boohoo is serious about wanting to eradicate illegal working conditions from its supply chain, it needs to take a different approach to how it places orders. Its primary objective should be to eradicate sub-contracting. In future, it should aim to have a direct contractual relationship with those who make its clothes.

One of the steps towards this is radically to reduce the number of suppliers with which it contracts. At the moment at a best guess, Boohoo has something in the region of 500 companies in its supply chain in Leicester alone, some of which are little more than cottage industries, with fewer than 10 workers. Boohoo cannot possibly monitor conditions in such a large number of companies: to do so in an effective way would wipe out its profits. It should reduce the number of companies whilst trying to maintain manufacturing capacity as much as possible, concentrating on the larger companies and putting its resources into compliance in a proportionate way.

We consider that there was insufficient scrutiny at Board level of the operations of the Compliance Team. This was effectively admitted by Keri Devine describing her reaction in around December 2019 :

“Looking back, audit compliance was not fit for purpose. As soon as we started looking in, from small things like record keeping you start thinking “oh my goodness,, it’s not what we thought”. I think this was when we went around those suppliers in December 2019 and I thought...horrified really and thought how on earth is our product in here...how do we allow our Tier 1... We should have got our arms around compliance a lot sooner.”

Edward Toogood said something similar about the situation when he was helping to prepare Carol Kane for giving evidence before the EAC in November 2018:

“Some of the information from the sourcing and compliance team wasn’t great. They weren’t great at reporting so I helped. When Carol referred to monthly inspections she was referring to the work of Witness 16 on the ground. I don’t think we can evidence that there were monthly inspections. They were going round, dropping in, having a chat with the owner but they weren’t recording what they were doing. I wouldn’t want to say monthly inspections. At the time I hadn’t done the work to get under what they were really doing. It is not really sustainable to have as many as 400-500 suppliers. It’s really clear to us now we’re trying to do what should always have been there and make sure everyone is audited every year at least, plus more.”

I am satisfied that Carol Kane's evidence to the EAC was not an accurate representation of the Boohoo compliance function, though we think that she may not have realised that until sometime later.

When Boohoo finally appreciated the reality of the situation, it did not move fast enough to implement change. By December 2019 at the latest, two things were apparent to the Board: first, that an overhaul of its audit and compliance infrastructure was needed, and secondly that it needed to act quickly to discover whether the pitiful conditions exposed by Verisio's sample audits were isolated incidents or evidence of what others had been telling them for a very long time .

I find that the enormity of the task of finally getting its arms around its own supply chain got in the way of a quick reaction. Whilst there seems to have been genuine enthusiasm for change amongst those with new compliance and sustainability roles in late 2019 and early 2020, it was not treated as the priority that it should have been by those at the top of the company.

Whatever the reason for the delay, whether it be finalising Verisio's terms of work³⁶⁶, COVID-19³⁶⁷ or, as was suggested by Mr. Lyttle, the hecticness of the Black Friday, Cyber Monday, Christmas period, it is disappointing. The speed of action and level of resource invested in these issues since they have been put under the media spotlight should have started in December 2019.

I have concluded that the failures that we have found did not arise from intentional exploitation of Leicester factory workers. Rather they were caused by weak corporate governance. At least in part, there was a failure to recognise that revenue growth is but part of running a successful company. It is self-evident that Boohoo is a commercial public retail company which is not merely entitled to make a profit but has a duty to its shareholders to do so. It is not a charity.

That being said, I am satisfied from the company documents I have seen that growth and profit were prioritised to the extent that the company lost sight of other issues. There were a series of warnings and red flags, both from inside and outside the company, which Boohoo ignored. By the time they began to take notice, it was too late.

³⁶⁶ A process that Verisio informed us took some

³⁶⁷ As witnesses including Tom Kershaw and John Lyttle told us, and which we accept played some part in the delay

I asked a number of those to whom I spoke whether Boohoo was responsible for the factory workers in Leicester.

The Board members in the main told me that it was a moral responsibility and that they had a duty of care to them. Edward Toogood, the internal auditor, said that in his view the responsibility was at least in part derived from the fact that Boohoo has made a number of statements, including in the Annual Report and on its brands' websites, about its commitment to sustainability and ethical issues. In his view, if that kind of reassurance is being given to the market and the customer, then by saying this Boohoo has assumed a responsibility to follow up its words with action.

