

Environmental Audit Committee

Oral evidence: Fixing Fashion: follow-up, HC 874

Wednesday 16 December 2020

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Members present: Philip Dunne (Chair); Duncan Baker; Feryal Clark; Barry Gardiner; Robert Goodwill; Marco Longhi; Caroline Lucas; John Mc Nally; Alex Sobel; Claudia Webbe; Nadia Whittome.

Questions 1 to 133

Witnesses

[I](#): Fiona Gooch, Senior Policy Adviser, Traidcraft, Peter Andrews, Head of Sustainability Policy, British Retail Consortium, and Dr David Moon, Head of Business Collaboration, WRAP.

[II](#): Adam Clarke, Deputy City Mayor and Environment & Transportation Councillor for Aylestone ward, Leicester City Council, and Matthew Taylor, Director of Labour Market Enforcement, HM Government.

[III](#): Mahmud Kamani, Executive Chairman and Andrew Reaney, Responsible Sourcing and Product Operations Director, Boohoo Group, and Kelly Byrne, Commercial Director of NastyGal.



Examination of witnesses

Witnesses: Fiona Gooch, Peter Andrews and Dr David Moon.

Chair: Good afternoon and welcome to the Environmental Audit Committee. We have a one-off hearing today, as a follow-up to our Fixing Fashion inquiry undertaken by the predecessor Committee, which reported in February almost two years ago. We want to see what progress has been made on the social and environmental sustainability elements of the fashion industry in the UK.

We have three panels. I would like to introduce our first panel representing the wider trade. We have Fiona Gooch, who is the Senior Policy Adviser from Traidcraft Exchange. Hello, Fiona.

Fiona Gooch: Hello.

Chair: Peter Andrews, who is the Head of Sustainability Policy at the British Retail Consortium. Peter, hello.

Peter Andrews: Good Afternoon.

Chair: Dr David Moon, the Head of Business Collaboration from WRAP. Good afternoon, David.

Dr Moon: Good afternoon.

Chair: I will hand over now to Alex Sobel, the vice-chair of the Committee, who will ask the first set of questions.

Q1 **Alex Sobel:** I was also on the Fixing Fashion inquiry that concluded at the beginning of last year. We heard some horrendous evidence about the fashion industry, fashion manufacturers, not just around environmental and sustainable standards and regulations but also around issues of workers' rights and social conditions. We also had reassurances and promises around improvements by fashion manufacturers. I will not go into any particular ones, although we are going to hear from one later. In general, I would like to hear from you what progress has been made since we published that report last February. I will start from Peter Andrews from the BRC to give the retailers' perspective.

Peter Andrews: Yes, there has been progress made since the last inquiry. I will start with environment first. The Sustainable Clothing Action Plan has reported progress. I will not take away anything of what David Moon is about to say but we are delighted to see there has been a 16% reduction in carbon footprint of clothing, an almost 20% reduction to water footprint and a 2% reduction in the waste footprint of clothing.

At the same time a number of initiatives have been launched. The BRC has launched a climate action road map to get the entire retail industry to net zero—and that includes the products that are sold to the UK public—by 2040, as well as the launch of the UN Fashion Charter to drive us towards tackling climate change.



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There have been a number of developments on human rights. The ACT on fair wages has been evolving over recent years to build the agreement to engage between global brands, retailers and trade unions to transform the garment industry and achieve living wages for workers and collective bargaining at industry level. We have also launched the Apparel and General Merchandise Public and Private Protocol and improved it over the last year, to bring together the UK fashion supply chain to tackle the systemic exploitation issues that are happening. That brings together retailer, manufacturers, law enforcement and civil society.

Lastly, with the pandemic that we have had over this year, there has been a knock-on effect on supply chains. Through the ILO call to action, lots of brand leaders have come together to try to see how they can work both collectively and with the Government to minimise the impact on supply chains.

However, with all this being said, we believe that exploited garment workers in the UK are being denied over £2 million a week in unpaid wages and we have been repeatedly calling on the Government to introduce a fit trade licensing scheme to end this systemic injustice.

Q2 Alex Sobel: Thanks, Peter. Some progress but obviously there is a lot of work to do. Fiona, you are part of retail that is out to ensure we have ethical garments and other products. From your perspective, how do you feel progress has been achieved in this last period since our report?

Fiona Gooch: First, thank you, ladies and gentlemen, for the opportunity to talk with you. Traidcraft Exchange is the sister charity to Traidcraft Plc. We focus on supporting workers and farmers being able to benefit from mainstream trade, and where mainstream trade is not working then we campaign if necessary, so our observation is much broader than the ethical market.

I am delighted you are revisiting Fixing Fashion because unfortunately there have been some real problems recently. Your Fixing Fashion report very clearly set out that it is not appropriate to simply blame unethical factory owners and I quote, "Retailers purchasing practices create a race to the bottom culture in the industry through their demand for cheap prices, rapid deliveries and punitive financial culture which imposes huge fines on producers [for late production]. This creates an environment for a precarious employment shifting the trend from permanent workers to temporary workers".

This indeed is the trend that has carried on since your Fixing Fashion report. Evidence that we submitted to you, about problematic purchasing practices and consequences on garment workers, is what we have focused on because we see that this is where there is a need for action and, interestingly, evidence came from other brands, also including the British Retail Consortium and the British Fashion Council that we needed to look at purchasing practices. It is the key driver for working conditions.



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Since the Environmental Audit Committee's report there has been a very big study produced by the Human Rights Watch and it is called, and I have a picture here, "Paying for a Bus Ticket and Expecting to Fly". That is the attitude of retailers towards their suppliers.

Both manufacturers and workers interviewed in Cambodia, Bangladesh, Pakistan, Myanmar and India were interviewed for this and it is clear that the workers reported not being paid for the time they worked, the use of casual and temporary contracts to evade pension and maternity entitlements, pressure to work faster and breaks being reduced even for going to the toilet. The report singles out that it is brands' poor purchasing practices that is a significant part of the root cause for rampant labour rights abuses in garment factories.

There have also been studies in the UK highlighting problematic working conditions outside of Leicester. It is not a Leicester-only problem. It is a UK nationwide problem and an international problem. The reason why these problematic purchasing practices persist is that the key business of a retailer is to buy for resale. A retailer does not make a single item themselves; purchasing is the core activity of a retailer. How they purchase underpins the profits they make from resale so intervention is needed to stop large scale garment retailers applying abusive purchasing practices with consequences for thousands of suppliers and millions of workers. I hope my later answers can build on that.

Q3 **Alex Sobel:** In short, Fiona, purchasing practices have deepened and embedded what we saw last year and fashion is still playing fast and loose with workers' rights.

Fiona Gooch: Yes, and Covid-19, which I hope I can explain a little bit more, has highlighted that even more.

Q4 **Alex Sobel:** Thank you, Fiona. On to David Moon at WRAP, you might want to concentrate on the environmental aspect from a WRAP point of view. Do you think there has been progress on the environmental front?

Dr Moon: That is right. All my evidence is on the environmental side. Certainly, within the Sustainable Clothing Action Plan 2020 commitment we have seen progress, so compared to the results we would have looked at two years ago the carbon footprint of the SCAP signatories has reduced from just under a 12% reduction to around a 16% reduction on our baseline year. The water footprint has reduced. It is down to almost 20% reduction compared to a 15% target. The waste footprint has also reduced. We had a smaller target here of 3.5% and it has gone from 1.1% to 2.3% reduction.

The fourth SCAP target is about clothing in household residual waste. We do not have any update to report there. Our previous data were for the 2017 year and we have not collected data since then. We will be collecting the 2020 data when we report the final outcome of SCAP next year, but the figure in 2017 was a 4% reduction compared to a 15%



target. We know that the waste target will be challenging to achieve. Part of our evidence on that is consumer research that we have done—consumer surveys—in May and October this year that tell us that disposing responsibly of used clothing has been difficult during lockdown. People would like to use charitable routes—either charity shops or charity bags—and they have found that difficult.

Alex Sobel: I will let others follow up on that about the effects of Covid-19. That obviously is a short-term effect and we are more interested in the long-term trends in the industry, but I will hand back to Philip now.

Chair: Thank you very much, Alex. As I understand it, the current industry-wide proposals of SCAP comes to an end this month and Barry is going to ask some questions about the replacement scheme for Textiles 2030.

Q5 **Barry Gardiner:** Dr Moon, I am slightly taken aback by your answers because I am right in saying that some of the changes you have described were attributable to the way the electricity was generated in the UK—so not all of these can be laid at the door of the wonderful changes that have taken place in the industry itself, can they?

Many of the improvements have been outweighed by the growth in consumption because the industry keeps on churning it out, encouraging more people to buy it and that increase is creating an even bigger problem for it. How is your new 2030 textiles programme going to address those fundamental underlying problems, and some of the problems that Ms Gooch spoke about, and achieve real change here rather than just tinkering around?

Dr Moon: First, can I provide some clarification on the point of carbon reduction? Textiles 2030, as you observe, has carbon reduction as a really strong, ambitious headline. Since 2012, of that 16% reduction in the carbon footprint 1.75% was due to the change in the electricity grid mix. There were much bigger contributions, for example, from the changes in the fibre mixing garments sold by the signatories, from lower temperature washing that, for example, is influenced by what the signatories have put on care labels or on detergent bottles.

Further improvement actions like switching to more sustainable cotton and collecting garments for reuse and recycling or lower impact methods of dying, so they have actively contributed to achieving that 16% reduction and they have already exceeded the 15% target one year ahead of schedule. I think they have made significant progress but you are right in saying that we need to be more ambitious.

Q6 **Barry Gardiner:** That is outweighed by the growth in consumption—the progress that has already been made.

Dr Moon: Yes. The population had grown by 2 million. Clothing consumption has increased by 3% per annum, so we are looking at: has the performance of signatories in putting less damaging clothing on the



market improved? Yes, it has but the overall impact, the overall inventory has gone up.

Q7 Barry Gardiner: Your Textiles 2030 pledge, which you are asking industry to sign up to on a voluntary basis, how is that going to deal with all these problems and we are not going to find a situation where, yet again, the improvements you are urging them to make are not outweighed by the growth in consumption?

Dr Moon: In Textiles 2030, we worked with our stakeholder advisory group and there was strong—I would say unanimous—backing that Textiles 2030 needs to adopt a target that is consistent with the Paris Agreement. We need to adopt targets that are in line with a 1.5° trajectory, so that is more ambitious than the UN Fashion Charter that is currently a 30% target. A 1.5° trajectory means a 40% to 50% reduction.

How would that be achieved? That would be a combination of actions. In particular, it would include a move to much wider circularity. We did some scenario modelling and the combination of the expected UK group in carbonisation was about a 7% reduction and about a 40% reduction from actions such as clothing reuse, clothing durability and designing out waste would allow the target to be achieved.