What struck me was this. No member of the Board I interviewed mentioned that the responsibility for what is happening in the supply chain derived from the duty of the company's officers to act in the best interests of all the shareholders. It is beyond argument that it is not in shareholders' best interests to allow a situation to develop which results in millions of pounds being wiped off the value of the company.

On reviewing my draft report, the company wanted to emphasise that they do recognise their obligation to act in the best interests of shareholders at all times. The point I make above is a slightly different one: it is the failure of the company to grasp that their responsibility for the factory workers does not derive from a nebulous 'moral' duty but from their obligations as officers of the company. In other words, this is not a 'nice to have' like charitable contributions, but is integral to their business as retailers.

The failure to recognise the damage to shareholders' interests caused by not getting a proper grip on compliance issues even in the face of numerous warnings is one upon which the Board must reflect. I have concluded that what is needed is a realignment of the Board's priorities to recognise that running a great public company is not simply about profit. When the Chief Executive speaks warmly about taking the Boohoo workforce with them on the journey, the Board should ensure that those who make the clothes upon which their profits are founded are allowed to share in that success too. This is not merely a moral imperative, it makes sound business sense.

One of the allegations made was that Boohoo or the Kamani family own some or all of the factories in Leicester through an opaque network of companies and that this system of sub-

contacting is a device to distance them from the exploitation of the workforce. Whilst in a handful of cases (some of which have already been discussed by journalists³⁶⁸) there are some connections, in the time available to me it has not been possible to investigate this with any rigour. That being said, I have formed the view that this is unlikely to be the case and that the failings I have found are attributable to the fact that Boohoo's governance system has failed to keep up with the growth of the company. As Mahmud Kamani told me, he knows how to sell clothes and leaves it to others to deal with the other aspects of running the company. I have concluded that for too long, Mr Kamani's priorities have been allowed to dictate company policy.

I have already commented in Chapter 6 that there have been some witnesses who have disappointed me by an occasional lack of frankness. At the beginning of the process I was very impressed by what I heard: numerous witnesses spoke of their determination to get to the bottom of things, saying that if they have done wrong then they want to be told so they can put it right, that they have no interest in concealing anything and that I should be given access to anything which I wanted to see. As the weeks passed I noticed a marked reduction in enthusiasm for giving me anything I asked for, which culminated in the refusal to allow Grant Thornton to have access to the emails of the Board. I reject Boohoo's explanation for the refusal. Not only do Grant Thornton have automated processes which allow them to analyse vast quantities of data in a very short time, an obsession with speed at the expense of rigour and depth are inconsistent with the company's expressed desire to 'get to the bottom' of the problem. It is the very essence of an Independent Review that I decide what I need to see, not Boohoo.

That said, this element of defensiveness has not prevented me from drawing conclusions broadly adverse to the company in relation to the questions I was tasked with answering³⁶⁹. Whilst I was disappointed in the answers given by some witnesses, I have asked myself whether a lack of candour matters. I have concluded that it does. My reasons are these.

My overall conclusions are that this is a company which is capable of greatness. Its problems have arisen from a failure to appreciate that running a great company requires social responsibility as well as growth.

³⁶⁸ See for example <https://www.dailymail.co.uk/news/article-8515609/Pictured-Boohoo-founder-Mahmud-Kamani-snapped-partying-sweatshop-boss.html>

³⁶⁹ See Chapter 9

It is a truism of management courses everywhere that unless the Board 'lives its values', its commitment will be superficial and will eventually unravel. If Boohoo is not prepared to take a long hard look at itself then the long-term prospects are bleak.

CHAPTER 9

CONCLUSIONS

The Terms of Reference for this Independent Review set four core objectives.