Q8 Barry Gardiner: A lot of this is consumer behaviour. One thing that politicians have learned over many hard years is not to go against what the Women's Institute says. They have said that there should be a target to reduce the shedding of microfibres from synthetic garments. You have not included that in your Textiles 2030 targets, have you?

Dr Moon: No, we have not. We looked at this and we did a review that we published in December 2019 and concluded that more research is needed to understand the problem and the solutions. You have to look across the whole life cycle of clothing and across all fibre types.

There is research underway in academia and there are industry consortia, such as Microfibre Consortium and Industry Acting on Microfibres and a number of major retailers and brands are involved in both those consortia. They are developing the research to fill those gaps. Once we know clearly what it is that retailers and brands need to do then we would look to include that in the design workstream of textiles 2030. We do not have the funding ourselves to fill the evidence gaps on these topics but once there are measurement systems in place and the solutions are identified we would be pleased to include those within Textiles 2030.

Q9 Barry Gardiner: Thank you. If I can turn to you, Mr Andrews, all of us understand that this is a desperate time for people in the high street and these are the retailers that you represent. There are many hard words I am sure this Committee will be putting to you this afternoon so let me try to put some softer ones.



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As the Head of Sustainability, how do you think your members from the Consortium can be incentivised and supported, first, to use a greater proportion of recycled and reused fibres in their product ranges, but, secondly, to respond to the very real challenge that Ms Gooch put in her opening remarks to the Committee?

This is not just about making sure that your patterns are tighter and there is less waste. It is not just about the fibres and textiles you use. It is about the fundamental basis of the industry and you are the Head of Sustainability for retailers. What are you doing to challenge that whole framework in which the industry operates?

Peter Andrews: Thank you for the question. I will start with the recycled fibre tax proposal. We think that many mechanisms are needed to stimulate the uptake of recycled content within our clothing. A VAT reduction on textiles demonstrating circular economy attributes, such as recycled materials or increasing the duration of the clothing, could have a big impact in encouraging all retailers, large and small, to adopt more of these sorts of principles.

On your second point around the wider context, we strongly believe that retailers have a duty to hold to higher standards of ethical environmental practices and we have been campaigning for many years to drive things on both the environmental side and on the ethical side. We set up a campaign called Better Retail, Better World to contribute to the UN sustainable development goals to drive things forward and, as I mentioned in my opening piece, we are now focusing a lot of efforts on climate action to get the entire retail industry to net zero by 2040. That is 10 years ahead of the UK Government target and far ahead of other targets we are aware of.

The industry is recognising its responsibilities and certainly the stakeholders of the industry are putting increasing pressure—whether it is from Government through new and existing legislation, whether it is through our customer base demanding more green, ethical products, more transparency, as well as our investors who are asking more and more of these things.

All these things are coming together to drive businesses going forward. We need to make sure that the playing field is level as much as possible for businesses so that responsible business practices are encouraged as much as possible.

Q10 Barry Gardiner: Who are the people making the playing field unlevel at the moment? Which of your members are tilting the playing field so that others feel obliged to move down to the lowest common ethical denominator?

Peter Andrews: I am not able to say any company names and I think it is not right picking out one or two because there are thousands of retailers—



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Q11 **Barry Gardiner:** Okay. In that case tell me what you are doing, as the Head of Sustainability, to be in dialogue with those companies, to say that you disagree with the trend they are setting and that, as an industry, you should be trying to work and put pressure on them.

Peter Andrews: Absolutely, so we are encouraging all companies to sign up to support our climate action road map. I should say we are not a regulator so we cannot force companies to do certain things.

On the ethical side, we are encouraging as many companies as possible to join the apparel and general merchandise public private protocol. Those standards will be set around purchasing practices, looking at other mechanisms to ensure the fashion industry in the UK is much more sustainable.

Q12 **Barry Gardiner:** Do you as Head of Sustainability have a veto on any of the awards ceremonies in your industry for retailers that you believe are not compliant with the highest ethical standards and sustainability targets?

Peter Andrews: We do not have a veto, no.

Q13 **Barry Gardiner:** Why don't you get one? Is that a useful thing you could take away from this Committee?

Peter Andrews: I think there are others out there that are very powerful in influencing that and there is a critical role for Government to make sure that all businesses are held up to a certain minimum standard. We do see that certain businesses are not delivering ethical practices and when we come to the licence fee proposal I will be able to expand on that further.

Q14 **Barry Gardiner:** Dr Moon, you say you want to increase the circularity in the fashion industry as one of the ways of driving towards your 2030 targets to reduce emissions. Does that mean that we should be applying a plastic tax on the use of virgin synthetic fibres, like polyester?

Dr Moon: I think a tax of that sort could be a useful complement to voluntary action. A set of policy actions, including extended producer responsibility; the resources and waste strategy for England also refers to eco-design standards and consumer information and I think a suite of policies would be effective. Certainly, in the plastics sector we have seen in the UK Plastics Act, which we manage, that the likelihood of a plastics tax is concentrating minds around introducing more recycled content and packaging.

Q15 **Barry Gardiner:** Would it be helpful if your Textiles 2030 pledge was not just a voluntary one but there was some mandatory compliance that was required here?

Dr Moon: It could be helpful. The previous report from your Committee identified that SCAP had a finite market share, so we had just under half of UK sales volume involved.



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One of our ambitions, in response to the Committee's previous findings, is that Textiles 2030 should have a much wider membership across the sector but yes, inevitably, it is purely voluntary, particularly in the current challenging economic times. It may be difficult to recruit all the numbers that we want. If there was some mechanism—and I do not know exactly what that would be—that helped to increase the membership of Textiles 2030 we would be more effective in driving system change and sharing good practice across the whole sector.

Q16 Barry Gardiner: Are you talking with Mr Andrews about how the BRC could contribute to putting pressure on its members to sign up to your Textiles 2030 proposal?

Dr Moon: I don't know about putting pressure but certainly we are talking to the British Retail Consortium. They have already joined Textiles 2030 as an affiliate signatory. We are also talking to some of the individual businesses where they have multi-brand platforms. Would they help us to reach some of the brands that they work with? We are exploring multiple avenues.

Barry Gardiner: Thank you very much. I go back to you, Chair, to take us forward.

Chair: Thank you, Barry. Now we have some questions from Feryal Clark. Feryal, could you unmute?

Q17 Feryal Clark: Thank you, Dr Moon. I spent many years in local government watching local government across the country spending hundreds of millions of pounds collecting and trying to dispose of fashion waste, so my first question is to Dr Moon. The Government's resources and waste strategy has identified textiles as one of the five waste streams that require further action. How strong is the case for extending producer responsibility schemes for textiles, would you say?

Dr Moon: One of the key cases for it is around the climate impact. As Barry Gardiner indicated, the consumption of clothing is increasing. We also know from published research that the utilisation of clothing is decreasing and, therefore, the carbon footprint of clothing is going in entirely the wrong direction. We do need a cut of something like 50% in carbon emissions if we are to achieve a 1.5° trajectory.

In terms of contribution to greenhouse gas of the UK, textiles accounts for around 5% of the greenhouse gas footprint of the UK. Therefore, it is significant. The other significance is in terms of waste. We are seeing a high volume of clothing going to waste and particularly non-clothing textiles. For all these reasons I think it is a candidate for early application of extended producer responsibility.

Q18 Feryal Clark: Thank you, Dr Moon. My follow-up question is to Peter. Would retailers support an EPR for textiles and how would they like to see any such scheme designed?



Peter Andrews: Thank you for the question. Yes, we would certainly support the exploration of an extended producer responsibility scheme for textiles. We hope it would encourage retailers to take more positive action to improve the sustainability of garments on sale in the UK. WRAP's Textiles 2030 commitments for a row-back on the sector for me is a great place to start and should be explored further.

Many retailers are doing take-back schemes and this could also encourage further take-back schemes. The collecting of textiles from homes and other places is critical, as is to have the sorting infrastructure in place so that we can make sure we can get the materials back from the waste stream and even put them back into new clothes. We would be very keen to explore that further and work with the Government and other stakeholders too to see how it could be implemented.

Feryal Clark: That is all from me, Chair. Over to you.

Q19 **Chair:** Thank you, Feryal. Following up on that point, we know that the Government have identified textiles as one of the five areas for the Resources and Waste Strategy, but they have said they only intend to take forward two of these by the end of 2022.

Can you give the Committee any sense—any of you, from your discussions with Government—as to the relative priority of clothing and textiles within the WRAP ambitions of the Government, the Resources and Waste Strategy? Given that it has one of the highest impacts in terms of water abstraction to be able to grow natural fibre cottons and so on around the globe, do you see it as a priority compared to some of the lesser impact, potentially like fishing gear has a big impact on marine life, but it is a relatively small amount of material compared to the millions of tonnes of textile waste?

Dr Moon: In terms of the priority, I would say that the first priority that is being worked on is to address packaging. Yes, my personal viewpoint is that textiles is then a high priority, as I mentioned, because of the carbon waste impact, but also because extended producer responsibility would help us to solve a problem of how you increase circularity in the textiles sector. We have the problem that you could collect more and more used clothing, but the markets for that clothing seem to be very limited. Traditionally, a lot of used clothing has gone to overseas markets and those markets are reducing.

If you really want to tackle carbon emissions by creating a circular economy in textiles, you have to get the investment in place to close the loop. You need better collections; you need to automated sorting. You need the new technologies: for example, chemical recycling to turn fibres back into fibre. The only way to get that sort of investment is to make it economically viable and commercially attractive. I believe an EPR scheme could do that. There is a market problem to be solved and EPR seems to be a way to solve it.

Q20 **Chair:** We were obviously disappointed, as the predecessor Committee,



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that our recommendations were effectively ignored by the Government. The one thing they did do was to add textiles to one of the topics to be consulted on, but over the next five years, which seems a long time. Does the BRC have a view as to the priority that the Government should be giving to this and are you in favour of it?

Peter Andrews: We would certainly support exploring EPR for textiles. We agree with WRAP that at the moment the priority is right on packaging, but textiles seems to be the logical next step. There is a huge potential there to make improvements in the UK and internationally, so we would be keen to engage.

Q21 **Chair:** Thank you. Fiona, do you have an observation about the Government priority here?

Fiona Gooch: No, I will not make a comment on that space.

Chair: Thank you, that is very helpful. I am now going to ask Duncan Baker to wrap up this section.

Q22 **Duncan Baker:** I want to turn to how it is best to regulate the garment trade. In particular, first of all to Fiona, we know that the pandemic has had its impacts on all industries, including the garment industry. We know that brands in particular in this space have enormous amounts of power. Can you give an indication of just what impact the pandemic has had on the relationship between fashion retailers and their suppliers specifically?

Fiona Gooch: Thank you for the question. What we have seen, as a result of trade disruption caused by Covid, is that there is an enormous power imbalance between retailers and their garment suppliers. Internationally it is estimated £12 billion worth of clothes have not been paid for. Just imagine the waste of that. We also have millions of workers who have lost their jobs. We have between £2 billion and £4 billion worth in wages owed. The ILO—the International Labour Organisation—estimates that 86 million garment workers are in severe hardship.

When we come to the UK, unfortunately the UK is among the worst for cancelled orders. Specifically by June 2020, approximately 80 UK retailers had cancelled orders worth more than £750 million just from Bangladesh. This was for finished items already landed in the UK on the sea on ships, stuck at ports in the supplier countries, partially finished goods in factories and also planned orders. This is an enormous hole in a single country's economy. That is cancellations.

Then we move on to discounts. Retailers ask suppliers for discounts of more than 30%. That means that the supplier is being asked to subsidise not only wages, but raw material costs. Then we move on to delayed payment terms. The Garment Manufacturers Association of Cambodia remarked that by June 2020, payment terms had reached 120 days. Sports Direct moved its suppliers on to 180 days. Some retailers have



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wanted retrospective rebates and most are asking for future discounts. This is absolutely horrendous.

The decisions of individual retailers are very significant. By June 2020, Primark had cancelled more than £98 million just from Bangladeshi suppliers. Asda, which stayed open the entire time and had an increased footfall, had cancelled 5%. These retailers are buying from hundreds of factories. For example, Arcadia bought from more than 600 factories in 2019.

What are the consequences? On individual workers, where they are living in a country with no social security, they are destitute. One Bangladeshi woman, Asma, told our partners that she lost her job because the buyers had cancelled orders, but for the past three months she has had no money to support her parents and her child in her home village. This desperate story has rippled all the way across the global south, where garments are made, but in some instances there is also concern in the UK.

Often garment workers are the main breadwinners of their family and they can now no longer pay rent, they cannot buy food, they cannot pay for their children's education, much less medical care, given that we have Covid. Many workers who still have jobs are in very unsafe conditions. That is both internationally and, as we know, in Leicester. Corners are cut when suppliers are under pressure to deliver fast to retailers. Some of the actions by the UK's largest retailers are unlawful. They are a breach of contract. We need to clock this. Traidcraft Exchange has highlighted this in the past and this is why there is a need for Government action and that is why we are calling for a regulator.

The other point that I want to make in relation to the fact that we are seeing widespread instances of businesses going into administration is that garment retailers are unusual. Traidcraft Exchange ran a fast fashion crisis campaign starting the first week of April. We targeted the 14 largest companies by market share. All of them had made a profit at some point in the previous three years and for most of them, all of the previous three years. In several cases, we would judge it is the choice of the owner to put them into administration. In good times, some of these businesses have taken out millions. Eight of the 14 retailers that we included in our campaign are owned by millionaires or billionaires. This is incredibly unusual. If we look at food retailing, they are Plcs, but the consequence of this is felt on garment workers.

I also want to make a point about voluntary action. It is not possible to persuade retailers to change their abusive purchasing practices. Sixteen thousand people campaigned with Traidcraft Exchange, asking the brands to pay up. This was ignored. There have been media exposés. That has been ignored. The Prompt Payment Code has been ignored. That is why we are calling for a regulator. Thank you.

Q23 **Duncan Baker:** I want to come on to that now. That is an incredibly



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powerful picture that you have painted of the staggering level of imbalance that there is in the industry, which I think everybody will probably find deeply shocking.

Can we just come on to that regulator? It is something we do not have time to talk on at length, but it is incredible, the picture you have just painted. In your view, you have suggested that there could be a sort of Groceries Code Adjudicator, which would serve as a model for regulating the industry. Of course we have seen that type of system work reasonably successfully between supermarkets and suppliers. Can you just explain that in a bit more detail and what lessons you have seen in the food and farming sector that we could apply to regulating the garment trade?

Fiona Gooch: First of all, going back to let's say 2013, when the Groceries Code Adjudicator was set up to regulate the largest food retailers, it was not sure whether or not it was possible to regulate purchasing practices, but this Groceries Code Adjudicator for the food retail sector has been very successful. In 2014, the annual YouGov survey of suppliers found that 79% of those suppliers had experienced breaches of the Fair Purchasing Code that that adjudicator oversees. That was 79% in 2014. By 2020, it was only 36% of suppliers experiencing abusive purchasing practices, so we know that it is possible to regulate purchasing practices in an effective way in a manner that does not impede on innovation or competition. I think that is the first thing to say.

The other things that probably are worth highlighting is that the Groceries Code Adjudicator is the most remarkably cost-effective adjudicator we have. It only costs £2 million a year, and yet it is overseeing retailers with turnover of more than £13 billion. When we look at the garment sector, the retail sector is worth £53 billion. The potential economic detriment that these fashion retailers are causing in the supply chain is enormous and it is important that we curb these purchasing practices, not only to enable better working conditions but I would also argue to reduce waste, because the volatility of what we are seeing upstream with indicative orders then being changed to final orders is highly problematic and results with suppliers losing money. Ultimately, that is felt by workers.

The other point that I would like to draw to your attention to is that, because the garment retailers have put their suppliers on to long purchasing terms, we have observed something slightly unusual in our supermarkets. They are treating their food and their non-food suppliers differently and I would argue it is because of the lack of the regulatory oversight on garments.

M&S is paying its food suppliers in 19 days; it pays its garment suppliers in 120 days. Asda has put its non-food import suppliers on to 90 days; everyone else is on less than 60 days. Sainsbury's, the difference in average is 45 to 75 and Tesco also has a difference. We feel that the need to curb abusive purchasing practices is where the priority needs to



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be because there is no action in this space at the moment. We need it for a level playing field, which is also what the British Retail Consortium acknowledged in its submission.

Q24 **Duncan Baker:** I want to come on to that, but that is fascinating background information. I certainly was not aware of such a disparity between non-food and food, which I am sure many people did not realise.

I want to come on to Peter Andrews and then let him have a chance to also speak about some of this. I know that the British Retail Consortium has somewhat of a different view and would rather see a licensing model. I also note that that has been supported by the TUC. Given what we have just listened to, why do you think that option would be preferable, Peter?

Peter Andrews: Thank you for the question. We believe licensing is a solution, but we do not say that it is the entire solution. Likewise, the proposal from Traidcraft Exchange for an adjudicator, we can see some benefits from it, but we do not believe it will get to the heart of the practices and preventing the challenges unless licensing is also part of that.

What we believe is that there is a huge potential in the UK to build a world-leading ethical and innovative manufacturing base. As well as building our trade balance exports, it would provide lots more jobs for the future, but we believe that this is being undercut by these systemic and endemic labour exploitation practices that are happening. Where these situations are arising or where any situation of labour exploitation arises, the focus should first be on those who are committing the offences and those factory owners and factory managers who are exploiting their workforce by underpaying them their wages that are due and making them work in unsafe working conditions. As I mentioned, these are systemic issues, not just limited to Leicester, but Leicester is where there is a big and significant problem.

A licensing proposal would mean that any factory would have to have a licence to open and trade. To get that licence, it would need to be checked that it is meeting the minimum requirements for any business and that includes checks of payment of national minimum wage, PAYE, health and safety and so on. For that, any retailer would then only be able to use a licensed factory. If a retailer was using an unlicensed factory, that would result in punishment for a retailer. We believe that this a real solution to back an ethical injustice in this country, but also to address a potential huge economic opportunity.

Many of the retailers I have spoken to are reducing their UK footprint and sourcing more and more from overseas because of these challenges. They want to source more from the UK and these are the barriers that are preventing them from doing so. We do echo that purchasing practices do certainly need to be improved and through the Apparel and General Merchandise Public and Private Protocol, as I mentioned earlier, there is a programme of work underway to explore that. Also, we would be open to



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exploring a regulatory approach, whether it is some type of adjudicator, whether it is some type of human rights due diligence, whether it is joint responsibility, the proposed and foreseeable enforcement body consultation.

I would go back just quickly to the adjudicator role, the challenge with the existing adjudicator. There is a lot of benefit. It can carry out independent investigations. It has the power to challenge companies and hold them to account, but currently the challenge is around funding and resource. It is only covered by 10 retailers. They are funding it and they have to carry that burden. Within the garment industry we recognise that there are many more retailers, and so it is: how would that work in terms of funding? The scope is very tightly defined in the Groceries Code Adjudicator. It only covers direct suppliers but within the garment industry we know subcontracting is a big challenge and we need to get to the heart of that.

We need to make sure that any scope of any regulation on purchasing practices encompasses all retailers, all brands, but it can only achieve meaningful impact on the ground if it is accompanied by licensing. Licensing we believe, first and foremost, is the solution here.

Q25 **Duncan Baker:** I am going to come back to you in just a moment, Fiona, just to wrap up. There is a bit of regulating in there, there is a bit of licensing in there. Is this fair to say, there is a balance? Can retailers be trusted to be ethical? Fiona, licensing factories, is that ever going to be some way—part way—to improve the conditions of workers? Sure, we always know that there are going to be good and bad businesses that will behave ethically and morally towards industries. In your view, could you see any sign that licensing is partway to being able to improve conditions?

Fiona Gooch: Thank you for the question. The reason why we are prioritising stopping abusive purchasing practices is that there is no regulatory action in that space at the moment. The problem with licensing is it is potentially duplicating what we already have existing law to do. That existing law is not being implemented or enforced well, so should the priority not be to look at fixing that problem in that space and rather prioritise where we have a complete gap, which is on the regulation of purchasing practices?

As I have explained, the previous track record of the garment retailers means that it is impossible to get them to improve voluntarily. That then creates competitive pressures among themselves, such that even better retailers are pulled downwards and cannot continue to treat their suppliers ethically. The priority has to be to set up a garment trading adjudicator.

If possible, we would like your Committee to call on the Government to issue a White Paper proposing that, to model the garment trading adjudicator on the Groceries Code Adjudicator. Then obviously we would



have a discussion about: what is the statutory code that that adjudicator would oversee and how would that adjudicator oversee the scope? The food sector adjudicator has already expanded that scope. It started with 10 retailers; It has expanded to 13 retailers.

It is possible to expand scope and we would obviously be needing to see a greater number of retailers pulled into the scope of a garment trading adjudicator from the offset. I would also say that the scale and the profitability of garment retailers means that they can afford to do this.

Duncan Baker: That is fascinating and a very interesting set of questions, so thank you very much, both of you, for those answers. That concludes my questions, Chair.