[A] To investigate the allegations made in relation to the Leicester supply chain and determine whether they are well-founded

1. I find that the allegations of unacceptable working conditions and underpayment of workers are not only well-founded, but are substantially true.
2. Whilst I have not been able to examine all garment factories in Leicester, I have concluded that a significant number of the suppliers and sub-contractors within the sample we considered were paying their employees less than the national minimum or living wage. In the time available to me I cannot say for how long that has been the case, but I am satisfied that this is an historic problem.
3. The drivers for suppliers paying less than the minimum wage are complex. In broad terms it is an unhealthy combination of lack of scrutiny, commercial pressures and historical assumptions that state benefits can be used to subsidise low wages.
4. A significant number of the factories in our sample had unacceptably poor working conditions, which included serious health and safety violations. There is a significant risk of a disaster in the future. I have particular concerns about fire; I have concluded that were a fire to break out in some of the buildings in Leicester it is likely that there would be loss of life.
5. I find that employees' rights are ignored and/or neglected on a wide scale. Many employees do not have proper contracts and are not entitled to paid holidays or sick-pay. Working hours are frequently excessive and inadequately-remunerated .

6. On the balance of probabilities I have concluded that it is more likely than not that these conditions exist across the best part, if not the entirety, of Boohoo's Leicester supply chain. The problems we have described are endemic. We recognise that none of this will come as any surprise to those who have been reporting on these matters for years.
7. Inaction by the authorities has contributed significantly to the deficiencies I have found. Legislation is not merely a system for regulating society but also the mechanism by which society's values and priorities are communicated. If the law is not enforced, this sends a clear message that the violations are not important and the people affected do not matter.

[B](i) To consider the extent to which Boohoo monitored its Leicester supply chain

8. Boohoo's monitoring of its Leicester supply chain has been inadequate for many years. Its internal processes were well below the standard which would be expected of a company of its size and status. In particular:
 - a. Insufficient financial resource was allocated to supply chain compliance. The in-house compliance team was well-intentioned but under-skilled and understaffed;
 - b. There was no robust or consistent method of onboarding new suppliers;
 - c. There was no methodology for maintaining and updating supplier information such as day-to-day capacity to fulfil orders. This led to tacit acceptance of the use of sub-contractors;
 - d. There was overreliance on audit as the sole method of managing supply chain compliance. There was no robust method of ensuring that the third-party audits were in-date. Formal in-house audits of suppliers were performed infrequently. The company instead relied upon 'client relationship visits', which were not fit for purpose. In particular, there was no audit methodology, that is to say a standard checklist against which to measure compliance.

- e. There was no system of sanctions for non-compliance that was widely known and could be enforced. There was confusion in the in-house compliance team about the extent to which their role was simply to help companies to remain on the approved supplier list;
 - f. There was no coherent record-keeping system for compliance activities and there was over-reliance on manual recording methods such as spreadsheets. In particular, there was no structured way of communicating any instances of non-compliance to the buying teams;
 - g. There was no robust method of ongoing monitoring, such as checking that non-compliances had been remedied.
9. This was attributable to weak corporate governance. I find that Boohoo's risk management systems were significantly undeveloped. Commercial concerns such as growth and profit were prioritised in a way which made substantial areas of risk all but invisible at the most senior level.
10. I have concluded that the answers given by Board members to me when I asked whether Boohoo has a responsibility for the workers in its supply chain are highly significant. They answered that such responsibility as there was was either a moral one or some kind of nebulous and ill-defined 'duty of care'. No Board member said that the responsibility is at least in part derived from the duty to act in the best interests of all the shareholders. In my view it is unarguable but that the Board has a duty not to allow a situation to develop that causes such severe reputational damage that it results in a significant devaluation of the shares.
11. I have some concern that, on occasions, the Board has found it difficult to stand up to the current Chairman³⁷⁰ and to ensure that the best interests of all the shareholders are acted upon.

³⁷⁰ See references to Peter Williams' departure as Chairman, the circumstances of which I am aware are disputed. There are some references in the Minutes to concerns about the extent of Kamani family influence. Based on my own interaction with him, as well as what I have been told by others, it is clear that Mr Kamani has a strong personality and may not always be aware of the effect this has on others.