Q26 **Chair:** Thank you very much, Duncan. Just before we finish this panel, I am afraid I cannot let Mr Andrews leave with the comments that he has just given in answer to your question, Duncan, without asking him a couple of follow-up questions myself. Can you tell us, please, Peter, what proportion of the British Retail Consortium's clothing retailers source goods from within the UK and from outside of the UK? Your response was I think very focused. You talked about an endemic problem in the UK garment trade and seemed to not comment on perhaps even worse problems in the garment trade in other countries. What proportion of UK garments are sourced abroad?

Peter Andrews: I am afraid I do not have the numbers to hand. What I can say is that, from the discussions that we have had with retailers, they were sourcing from between 100 and 200 factories five years ago. They have reduced that to probably around 20 in the UK because of the systemic problems that we have seen. I am not saying there are—

Q27 **Chair:** How have they changed their buying practices overseas?

Peter Andrews: Overseas they have managed to find factories that are much keener to work with them and meet their high ethical standards. In the UK, where they have tried to introduce high ethical standards with factories, factories have tended to turn around and say that they can find customers that are not going to ask the tough questions. Overseas there is much more willingness to engage and to improve working practices, hence that is why a number of retailers have moved abroad. I am being very general in what I am saying and I am not overstating that there are many challenges in the fashion industry globally as well as in the UK.

Q28 **Chair:** I am afraid I find what you are saying scarcely plausible. Countries like Bangladesh, Myanmar, China, perhaps Pakistan and Turkey—we hear stories of very bad labour market conditions and very low wages. Recently, even elsewhere in Parliament today, there is a debate on whether or not there is forced labour being used by the Chinese in Xinjiang province for the Uyghurs; I think your members are trying to identify whether or not they are sourcing from that province.



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Peter Andrews: Yes, I am certainly not disputing there are other problems elsewhere. If we look to Bangladesh, though, there has been an initiative—the Bangladesh Accord—which has led to big improvements in working conditions and working practices and has built up long-term relationships between retailers and suppliers in that regard. What I am saying, though, is that in the UK we have a big challenge. We have an opportunity and a solution to mitigate that challenge and we believe that the time is right to now to address that.

Q29 **Chair:** Could you kindly write to the Committee if you can find some evidence to substantiate what you are saying, both in terms of the proportion of clothing that is imported and sold by your members as well as the better market conditions in other countries? That would be very helpful for the Committee. Could you also comment on what Fiona from Traidcraft said about the differential margins of many of your members, as between both margins and terms of supply, in particular, as between food and non-food goods?

Peter Andrews: Certainly, we will write to you with the evidence you requested. With regard to what Traidcraft said, I do not have the numbers to hand. That is an insight I have not come across before, so we will take that away and engage with Traidcraft on what it is saying.

Q30 **Chair:** Could you kindly engage with your members and ask them to provide some statistics for this Committee on, in particular, the terms of trade, so the length of time that they pay their suppliers on average for clothing versus food?

Peter Andrews: Absolutely, yes.

Q31 **Chair:** Thank you very much. Fiona, you mentioned the concept of future discounts that some retailers demand from their suppliers. I have never heard of that before. Can you tell us what it is?

Fiona Gooch: Essentially, the orders that are going to be placed in the future, the retailers have already advised the suppliers that they will need to buy those products at a cheaper price. If we were to compare orders that are being placed now—so this is December 2020—they warned their suppliers in the summer that the orders that they would be placing now would be 5%, 10%, 15%, 20% cheaper than what they had placed in December 2019.

Basically they are saying, “If you want to sell to us, you have to be able to sell to us at a lower price”. Given that life is extremely tough in many of these countries and wages are already not sufficient to live on, this has devastating consequences for workers. I would also say, given that I have explained these payment terms have extended so far, suppliers are really, really being squeezed to be able to manage cash flow at this moment in time.

Q32 **Chair:** These are suppliers from around the world, they are not just in the UK that you are talking about?



Fiona Gooch: Correct. I am able to give you some answers to what you were asking for in terms of where UK retailers buy from. It is more than 180 countries supply us with garments and the top five are China, and we import from China £5.2 billion, Bangladesh we import £2.7 billion, next it is Turkey, Italy and India, so we have a—

Q33 **Chair:** By comparison, how much is sourced from within the UK?

Fiona Gooch: I do not have that data straight to hand.

Chair: It would be very helpful if you were able to get hold of that. Between you and the evidence from Peter Andrews, we might be able to get an accurate picture of what is happening. I would like to conclude this panel. Thank you very much indeed to Fiona Gooch and Traidcraft, Peter Andrews from BRC and to Dr David Moon from WRAP. That is the end of the first panel. Thank you so much. You are very welcome to stay and listen to the rest of the session if you would like. We are going to move straight on to our second panel.

Examination of witnesses

Witnesses: Adam Clarke and Matthew Taylor.

Q34 **Chair:** I would now like to start our second panel of witnesses, looking at enforcement both across the UK and also what has been happening in Leicester. I would like to welcome Matthew Taylor, appearing before us on this occasion as the Director of Labour Market Enforcement, a role that I believe you have had now for a year and a half or so. Matthew, welcome.

Matthew Taylor: Thank you.

Q35 **Chair:** I would also like to welcome Councillor Adam Clarke, who is the Deputy City Mayor from Leicester. Could you just explain to us, please, Councillor Clarke, the role that you have in relation to this inquiry in Leicester?

Adam Clarke: Absolutely. Thank you ever so much for inviting me to talk to you today. I am the Deputy City Mayor here in Leicester. I have broad responsibility for the environment and transportation, but I have been asked by the Mayor to engage in these specific issues, not least because of the role of this Committee previously and the investigations. Seeing those environmental challenges and those social challenges is something that is helpful in the context of the textiles sector to look at as one, because many of those challenges are connected, as we have heard from previous contributions.

I would like to very much align myself to the contributions particularly of Fiona Gooch in the previous session. A lot of her reflections, particularly on the pressure on suppliers, was something that I recognised through the conversations I have had with the good employers in Leicester, who



are providing good jobs in our city, of which there are many. Obviously we recognise that there are challenges in the city too. I have been working across the authority, but also across the city looking at these challenges over recent times.

Q36 Chair: Thank you very much. We will come on to the work that you have been doing in a moment. I would like to start my questions with Matthew. I understand that you have a sort of overall strategic role in trying to get to the bottom of these challenges of labour market abuse, not just in relation to garment workers, but across the economy. Given the complexity and the number of organisations that are involved in trying to enforce different standards—we have the Employment Agency Standards Inspectorate, the Gangmasters and Labour Abuse Authority, the Revenue’s National Minimum Wage Team, local authority teams on health and safety and environmental standards, the Environment Agency—could you give us a sense of the different roles, powers and responsibilities that impact on the garment factory market in the UK?

Matthew Taylor: I could spend an hour answering that question but I will try to do it in one minute. My office oversees the work of three of the four primary agencies that undertake labour market compliance and enforcement. As you described, it is HMRC National Minimum Wage, which is the part of HMRC that is responsible for compliance around national minimum wage; it is the Employment Agency Standards Inspectorate, which is part of BEIS and focuses on regulations as they apply to employment agencies; and it is the Gangmasters and Labour Abuse Authority, which looks at the licensed sectors, agriculture and shellfish, and also has responsibility for the severe labour exploitation end of these issues. The fourth body is the Health and Safety Executive, which is four times bigger than the other three added together. That does not fall under my remit.

I produce a strategy every year with recommendations for those bodies and for Government. We also undertake an assessment of the scale and nature of non-compliance in the British economy. We undertake a risk review, identify risk sectors. The government sector overall has been traditionally in the second league of high risk. It is not the highest risk. Higher risk areas would include hand carwashes, nail bars, construction. Garments normally appear in the second rank and the reason is that the evidence of extreme labour exploitation and modern slavery in the garment industry in the UK is pretty limited.

There are major issues about non-compliance but not much of the evidence—and this is true also of Leicester—suggests that it is taking place at the extreme level. It is not to say there is none of it and it is not to say we should not care a lot about it and do something about it, but there is not a great deal of intelligence to say that that is a big issue, and that is why it would not appear. For example, our strategy that is about to be published looks at construction, social care, hand carwashes and horticulture as the four high risk sectors we are focused on.



Q37 **Chair:** As you know, this Committee and the predecessor Committee took a great of interest in the whole issue of modern slavery and essentially your remit. We undertook an inquiry into hand carwashes where there was undoubtedly some pretty extreme behaviour going on, mostly affecting men. Would it be fair to say that in the garment sector most of the exploitation is of women and much of it may take place in their homes where they are doing outworking, piecework in homes rather than necessarily in factories?

Matthew Taylor: I think there is no reason to believe that the pattern of non-compliance would be any different from the overall pattern of the employment. As you say, there is a strong gender bias in who owns these factories and businesses on the one hand and who works in them and also an imbalance of power. The question of what happens in people's homes is an area about which the intelligence we have is very limited. Of course, if those people working at home are able to portray themselves or to be portrayed as self-employed, they are not entitled to the rights and protections that apply to workers. That is not something that we have done a great deal of work on. I am sure it is an issue but that would take us to the very complex issue of employment status.

Q38 **Chair:** We heard in the previous panel a debate between the retailers who are in favour of licensing the manufacturers and Traidcraft who were arguing for an adjudicator, similar to the Groceries Code Adjudicator, as a better way to have more equity in the relationship between retailer and supplier. Do you have a view on that issue?

Matthew Taylor: I can see the merits in both arguments and personally I lean towards the idea of an adjudicator as certainly worth exploring. There are some significant issues with licensing. I have recently called for a mandatory licensing scheme for hand carwashes and that is because the level of non-compliance, including severe labour exploitation, is rife in that sector. It is a systematically non-compliant sector.

However, there are significant challenges with a licensing scheme in the garment sector. The first is the scale of that sector. The GLAA is hard pressed to license and inspect the relatively small numbers of labour providers in the agriculture sector. You would be talking here about having to license a vastly larger number of businesses. My view is that there is no point in having a licensing scheme unless you have the resources to enforce such a licensing scheme. We certainly do not have those now and I don't see much sign of the Government intending to put more resources into compliance and enforcement right now.

A second issue is that while hand carwashes are visible, otherwise they would not have a business, an awful lot of these factories, as you implied, are not visible. I think the obvious danger of any licensing scheme, which is that it drives people underground, is a bigger danger in this sector. A lot of these businesses are taking place in rooms, warehouses or, as you say, in people's front rooms. It is not hard to hide these businesses. It is not my job to make policy recommendations at that level but I think that



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there would be some major logistical challenges and if you can't solve those, the danger is that you have a licensing scheme that provides you with a false sense of security.