12. I find that it is more likely than not that this is attributable to Boohoo's origins as a successful family-run company. The business was run according to the priorities of its founders; its corporate governance structures have failed to keep pace with its growth and success.
13. There has been historic acquiescence in the use of sub-contractors. Indeed it could be said that there was a degree of tacit reliance upon them in the sense that it allowed suppliers to handle volumes of orders which were placed in a way which did not pay real attention to levels of capacity. This was coupled with a serious failure to appreciate the level of risk attached to the use of sub-contractors. Unauthorised sub-contacting has been endemic for many years but Boohoo has failed to get a grip on it, partly because it failed to appreciate the extent to which it was exposed by it.
14. I have concluded that in truth Boohoo has not felt any real sense of responsibility for the factory workers in Leicester and the reason is a very human one: it is because they are largely invisible to them. It is hard for people to empathise with the plight of those of whom they know little.

[B](ii) To consider the extent to which the Boohoo Group had knowledge of the allegations

15. This is ambiguously phrased. The answer to the question if taken literally is that Boohoo has known since at least 2017 that allegations were being made about companies in its Leicester supply chain.
16. The more pertinent question is whether it knew that those allegations were, or might be, true.
17. I have concluded that from at the latest March 2019, Boohoo realised that there were problems with the Leicester supply chain and that action needed to be taken.
18. I am satisfied that by December 2019 at the latest, the Boohoo Board (which has collective responsibility) knew for a fact that there were some serious examples of unacceptable working conditions and poor treatment of workers (including illegally low pay) in the

Leicester supply chain. In my view it is more likely than not that they realised by the end of 2019 that the problems were likely to be widespread if not endemic.

19. I am satisfied that Boohoo took steps to examine and remedy the position but that there was insufficient sense of urgency, particularly from December 2019 onwards. The problems revealed in December 2019 should have resulted in an immediate programme of spot-checks of the kind that they later implemented in July and August 2020.
20. I find that it is more likely than not that the failure to move at pace from March 2019 onwards was due to a failure of governance, in particular, that commercial issues such as growth and profit were still considered to be a higher priority than supply chain supervision and scrutiny.

Issues relating to the coronavirus pandemic

21. I am satisfied that some at Boohoo realised immediately that the period of lockdown presented not only a risk but the nature of that risk, namely that it was a risk of exploitation.
22. There is no evidence that these concerns were escalated to the Board or that there was any question of management of the risk having been taken at a senior level.
23. In particular, I profoundly disagree with the Director of Sustainability's announcement to the compliance team that the decision as to whether to pause manufacturing was one for the product teams. This should have been a decision taken at Board level after a proper risk analysis.
24. The fact that there are no Board Minutes which reflect even a discussion of this issue shows a weak grasp on the true issues confronting the business.
25. Boohoo was quick to take advantage of the commercial opportunities afforded by the increase in demand during the pandemic. I have concluded that it was inexcusable that at no point was any assessment made as to how the Leicester workforce was to cope with the increased volume of orders. I am satisfied that the true reasons for this was that

Boohoo did not see it as their responsibility and that the internal emails demonstrate that commercial concerns were allowed to prevail.

Other conclusions

26. There are important issues about the way in which buyers approach the issue of placing orders with suppliers. These include:
- i. too much emphasis on autonomy for buyers as to with whom they place orders and the prices they negotiate. It appears to be something of a free-for-all;
 - ii. autonomy for buyers in the context of company ethos that is all about speed, agility, growth and profit is bound to send a message that achieving the lowest price possible is what the company seeks from them
 - iii. buyers are insufficiently knowledgeable about garment technology. They have no real idea how to cost a garment or how to make alterations in the design which would help to reduce the cost price;
 - iv. They are not incentivised to ensure that the price is not so low that it cannot be achieved in an ethical way. There are no key performance indicators which measure sustainability issues, far less a system which rewards good ethical behaviours and penalises poor ones.
27. I am satisfied that Boohoo did not deliberately allow poor conditions and low pay to exist within its supply chain, nor did it intentionally profit from them. I do not accept that Boohoo's business model is founded on exploiting workers in Leicester.
28. There is clear evidence that many of the processes which Boohoo has now put in place had been planned a year ago and are not simply a reaction to the negative publicity in July 2020. Their culpability lies not in doing nothing but that they did too little too late.
29. That being said I am confident that the adaptations which Boohoo should make involve a relatively easily achieved realignment of its priorities and governance systems and that the Board should not feel discouraged. It has already made a significant start on putting things right.

30. I am encouraged by the evidence I have seen that Boohoo's recently-appointed Head of Compliance has made contact with some of the statutory authorities with a view to, amongst other things, establishing a single point of contact for reporting allegations made by whistle-blowers or revealed by their own audit and inspection checks.

[C] To consider the boohoo Group's compliance with the relevant law

31. There is no evidence that Boohoo has committed any criminal offences.

[D] To make recommendations for the future in response to my findings.

32. These appear in Chapter 10.

Chapter 10

An Agenda for Change

IMMEDIATE ACTIONS (within six months)

18. Boohoo has been ‘mapping’ its supply chain for over a year. The time has come to bring this process to a conclusion. Within six months Boohoo should reduce its approved suppliers to a list which contains a manageable number of companies, ideally without reducing capacity. The methodology for the selection process should be predicated on the goal of reducing and ultimately eliminating sub-contracting. Criteria should include prioritising:
 - i. The largest suppliers and sub-contractors by volume;
 - ii. Those who have passed the Verisio spot checks or which have only minor contraventions;
 - iii. For Tier 1, those which have a manufacturing as well as a design capability
 - iv. Promoting as many Tier 2 companies to Tier 1 as is possible (in other words to ensure that there is a direct contractual relationships where this can be achieved).
19. Boohoo should invite suppliers which they have not previously used but which have a track record of ethical and sustainability policies to apply to be included on the list, subject to the onboarding process set out below.
20. Boohoo should commit to publishing the refreshed list of Tier 1 suppliers and Tier 2 sub-contractors as soon as possible and in any event within six months of the delivery of my report.
21. In the interests of transparency, Boohoo should commit to publishing its list of suppliers and sub-contractors annually.

22. Those companies which do not make inclusion on the list should be written to and told what they will need to do to become eligible for consideration as a boohoo Group supplier or sub-contractor in the future.
23. Within six months Boohoo should contact all suppliers and sub-contractors on the refreshed list and inform them of the following.
- (a) There are six essential parameters for passing spot checks and audits, namely:
 - i. Payment of the minimum wage
 - ii. Proof of working hours
 - iii. Right to work documentation
 - iv. Health and safety, with fire safety and COVID-19 risks prioritised
 - v. No unauthorised sub-contracting (to include both sub-contracting without Boohoo's knowledge as well as to non-approved companies)
 - vi. A new requirement of keeping a copy of all essential paperwork on the premises available for immediate inspection by auditors and in-house compliance team.
 - (b) The parameters are now clearly categorised as zero-tolerance, critical, major and minor (the compliance team should decide the categorisation within each parameter).
 - (c) The onus is on the supplier to show that they have complied, not on Boohoo to show that they have not. If there is insufficient evidence for a supplier to show compliance with a particular measure, this will be recorded as a 'fail' and appropriate measures taken.
 - (d) The letter should set out in clear and simple terms the sanctions for failing a spot check or an audit, by reference to the categories of zero-tolerance etc.
24. All suppliers should be required to confirm within a defined timescale their agreement to adhere to the requirements. The sanction for failure to provide confirmation by the due date without reasonable excuse should be set out (I suggest suspension from the list with no further orders placed until the signed confirmation is received). The receipt of those

confirmations must be monitored and recorded and any failures must have the sanctions imposed without exception.

25. On the publication of the approved supplier list all Boohoo brand buyers must be told that orders can only be placed with those on the list and that placing orders with unapproved suppliers will be dealt with as a disciplinary matter. This will be an interim measure until the new on-line ordering tool can be brought on stream but is essential for instilling discipline.
26. The current paper purchase orders should be replaced within six months by an interim paper contract for each purchase, which sets out in ordinary language the most important terms of the contract. These are, in addition to cost price and delivery date, the name of the factory which will be manufacturing the clothes and an undertaking that this will not be changed without prior consultation with Boohoo.
27. Two further in-house compliance officers should be recruited without delay to work with the existing member of staff on the less formal compliance visits. These should be on an unannounced or semi-announced basis.
28. Within three months Boohoo should appoint an individual to provide independent oversight of the implementation of this change agenda. This person should not be a Director of Boohoo, rather it should be a man or woman of standing in whose independence the market and the public can have confidence. Their appointment should be announced publicly together with their Terms of Reference, which should include a regular update to the Board on progress against this agenda.