Q39 **Chair:** We will come on to this in another set of questions. I do not want to completely steal my colleagues' thunder but I hope that when we get on to the next set you will also give us your views on compliance.

Matthew Taylor: I have a specific idea that I would like to discuss later in the context of understanding what is happening in Leicester, but we can wait for that.

Q40 **Chair:** Thank you. If it doesn't come up in the questions, make sure that you make that point. I will turn to Councillor Clarke. When did you take on your responsibilities for the labour issue?

Adam Clarke: The labour issues transcend all portfolios in Leicester City Council but I took on this particular level at the time of the second lockdown in Leicester last summer. I was given much more focus because there were some convergences between the debates and the city mayor was otherwise disposed working on the lockdown issues.

Q41 **Chair:** Okay, so relatively recently. I want to draw to your attention a quote in the *Financial Times* by the former chief executive of New Look who is now the chief executive of Esprit, who was particularly critical of your council. I am quoting from the *FT* and he said, "In Leicester, it's slave-like conditions. Everybody knows about it and some firms are clearly ignoring it. I knew we had to move production out of Leicester in 2017 after we had meetings with local authorities who were just stalling, afraid to destroy the industry. I could have expected to have those kinds of meetings in Myanmar, but not in the UK". What has changed since 2017 from the council's perspective?

Adam Clarke: I don't recognise the reflection that you quoted and I obviously was not present. I am not sure which local authorities are being referred to but this is something that Leicester City Council, the mayoral authority, has taken seriously over many years, particularly in 2017 when we convened a round table with over 60 people from across the industry and across the issues. We worked with Matthew's predecessor very diligently to develop what is now the Leicester Labour Market Partnership where we are delivering a strategic approach that I think should be looked at by other areas and other local authorities.

This was done in the environment where we do not have enforcement powers in this area. As Matthew said, the agencies that deliver the enforcement here are elsewhere and that is an alphabet spaghetti of agencies—HSE, GLAA, EASI and others—who are working tirelessly, very hard, to create change. We have intervened to support the better understanding of the regulations and information sharing, hopefully to get better outcomes and better understand the issues. One of the key issues has been poor communication in respect of people working in the



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sector and that maintains a huge issue that with that complicated network of agencies, you cannot generate the reporting mechanism.

We have employed somebody at Leicester City Council—no other authority has done anything like this—to try to bring the agencies together in partnership and others and to work with agencies, including those mentioned in the previous session, to try to make some sense of what everyone agrees is an overly complex situation.

Q42 Chair: I accept that you don't have responsibility across the range and we have heard that Matthew Taylor has responsibility for different aspects of this, but the local authorities have responsibility for environmental health and health and safety at work within their areas. What kind of inspection regime do you have for garment factories in your city?

Adam Clarke: Our regulatory services have responsibilities in certain areas and there are other parts of the council that have the powers to enter premises, but we work closely with the agencies, particularly HSE, on the Health and Safety at Work Act element that you mentioned. We use those powers where we can. They do not relate to modern day slavery or non-payment of the minimum wage but where we feel that there are issues arising, we signpost to the relevant agencies. The Environment Agency, for instance, might go where there is an issue with the quality of water at the premises but they are not necessarily going to spot signs of modern day slavery, are they?

I think it is really important to recognise that there is a real need for people to be able to spot the signs across skills. That is why I think the idea of a single enforcement body is one that should be pursued with much greater vitality than it is at the moment. There is this complex network that means that the issues are not tackled as quickly as possible. We have asked for more powers previously through the Joint Committee on Human Rights work a few years ago. We welcome more powers that would give us more powers of entry.

Q43 Chair: You have been appointed by the mayor specifically, as you say, since the summer to look at eradicating labour market failures in the textile sector in Leicester. How many garment factories have you visited yourself since you were appointed to that role?

Adam Clarke: I have visited many garment factories. I have also held meetings with suppliers and garment manufacturers. I have visited some excellent suppliers and some suppliers who have told me anecdotally some of the situations they see in other factories. I have also held many meetings with retailers, trade unions and others who have given me a wealth of information to better understand what some of the issues are.

I want to reiterate that we have a thriving garment sector in Leicester that feels very undermined by the generic approach to criticising the whole sector in the city. As was said in the previous session, this is not a



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Leicester problem. This is a problem of an economy, an industry and of regulation and law.

Q44 **Chair:** As a Committee, I think we accept that this is not a unique problem for Leicester and we have had evidence that it applies in other cities that are strong in garments, such as Manchester and parts of London. But there is very much a problem in Leicester, as was clear from our predecessor Committee, as has been clear from newspaper reports ever since our report going back to 2015 but particularly since our report last year and again this year. How many garment businesses or factories are there in Leicester City's area?

Adam Clarke: This is an excellent question. The data sits in various different places and you are never going to get an accurate answer because of what Matthew was talking about before about the size of some of the outfits. It is very difficult without having the powers to inspect and get a better understanding. We work very closely with the enterprise partnership who have data.

In Leicester, Leicestershire and Rutland we believe there are around 500 factories, but I don't think that touches the sides in what we could know. I think there are issues with better registering, whether through a licensing scheme or otherwise, the number of factories there are in the city or elsewhere.

Q45 **Chair:** As a local authority, I am sure you have been trying to collate data about the main economic drivers in your area, so you should have a good idea of how many people are employed in the sector, how many businesses are operating there. There must be chambers of trade that have that kind of data.

Adam Clarke: Yes, absolutely and I can provide further information on that, including the various different datasets that we have looked at for ourselves to try to get a better understanding.

Q46 **Marco Longhi:** Thank you, Councillor Clarke, for attending this meeting—or, should I say, drawing the short straw perhaps. As a councillor, I chaired health and wellbeing board and health scrutiny committees at my council over many years. I would be very interested to know what the council and those particular committees have done in exploring any evidence that there might be between the poor working conditions and living conditions that are linked to the Leicester garment factories, and if those have contributed to the high numbers of Covid infections in the city.

Adam Clarke: I have pegged this up with our director of public health and I have had ongoing conversations before today. I am told there is no epidemiological evidence to suggest that there is a link between Covid and the textile sector. These conversations are had not only in those committees you mentioned but through the economic development, transport and tourism committee that has given very close attention to the matters you raised. To be absolutely clear, there is no epidemiological



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evidence that links textiles with Covid spread and that has come from our director of public health.

Q47 **Marco Longhi:** That is rather surprising because some of the reports that we have seen—Chairman, are you coming in at this point?

Chair: I was just checking whether Councillor Clarke can hear what you are saying. Could you hear the question, Adam?

Adam Clarke: I think my connection is very weak.

Chair: Could you try again, Marco?

Marco Longhi: Okay. Living and working conditions are very important in “normal times”, but with having Covid among us, one would expect every working environment to adopt a set of working arrangements that would be described as Covid safe.

From what we saw in Leicester—and Leicester was one of the leading towns having to go into what we know as the prescribed period of lockdown—it would seem odd that there is not a link between these places of work and how Covid has been transmitted. The fact that there is no evidence does not necessarily mean that there is not a link, because that depends on the degree to which one interrogates that particular phenomenon.

Adam Clarke: Absolutely. I think what you are suggesting is correct. The information I have had back from our public health team is that they have looked across industries and across sectors and there is no outlier in the textile sector. There is another question about the data that is coming forward from track and trace, which is well rehearsed elsewhere, but there is no evidence at all about textiles being an outlier for Covid spreading. The evidence is that household spread is where the spread is taking place.

Q48 **Chair:** Pursuing that, I hear what you say that there is no correlation with textiles as a product, and presumably by extension you are meaning that the textile factories have not shown a correlation with spread, but I think you have acknowledged social contact, as is the case across the country, as the main cause. Have you identified or your director of public health identified any particular outbreaks or hotspots within residential areas where garment factory workers tend to live in the city?

Adam Clarke: Absolutely. It is well documented that North Evington, where there are very compact housing conditions where people tend to live in multigenerational households, is where there was the initial spike that brought about Leicester’s second lockdown. There was household transmission within that community but that was also talked about in Blackburn with Darwen when they had a spike shortly after Leicester, where there are very similar housing conditions and levels of poverty.

Q49 **Chair:** Do you have records of the numbers of people in some of this high density housing? We have heard reports of tens of people being



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registered for one address with very poor sanitation for multiple occupation. Is that something that you have looked at as a council from a health and safety point of view, a public health point of view?

Adam Clarke: Yes, we know where there are issues with overcrowding, which is part of the housing crisis that we have at the moment. We understand broadly speaking what those issues are and are trying to tackle them through a landlord licensing scheme. Yes, we have data about that certainly.

Q50 **Chair:** Have you introduced a landlord licensing scheme in the city?

Adam Clarke: That is currently being looked at as part of the work of the authority. It is going through the process at the moment.

Q51 **Chair:** Presumably, the city itself is quite a big landlord with social housing?

Adam Clarke: Yes, absolutely. We have council housing and we are currently building council houses in the city.

Q52 **Chair:** Where you have council tenants, you have some control over the level of overcrowding. Can you confirm that the council is not condoning overcrowding in its own properties?

Adam Clarke: Yes. We are not condoning overcrowding whatsoever, but I would suggest that there are many determinants to overcrowding.

Q53 **Mr Robert Goodwill:** I will start with Mr Taylor. We heard, I think rather graphically, the mix of agencies involved in inspections described as alphabetti spaghetti by Councillor Clarke. What is preventing different agencies working together in a more co-ordinated way?

Matthew Taylor: I think that the agencies are working in a co-ordinated way in Leicester right now and they are having some impact, although we are in the midst of that operation and I can't say a great deal more about it. There is that concerted effort. There have been attempts to do this before in Leicester. There was a pilot that was instigated by my predecessor, which the council was involved in.

The challenges of getting groups of people to work together are the ones that you would expect from different agencies with different focuses for their work, facing different types of non-compliance. Overall, we simply do not have the resource available that we would need if we were to be able to tackle issues of non-compliance as fully as we can. We don't really have a full picture of the level of non-compliance, although my office is seeking to commission some very innovative research that we hope will demonstrate that. There are those issues.

We have worked hard with the three agencies I oversee over recent years, and the position is improving. We have groups that bring them together in intelligence and working on shared issues. I think that the creation of a single enforcement body that hopefully will be confirmed in



the forthcoming employment Bill and will take place in the next two or three years will be a major step forward in bringing these agencies together, although one should not underestimate the challenge of doing that and getting it right.

Another issue, referring to what Councillor Clarke said before, is that different agencies have different powers. Something that will need to be looked at with the single enforcement body is what kind of powers are needed. One of the issues in Leicester is that most of the agencies don't have powers to simply enter factories. I am sure members of the Committee have heard stories of people turning up from the agencies at factories and the doors being barred or people fleeing through the back door of the factory or whatever. That is one of the issues that I think we will have to address if we want to strengthen non-compliance going forward.

Q54 Mr Robert Goodwill: You said in your latest annual report that the pilot was not itself good value for money. Given that you are looking forward to working together, what lessons were learned from the pilot that indicated that future working together would be both value for money and more effective?

Matthew Taylor: I think it is important not to underestimate the nature of the challenge. I have a couple of comments specifically about Leicester. One of the longstanding questions here is that the agencies are, understandably and quite rightly, strongly driven by intelligence and that also involves people blowing the whistle and contacting them because they have been mistreated. Generally speaking, the HMRC NMW has a statutory responsibility to respond to anybody who contacts them with a minimum wage complaint. That comprises a pretty large proportion of their workload, although they obviously do intelligence-led work as well.

There has not historically been a very high number of complaints emerging from Leicester. That is the simple reality. It is hard to say those words without sounding as though one is being complacent, but that is simply the reality. Therefore, the challenge in Leicester is to be creative. I think that if I was in Councillor Clarke's shoes the critical issue for Leicester City Council, which I think it is seeking to address now, is a long-term development of relationships with the communities of owners, and particularly of workers, to build trust and confidence so that people feel more able to report concerns, to blow the whistle, not to be as worried as they may be now about the consequences of doing that.

That is a long-term shift. An effect is now being had because the agencies are working together intensively on the ground and with the council. My worry is that when the focus shifts, will things return to how they were before? If we are going to counteract that, we need to build up those kind of relationships. One of the opportunities afforded by a single enforcement body is to have a standing presence. If we bring the teams together there is a possibility that you can have—it will only be small



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because the resource is limited—a dedicated resource in the East Midlands or in Leicester that works continuously with the councils and other agencies to build up the relationships and intelligence.

The second thing about the nature of the problem in Leicester—and this is gleaned from all sorts of conversations I have had; I can't attest to it scientifically, but I am hearing it over and over again—is that there are really three types of garment businesses in Leicester. There is probably about a third to a quarter who are good businesses wanting to do the right thing, determined to do the right thing and often losing business as a consequence. At the other end there is probably a hard core of about a quarter of businesses that are deliberately non-compliant and, of those, there is organised crime and labour market abuse is only part of what is going on there.

There is also tax dodging, welfare fraud, counterfeiting, there may be people smuggling. We are talking strong organised crime here. In the middle, the largest group—and this is what you heard about in our last session—are businesses working absolutely at the margins and to maintain a profit they have to work at the absolute minimum, the bare legal minimum of what is required of them. What I think happens for those businesses is that often they end up non-complying, not because it is deliberate but because it is what goes with the kinds of market pressures that they are under.

I think there is a way in which we could address that. I have been talking for quite a while, so perhaps I will wait for another question to ask what that is. I think there is a way in which we might be able to address that particular issue of this big body of businesses that are not malign but are just under immense market pressure and need to be supported, particularly by businesses at the top of the supply chain, to do the right thing.

Q55 Mr Robert Goodwill: That would reflect what we heard because I was on the Committee at the time when we did the report that quite a number of the national minimum wage infringements were just companies not upgrading the level when there was a change in the legislation. Doing so because I suspect they were under pressure or trying to cut corners.

One of the other issues that was raised at the time was: one of the reasons why it was suggested there was not whistleblowing going on is that many of the women, in particular, in the Asian community had been told that, "If you cause trouble you could be deported", even though they have perfectly valid reasons to live and work in the UK. Have you picked that up at all?

Matthew Taylor: There is broadly a significant issue about this relationship between labour market enforcement and immigration enforcement. What I would say of the agencies that I oversee is they are



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focused overwhelmingly on employers and ensuring that employers do the right thing. Their focus is not on employees.

Obviously if they come across evidence of illegal immigration they are required to pass that on but that is not what they are seeking to do. If they are contacted by workers who say there is a problem and there is an issue, you should come inspect our factory, it would be right to say they will not be asking about the immigration status of that person.

You are quite right. There are two issues here. One is fear among people who absolutely have a right to be here but are told that they may not. I know that is a significant issue. Changes in the immigration rules, obviously the danger is that will exacerbate that because there will be more confusion, it is very important that people understand. There is strong communication whenever the rules change.

Secondly, there is the specific issue of the relationship between the agencies and how they collaborate together, and they do sometimes undertake joint operations. As much as I want the message to go out to workers, if workers report problems to the agencies I am involved in those agencies will focus their attention on the employers and issues they have been told about rather than trying to extend their scope into immigration enforcement.

Q56 Mr Robert Goodwill: We were told when we conducted the inquiry that the exploitation in factories in Leicester was an open secret. Was that a secret that you had shared or when did you first become aware of the problems that were occurring?

Adam Clarke: We know there have been concerns about the labour market in Leicester for many years and we know there have been challenges in trying to tackle that. Over many years we have been trying to work with all those agencies to create a regulatory environment and around community engagement as well, which is our leading role around community engagement to try to ensure that that reporting took place, that the environment was non-judgmental, because that is critical, and try to support that.

Somebody said to me previously it was an open secret. It is open that there are issues but getting to the bottom of those issues has been the challenge and ensuring that those issues are properly taken up by the right agencies. That is the huge challenge that unfortunately we are still dealing with and working with. The local authority is working incredibly hard with partners to try to get to the bottom of those issues.

Q57 Mr Robert Goodwill: The All-Party Parliamentary Group for Ethics and Sustainability in Fashion received evidence from the Zinithiya Trust, based in Leicester, that women from ethnic minority backgrounds made up a large proportion of the labour force within the sector and were most likely to be exploited. Would you say that the problems tend to have been a big issue in Leicester East? That constituency was represented for 32 years



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by Keith Vaz. Would you say Mr Vaz was close to the Asian communities in Leicester East?

Adam Clarke: I do not see the correlation necessarily. What we have in Leicester is the second largest concentration of textiles factories in the country in a very compact city. That is what we should be focusing on. I do not see the constituency boundary, which does move into the East Park Road area of the city, the Highfields area of the city that goes into Leicester South, as Claudia will well know as well. It does not necessarily wholly sit in that part of Leicester East. I would not see that correlation, personally.

Mr Robert Goodwill: Did Mr Vaz ever raise concerns or indicate he was aware of the problem? If this was going on in my constituency I would see it as my business to know about it, and my business to blow a whistle.

Adam Clarke: I am sure he did. I know the Mayor had conversations with Mr Vaz and contact with Mr Vaz, but what Mr Vaz did in terms of those other agencies that are responsible for enforcement—I would not have been party to that correspondence.

Chair: The last set of questions for this panel are from Nadia Whittome. Apologies, Nadia, for slightly straying into the area that you are going to talk about.

Q58 **Nadia Whittome:** That is okay, thank you, Chair. First, I would like to pick up a follow-up from the last question. Do you think it is fair to say that hostile environment policies impact the enforcement of labour laws because workers are afraid to blow the whistle for fear of being deported, and that is further exacerbated by the fact that not one of these garment factories has union recognition?

Adam Clarke: Very briefly, a non-judgmental environment is absolutely critical. There can be fear in communities. There is some fear of authority—whoever that authority is—in those communities. It is a real challenge to create that non-judgmental environment. That is the work we are doing at the moment with the Slave Free Alliance, Citizens Advice Bureau and other voluntary sector organisations, Shama Women's Centre in the city, where trade unions are absolutely critical in our work. Our conversations with the TUC and the Round Table, that the TUC convened with ourselves and with the Mayor recently, was critical to that.

The door needs to be open to trade unions in this space because this is the space that trade unions formed in and this is about creating an environment where trade unions can do the job that they do best, which is about protecting workers and their pay and conditions, and their wider rights.

Matthew Taylor: Just to respond briefly. We are doing some work, and it will appear in our next strategy, which is looking at the relationship between the immigration system and immigration enforcement and



labour market compliance. Certainly it is the case that, if people feel that even those people who have legitimate rights to be here are somehow to be treated as second-class citizens, that is not going to empower them to feel that they can use Government agencies to support their rights and people will be on their side.

In relation to the trade union point, I will use this opportunity in case I do not get another one to say what we could do. There are measures that factories could take, in that 50% in the middle, which they could be encouraged to take, which would make it less likely for them to inadvertently non-comply. There is payroll software they could use, which would make it much more likely that they would accurately report who is being paid, how they are being paid and the hours that they are working.

They could have clear notices in the factories of numbers that you can phone if you have concerns, that are anonymous, helplines that you can ring. They could allow the enforcement bodies—which do not currently have the power to make unscheduled visits—to those factories to make unscheduled visits to those factories. That could also include the opportunity for trade unions to be able to address staff and talk about the benefits of trade union membership.

None of those things increase the regulatory burden. They are simply things that make it less likely, if they were implemented, that employers under enormous market pressure will fail to comply. I would like to see the creation of—and I would be very happy to work with the bodies I oversee to encourage them to participate in this—a kite mark or something, which we might call Compliance Plus or de-risking compliance, or something like that, which would be a set of measures.

Then I would like to see those large companies at the top of the supply chain commit to the fact that they will only use factories that are not only committed to obeying the law—because we are all committed to obeying the law—they are committed to a set of other measures, which make it less likely that they will fail to comply when they are put under market pressure.

Q59 Nadia Whittome: Those are very helpful answers, thank you. We have spoken about the pros and cons of life in factories versus introducing a Garment Trade Adjudicator. What else can be done to tackle exploitation in the garment sector, not only in Leicester but also across the whole of the country, and focusing specifically here on modern slavery legislation?

Boohoo's supply chain confirms that unacceptable working conditions and underpayment of workers existed in the supply chain but that it was fully compliant with Modern Slavery Act provisions. The British Retail Consortium recommends that the Modern Slavery Act should be bolstered with due diligence legislation and the Transformers Foundation further recommends that there should be large penalties for non-compliance. Do you agree that there is a case for the Modern Slavery Act to be strengthened to oblige companies to take further action to prevent



abuses in fashion supply chains? Particularly, what is your view on financial penalties for non-compliance?

Matthew Taylor: If I can come in on that first. My predecessor Sir David Metcalf, who I think has spoken to the Committee before, has recommended—and I support—a first step as being the notion of joint responsibility, which is that when severe labour exploitation is found in a supply chain that supply chain should essentially be named and shamed. The agencies should be able to name any company that is in the supply chain where severe labour exploitation has been identified. I know that naming and shaming falls short on the more severe action but there is pretty strong evidence from around the world that naming and shaming does make a difference, and we use it of course around minimum wage.