Supply Chain Compliance Committee

29. A new committee should be formed within four weeks which solely considers supply chain issues. It should include the Director of Sustainability, the Heads of compliance, buying and merchandising and the internal auditor. It should be chaired by a nominated member of the Board who is publicly acknowledged to have ownership of supply chain compliance. This committee should meet not less than six times a year and report to the Audit Committee. With immediate effect, supply chain compliance must be a standing item on every Board meeting Agenda with the nominated Director giving a progress report and recommending actions. The update and the actions should be clearly Minuted.

30. The immediate priority for this committee should be to devise and approve an emergency plan for ensuring supply chain discipline and control in the event of further COVID-19 lockdowns in Leicester. These must include:
- a. Arrangements for physical monitoring of factories (either by means of on-the-ground checks or if that is not possible, by the installation of live-streamed CCTV of the factory floor which can be spot-checked on a random and unannounced basis);
 - b. Appointing a Boohoo senior staff member to monitor supplier capacity and supervise buyers in the placing of orders in such a way that Boohoo has complete visibility on where its clothes are being made.
31. This plan should be signed-off by the Board.
32. The Board should ensure that the supply chain in the rest of the UK is immediately subjected to a series of spot-checks of the kind conducted in Leicester, so that any issues can be addressed in parallel with the plan for Leicester.
33. With immediate effect, all Board and Audit Committee meeting Minutes, risk registers and other Board documents must be dated on the face of the documents. Company documents such as Board Minutes must be stored in such a way that a complete set can be produced at pace and in an orderly fashion.

MEDIUM TERM (within twelve months)

34. The new supply chain committee should create a robust supply chain roadmap, which:
- (1) identifies and articulates the type of brand Boohoo wants to be;
 - (2) sets out with clarity what the company needs to change or implement in order to achieve this;
 - (3) decides the parameters and the consequences for infractions (minor, major, critical, zero tolerance); and
 - (4) sets targets for:
 - a. articulating the characteristics of the supplier base needed to meet the future needs of the Group;

- b. working with Leicester factories to have a new way of working designed to phase out sub-contracting;
- c. devising a clear system of sanctions for suppliers which breach the supplier code, graded by the seriousness of the breach, which must be rigorously enforced;
- d. implementing a new onboarding system for new suppliers;
- e. implementing an online audit and capacity monitoring programme to be used by buyers when placing orders;
- f. creating a clearly defined supply chain compliance governance structure, which is properly resourced;
- g. devising an ongoing formal third party audit system plus a programme of lighter touch and more agile in-house compliance team spot checks;
- h. ensuring the in-house compliance team have a clear understanding of when they should work with a supplier to improve conditions and when non-compliance should be reported upwards;
- i. updating the supplier code and instituting a system of contracts for each order placed;
- j. educating buyers; and
- a. joining the Ethical Trading Initiative.

35. The Board member with ownership of supply chain issues should report progress against these objectives to the Board.

36. Some of these objectives are set out in more detail in the paragraphs below.

On-line auditing programme

37. Boohoo should implement an electronic supply chain audit programme which captures audit status and capacity and monitors the placing of orders in real time to ensure that factories' capacities are not exceeded. We understand that Boohoo is already working on such a system. Buyers should not be permitted to place orders outside the approved list of suppliers and sanctions should be in place for any that do. There should also be a system of rewards for buyers who report concerns that suppliers are abusing the system.

New supplier onboarding system

38. Boohoo should implement a clear and robust onboarding system for new suppliers. No new suppliers should be approved unless there is a clear business need either for greater capacity or where there is an identified skills gap. Priority should be given to those with manufacturing capability on a reasonably large scale (no more micro-factories or home workers). It must be a firm rule that no orders may be placed with a new supplier until the onboarding process is complete. The criteria for approved suppliers, together with a description of the onboarding process, should be publicised and suppliers with a proven track record of ethical and sustainability credentials invited to apply.

Working with suppliers

39. Boohoo should open a dialogue with its suppliers with a view to:

- d. Ensuring that there is a regular flow of orders and a commitment to a certain volume of orders over the course of a year, so that suppliers can plan their workforce requirements;
- e. Encouraging them to recruit skilled workers, so that they can manufacture more complicated clothes which command a higher price and also improve productivity across the board;
- f. Committing to placing a ‘mixed bag’ of orders with each supplier (possibly across the Boohoo brands), in which the higher margin on more complicated pieces can be used to cross-subsidise basic items. This will allow Boohoo to keep the prices of simple clothing low whilst still allowing the supplier to pay proper wages and make a reasonable profit.