The Modern Slavery Commissioner published a very good report on a major exploitation ring that came out of Operation Fort, and looked at how that operation worked, how the exploitation was discovered, and what we can learn from the supply chain. That was a very good piece of work. We do not prosecute people that often for severe labour exploitation of modern slavery. When we do we should publicise everybody that is in that supply chain. That would have an important effect in terms of getting companies to demonstrate more diligence than they are currently demonstrating.

If that were not to prove to work, yes, we could consider going further but that would be an important first step. The Government are reporting next month on their response to the single enforcement body consultation. That will include looking at these issues around supply chain. That would be an opportunity for the Government to support action in relation to joint responsibility. We have also recommended action in relation to the so-called hot goods, which is the capacity to impound goods, which are seized in the course of an investigation of non-compliance.

Adam Clarke: A lot of the issues that we are discussing are around the complexity of the regulatory and legal environment. Anything that simplifies that has to be welcomed. Anything that further complicates or elongates the issues we need to be wary of.

Q60 **Nadia Whittome:** Councillor Clarke, what impact has a decade of cuts on local authorities had on the ability of local authorities to crack down on this kind of labour exploitation?

Adam Clarke: It has had a serious detrimental impact, not just for local authorities but for those agencies that we have named throughout the session. We know the cuts to the Health and Safety Executive have been huge. Notwithstanding cuts within the local authority, we have employed an officer and put resource into the textiles issues without having the powers that we have previously asked for to deal with them. Notwithstanding austerity, we are determined to be a key partner in



tackling these issues but of course it has had an impact within our local authority.

Chair: I am sorry: we have strayed on a little bit longer than planned, but I would like to conclude this panel by thanking Matthew Taylor and Counsellor Adam Clarke for appearing before us today and for your helpful contributions. Thank you very much. You are very welcome to stay for the remaining session if you are interested.

Examination of witnesses

Witnesses: Mahmud Kamani, Andrew Reaney and Kelly Byrne.

Q61 **Chair:** That takes us to our third and last panel of the day with executives from Boohoo Group. I would like to invite them all just to introduce themselves and say what their role is so that we can see them all appear on the screen. I see you are all in the same office. Thank you. First of all, welcome to Mahmud Kamani, who is the Executive Chairman of boohoo.

Mahmud Kamani: Thank you for accepting my requests to come and see you. I am the founder and Executive Chairman of boohoo.com.

Chair: Thank you, and you are joined by Andrew Reaney. Andrew, could you just say your role, please?

Andrew Reaney: Good afternoon. I am Director of Responsible Sourcing and Group Product Operations for the Boohoo Group. Group product operations incorporates ethical compliance, technical compliance and product sustainability. I have over 25 years' experience in various commercial sourcing and compliance roles and, like Mahmud, thank you for accepting our offer to appear before you today and am very much looking forward to contributing to the debate.

Chair: Thank you. I understand you joined the group this year; could you tell us which month you joined?

Andrew Reaney: I joined in mid-September.

Chair: Less than three months ago, or probably exactly three months ago. Thank you. You are also joined by Kelly Byrne?

Kelly Byrne: Good afternoon, Committee. My name is Kelly Byrne. I am a commercial director here at the group and I have worked here for 10 years. My background is in marketing and customer behaviour, and I have spent 15 years working in that area. Like my colleagues, I am very honoured to be here to answer your questions today.

Q62 **Chair:** We do appreciate you making time available for us. This Committee did, in its predecessor role, have evidence from your co-founder, Mr Kamani, when she attended the session at the V&A museum, which was also attended by about 300 members of the public. We cannot



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tell how many members of the public are watching this today, but we are very grateful to all for coming. Mr Kamani, as I understand it, you have spent your entire career in the garment industry. Could you tell us when you started getting involved? Was that on your father's knee, as it were? Have you spent your whole life working in the trade?

Mahmud Kamani: My mother and father came from Kenya in 1968, basically with just the shirts on their back. My father began selling clothes in a market stall to provide for his family, and how wonderful those days were. I followed my dad into the textile business and learnt the ethics of hard work. We basically slept in the van and we traded. Everything was about work, everything was about trading, and everything was about economy.

In 2006 myself and Carol started boohoo in Manchester with just two staff. We saw the potential in online shopping, but we did not ever believe in our wildest dreams we would get here. We began to grow the business from scratch. In those days I knew everything—we knew everything: every garment we bought, merchandising, photography, picking, packing, you name it, we knew it. Today, the business employs around 8,000 people. We started selling clothes in Manchester, we now sell all over the world, and over 50% is exported. We are extremely proud of our British business. We are very fortunate.

About four years ago we knew we had to change. We run, fundamentally, as a family business and we needed to professionalise the business and bring in world class teams. Carol and I took new roles and we brought in John Lyttle from Primark to take the business to another level. His job was to bring in world-class teams to make this truly a global business. We now focus on the future division and our growth strategy.

The last 12 months have been very difficult for me, my family and my colleagues. We have made some mistakes, but over the last 14 years we have got more right than wrong. We have a very fast growing business. I am determined to fix whatever has gone wrong and I understand things have gone wrong because of the fast-growing nature of this business. My colleagues and I, and all at boohoo are seeking to make a better boohoo. That is why we started the Agenda for Change and commissioned Sir Brian Leveson.

Basically, I am a market trader who has been very fortunate and built a great British business. I have not done anything like this before, so I apologise in advance if I am a bit slower. I may stutter and it might take me some time to answer your questions, but I really am here to answer your questions so you can get to know me and my business a bit better, and not just read the headlines of the newspapers.

We commissioned an independent report from Alison Levitt QC—nobody asked us to, we did that. We then produced all 230 pages; we did not produce 229. Everyone at boohoo is committed to making things better



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and we are a huge supporter of British manufacturing. This is about the future for us. Thank you.

Q63 **Chair:** Thank you for that opening statement. We appreciate this is a strange environment for you; it is a strange environment for us doing all this virtually. We would normally be in a Committee room and able to have a more interactive exchange, but we are making the best of it. Mr Kamani, we appreciate that you have built the business on the back of UK manufacturing, which is admirable in many respects and somewhat unusual in the garment retail trade. When did you first start sourcing goods in Leicester?

Mahmud Kamani: It was approximately 25 years ago. My family had a wholesale business in Manchester and we all worked very closely and warm-heartedly together. We were trading out of Leicester for 25 years; it must be at least.

Q64 **Chair:** I will give you a little timeline before I ask my question. In 2010, Channel 4's "Dispatches" undertook an undercover investigation which exposed poor conditions in the factories in Leicester. In 2015, the University of Leicester undertook some research which showed that the majority of garment workers were paid below the minimum wage. Two years later in 2017, "Dispatches" went back to Leicester and they discovered that workers were being paid less than half the National Living Wage and working conditions posed a fire risk. In April of that year, the Joint Select Committee on Human Rights from these Houses of Parliament visited Leicester and reported that labour rights abuses are endemic in the city.

In October of that year, Sir David Metcalf—who was referred to under the previous panel and was then Director of Labour Market Enforcement—put forward specific recommendations to establish a Leicester textiles compliance pilot. In 2018, the *Financial Times* undertook an investigation which exposed how Leicester's garment industry had become detached from UK employment law and described it as "a country within a country". One factory owner said £5 an hour was considered the top wage. Then in July of this year, the *Sunday Times* exposed once again the poor working conditions and underpayment of workers in factories—and these were factories specifically linked to your group.

So how could your Board—which you chair in an executive capacity—respond to that *Sunday Times* statement by saying that you were shocked and appalled with the allegations of exploitation in Leicester?

Mahmud Kamani: We were shocked and appalled and that is why we said it. We are not making things up here. We floated the business in 2014, and until then we were an independent business. I would like to state that none of these factories belong to boohoo or the Boohoo Group or anybody else. They are also not exclusive. Some of them may be linked as a supplier of boohoo, but they are not linked to the group, and these are factories that have no exclusive agreement with boohoo and no exclusive contracts. They supply everybody else in the business also.



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Andrew Reaney: If I may add to Mahmud's point there, it is probably worth noting that the Alison Levitt report said specifically that we did not intentionally profit from any of the issues on the ground in Leicester. It is fair to say that we did not have the right oversights and structures in place at that particular time.

Q65 **Chair:** Thank you, Mr Reaney; I will go back to Mr Kamani about this. The point that I was trying to make is that Mr Kamani, by his own admission, has been trading for 25 years in Leicester. For over 10 years, there have been public reports of the working conditions in Leicester factories. It seems frankly extraordinary that the Board can say that they were shocked and appalled by what emerged. It has been common practice and common knowledge to anybody who has been trading in Leicester, as we have heard earlier today, that Leicester factories—not all of them, but many of them—have not been cohering to UK labour law.

Mahmud Kamani: That applied to some of them, I would like to say. We were shocked and appalled. I would like to say that our business has been growing between 50% and 100% year-on-year and we have been growing the top line, and processes do fall away. What we are guilty of, if anything, is we did not put processes in fast enough.

We recognise in this industry when we are dealing with an independent factory who is not owned by us, that some of them do not play with a straight bat, as it were. However, we try our best to make good. Again I would like to state that these are factories that are not owned by boohoo and they have no exclusive contracts with boohoo. They are the same factories that supply everybody in the trade. We were shocked and appalled.

Andrew Reaney: It is probably a point of reference in Mr Taylor's contribution because he spoke rather eloquently about what he saw as perhaps three different subsets of suppliers in factories within Leicester. We probably would echo those remarks. I can speak to the Committee about the nature of the audit process that we have in place, to back up Mahmud's point.

Q66 **Chair:** You can come on to that in a moment, Mr Reaney, but I want to get to what happened in the era before you joined the company. I am sure that you are changing things significantly. Mr Kamani has just said that there is no ownership and no exclusive relationships between boohoo and your suppliers in Leicester, and that may technically be true, but there are significant links. I believe, Mr Kamani, that you founded boohoo with your brother, Jalal; is that correct?

Mahmud Kamani: Yes, with my family and Carol.

Q67 **Chair:** Jalal Kamani, I think is still a shareholder in boohoo, but he obviously went his separate ways and set up I Saw It First.

Mahmud Kamani: That was over five years ago. He is a shareholder. When we floated, like many people, we gave everybody shares.



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Everybody in our business is a shareholder, not just my brother or my family—everybody.

Q68 **Chair:** I appreciate that. I think that is admirable, and they would have all seen significant increases in the values of their stake. I understand that your brother is associated through other co-directorships with a company which has been widely reported on as Morefray Ltd, which is a factory and supplier to I Saw It First. Has it also been supplier to boohoo?

Mahmud Kamani: It has in the past, but we have not got links with any of those factories anymore. We have zero links.