40. Boohoo should hypothecate some of its charitable donations to Leicester-based community organisations and in particular those which have direct or indirect connections with the garment industry, such as those which work with sections of the population known to be particularly vulnerable to exploitation.

41. Boohoo should develop a set of KPIs which capture ethical and sustainability issues as well as purely commercial issues such as growth and profit. Bonuses for buyers should be

restructured to reflect this. There should be well-published sanctions for failing to place orders in a way which is sympathetic to Boohoo's ethical and sustainability goals.

42. Boohoo should outline an Assurance Map, capturing all sources of assurance across the three-lines model for the supplier base. This should include a risk-based supplier assurance plan capturing individual risk assessments for each approved supplier and sub-contractor. The in-house compliance programme should include a robust system to test suppliers' claims about capacity. There should be a programme of unannounced spot checks to ensure that Boohoo brands' clothing is actually being made in the factory named in the purchase contract.
43. There should be a clearly defined and understood process for ongoing monitoring and due diligence of suppliers. There should also be a system of recognised triggers which require completion of a due diligence exercise, such as a change of ownership.
44. Two additional Non-Executive Directors should be appointed without delay. Consideration should be given to household names with a history of public service as well as a track record in corporate governance.
45. There needs to be a clearly defined risk management system within the governance structure of Boohoo. There should be a Risk Committee which owns the subject, chaired by a Board member and reporting to the Audit Committee. The Head of Compliance should be a member.
46. The Risk Committee should produce an updated RAG-rated risk register following every meeting, which should then be provided to the Board. That risk register should articulate Boohoo's risk-appetite for each identified risk and a clear explanation as to how risks which have competing mitigating actions are to be reconciled.
47. Risk management should be a standing item on the Board agenda with the report and the Actions clearly Minuted.
48. All committees should have agreed Terms of Reference, to be updated annually. The Audit Committee's Terms of Reference need to be updated (the copy we have is dated 2014).

LONG TERM (within three years)

Training of Buyers

49. Boohoo should devise and institute a programme to educate all its buyers in the actual cost of fabricating garments in order to ensure that they do not drive cost prices below what is reasonable. Recruitment of new buyers should prioritise those with training in or experience of garment technology. Buyers should be encouraged to understand how designs can be adapted to reduce prices without compromising ethical and sustainability standards. There should be an internal audit programme to monitor compliance. Good performance against an ethical metric should be publicly recognised and celebrated within the company.

The 'Boohoo Academy'

50. Boohoo should fund and promote a skills-based education programme to upskill Leicester's garment manufacturers, with the twin objectives of

- a. improving productivity and
- b. developing the skills to manufacture more sophisticated clothing which is capable of competing with that produced in overseas factories.

Branding

51. Boohoo should consider slightly repositioning the narrative of its branding. They should aim to be "*the first choice for the fashionable and thrifty young woman with a social conscience and who cares about the environment*". They should work with a public relations company to inform their customers (including via the website) about their sincere commitment to maintaining UK jobs which have ethical and environmentally sustainable standards and why this is consistent with the Boohoo brands. They should consider having a 'Leicester champion' whose name could be publicised.

Recognising Leicester workers as Boohoo ‘cousins’

52. The factory workers who make the clothes upon which Boohoo’s success is founded, whilst not becoming employees, should be celebrated as (and made to feel) part of the Boohoo family. Thought should be given to events which include not just the factory owners but their workers. The aim should be to create a greater feeling of partnership between these two business-critical components. Examples might include:

- i. Regular visits by factory workers to Boohoo brand headquarters and reciprocal visits to the factories, particularly by buyers;
- ii. Joint conferences and educational programmes;
- iii. Work experience programmes and apprenticeships at Headquarters for some children of factory workers who are interested in a career in retail;
- iv. Having at least one social event a year to which the factory workers are also invited.

Governance

53. Board training should be strengthened by a series of ‘awaydays’ devoted to developing governance skills.