Q69 **Chair:** When did that finish, that link?

Mahmud Kamani: That is an ongoing thing. Again, maybe we have not been diligent to not look at the internals of the ownerships of those factories. What we have been doing lately is a process, and we do not do any business with any associated companies.

Q70 **Chair:** That is since when? It appears as though you were being supplied by Morefray when they were allegedly paying substantially below the living wage.

Mahmud Kamani: Yes, we still deal with certain companies that we are trying to eliminate, but we do not have any business with any of those factories any longer. I would like to state again, myself or the Boohoo Group do not own any factories or any written contracts or partnerships with any factory or other business in Leicester.

Chair: That applies to the directors of boohoo, does it apply to other family members?

Mahmud Kamani: Yes, to my immediate family, yes, of course.

Q71 **Chair:** Thank you. I will turn to your business model. You have a reputation for selling clothes as cheaply as possible, and part of the purpose of this inquiry is to consider textile waste coming out of the supply chains in this country.

We have seen that on Black Friday your brand, Pretty Little Thing, was offering special deals up to 99% off. I have a Photoshop here from the website, where you are offering a crop top that is 6 pence at 99% off and a bikini for 8 pence at 99% off. How do you supply goods as cheaply as that without underpaying garment workers?

Mahmud Kamani: It is a very competitive market and Black Friday—I remember 20 years ago, my mother queued outside Harrods for a TV that was £1,000, selling for £10. We did the same thing and for us to be talking about it today means that that marketing worked. It was a marketing tactic.

Kelly Byrne: I would like to follow up on what Mahmud said there. That was a one-off sale in an unprecedented year. I also think that the products that were on sale in that sale allowed people who have



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experienced financial hardship to actually buy a wardrobe. Anyone who knows the garment industry, knows that that would have been a loss leader for us. It was a marketing strategy, as Mahmud said, and it represented a tiny amount of what was actually sold on the day.

Andrew Reaney: To add to Kelly's point, the fact that we have a very slick marketing strategy does not in any way diminish the sustainability strategy that we are going to publish in the first quarter of 2021. Dr Moon spoke about the SCAT plan for 2030. We will sign up to that plan probably in February of 2021. We are working on our own Scope 2 emissions right now, and in terms of that plan—

Q72 **Chair:** We have a whole set of questions on sustainability, so you will be able to get in on that. To go back to Mr Kamani, given your experience of the industry, I imagine you have a good handle in your head on what it costs to make a garment, how much it costs to install a zip, to put in a collar, to put on a button or a button hole; is that fair?

Mahmud Kamani: That is fair.

Q73 **Chair:** You would have a very good idea for a large part of your product range of how long it takes and how much it costs to produce those goods?

Mahmud Kamani: Yes, to a point—in the UK.

Q74 **Chair:** Can I ask what your average sale price of the goods that are on your website?

Kelly Byrne: Our average selling price is £12.

Q75 **Chair:** That is achieved price as opposed to advertised price, is it?

Mahmud Kamani: Achieved price, yes.

Kelly Byrne: We do have a range across the group because we have higher-end brands, such as Karen Millen, in our group, so there is a range across the group.

Q76 **Chair:** And some of them are very much cheaper than that, if that is the average?

Kelly Byrne: That is the average for boohoo.

Andrew Reaney: Some of them would be earrings, some of them would be jewellery. We are talking about an average; it does not give you a precise price. Many things we would sell at £1, we would sell trinkets, we would sell earrings, we would sell a few things

Q77 **Chair:** I am focused on the garments rather than the accessories.

Andrew Reaney: When we talk about averages, that is what I have to look at.

Chair: So the garment average, would that be higher or lower than the



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average for the group?

Andrew Reaney: Higher.

Q78 **Chair:** You are operating on over 50% margins. I think the group margin was 54% the last time I saw it. If your average is £12.50, your cost is going to be, on average, about £6.25?

Mahmud Kamani: That is correct.

Q79 **Chair:** As you know the business so well, how much time on average does it take to make one of the garments?

Andrew Reaney: I can add some detail to the question. Respectfully, I think sometimes the narrative is £8.72 is our minimum wage. When we do our audits, we look for £8.72 plus pension plus national insurance, and plus the employer's contribution. We know the true average cost per hour per worker in the UK and it is a lot more than £8.72.

What we do as well is measure the efficiency rating within that factory. Alongside our social compliance audit, we will look to see average output per worker per hour, and our studies, alongside our audit, show that the average worker per hour produces between five and seven garments within that hour. Now, you might say five to seven garments is actually quite a gap, and it is, but quite frankly that could be a jersey or T-shirt. In week two, that could be a long-line blouse and week three, that could be an oversized hoodie. Sometimes, as Kelly said, that depends on trend, and other times it depends on the time of the year. I think it is an important point to make that there is an efficiency rating associated with each of those factories.

When you go abroad and people talk, you stand in a factory in Bangladesh and that factory could produce genuinely as much as 100,000 garments a day. In that instance, when we talk to the factory owners, we talk about the number of minutes it takes to make a garment, the cost per minute multiplied by the efficiency rating. The average factory in Leicester, quite frankly, might produce 10,000 garments a week. The metric is very different, but the principle is exactly the same. We will always look at the efficiency rating. As the social compliance and audit team, we will say to ourselves, average number of garments made per hour is between five and seven; what is the wages portion of that garment price?

When you multiply that wages portion by five or seven, does that cover the average cost per hour? Again and again, you would be aware of this, the average cost price for the garment has a couple of different components. It has the wages element, the fabric element, the trends and accessories and then the suppliers' profits. We would go into that level of detail and analyse that level of detail to satisfy ourselves that those factories are running efficiently.



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As I said, there were some very eloquent contributions earlier, but there is definitely an opportunity for us in Leicester to make those factories more efficient. Some of that is about learning and development and some of it is about upskilling, but please be rest assured, that is something that we look at very, very closely as a performance met performance metric within those factories.

Q80 Chair: Since you arrived in the last three months and undertaken this audit of the factories, have you uncovered in your own work any suppliers in the supply chain who are paying less than the minimum wage?

Andrew Reaney: These are third-party private businesses; however, it is fair to say is that we have done a consolidation exercise. It was one of the recommendations of the Alison Levitt report, but as I say, they are private businesses. I can say that the businesses which we have exited have unfortunately displayed a consistent lack of transparency—and transparency is key to a 2020 business relationship.

Q81 Chair: How many of you exited since you arrived at the group?

Andrew Reaney: We have exited over 60 factories, 60 suppliers and factories.

Chair: Since September?

Andrew Reaney: The process was ongoing before September. It is fair to say that the Alison Levitt report noted that we appointed our director of sustainability in 2019. We had a third-party auditor, called Verisio, on the ground. In 2020 alone, Verisio have conducted 400 unannounced audits—focused assessment audits and full audits. They work seven days a week.

We have eight auditors on the ground in Leicester. They are multicultural—they come from multicultural backgrounds and they have multiple different languages they speak as well. That is very important because one of the key elements to an audit is the worker interview. We actively encourage whistleblowing within our supply chain—whistleblowing was referenced earlier—and we share all of our whistleblowing evidence with Gangmasters.

Q82 Chair: Of the 65 companies that you are no longer working with, how many of those were because of their labour market practices?

Andrew Reaney: As I said, they are parts of businesses, they work with other retailers as well, so I would say that it was probably about transparency more than anything else. Adherence to our code of conduct, and paying a fair living wage is obviously part of the code of conduct.

Q83 Chair: Are you saying that none of them were paying less than the minimum wage or you are just not telling me how many you traded with?



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Andrew Reaney: Respectfully, I am saying they are third-party businesses and it would not be appropriate for me to comment on those businesses individually.

Q84 **Chair:** I am not asking you to do that; I am asking you to comment on your business, where you have made a decision to no longer continue to work with these companies for a variety of reasons. I am not trying to find out—you have admitted it is 65 over the period of this investigation.

Andrew Reaney: It is 64, yes.

Q85 **Chair:** Sixty-four. Did you find that any of those—and I am not asking you to name them—were paying less than the minimum wage?

Andrew Reaney: It found violations of the boohoo code of conduct that we thought serious enough to cease trading relationships with these companies.

Q86 **Chair:** Thank you. I have two more quick questions. Mr Kamani, we understand that in October, I think, PricewaterhouseCoopers, your auditors, resigned from auditing the group. Why was that?

Mahmud Kamani: They have been our auditors for four or five years and we put tenders out. They still are auditors now and we are putting a tender out for further auditors.

Q87 **Chair:** So was it your decision that they should go or did they decide and did they tell you why?

Mahmud Kamani: They did not want to tender for the renewal of that contract, so there are no reasons; they just did not want to renew it.

Kelly Byrne: It was a commercial decision.

Mahmud Kamani: It was a commercial decision on their part.

Q88 **Chair:** Again, in October there was another investigation by the BBC, not into boohoo, but into the garment industry in Leicester. I have listened to the report. It went out on Radio 4, and referred to a significant and widespread VAT fraud among the garment supply trade. When did you first become aware of VAT fraud within the garment industry and what action has the group taken to address this to check if your suppliers were involved?

Andrew Reaney: It is fair to say that the issues on the ground in Leicester are complex. As I said, these are third-party suppliers. The earlier contributor spoke about the apparel and general merchandise forum and we are an active participant in that forum. Also participating are government agencies, statutory bodies—Leicester City Council, BEIS, HMRC, Gangmasters are involved, BRCS trade initiative, as well as the NGOs.

One of the key things for us to support Leicester better is to work collaboratively towards the sorts of solutions that make Leicester a better



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place. It is fair to say that the issues are complex on the ground. If we find any evidence of irregularities, we automatically share that with Gangmasters and the Labour Abuse Authority.

Chair: Thank you. I will turn now John Mc Nally who has questions about the Levitt review.

Q89 **John Mc Nally:** I have two questions, the first for Mr Kamani and the second one for Mr Reaney. Mr Kamani, my question concerns implementing a labour review on transparency from boohoo, on the company's business practices and your company's response to the Levitt report.

In its conclusion, the report said that while boohoo was not completely responsible for working conditions within its supply chain, boohoo's culpability lies not in doing nothing, but that it did too little, too late. It also went on to identify that there was an insufficient sense of urgency in delivering on such improvements.

The Levitt review made 17 recommendations to the Boohoo Group Board, and it split them into sets of short, medium and long-term recommendations. Can you tell me, Mr Kamani, how quickly are you going to implement the Levitt review recommendations, and, importantly, how will the Board monitor and report on your progress?

Mahmud Kamani: We have already started actioning those recommendations and the Board receive a monthly report in which people report monthly at the Board meeting. The Levitt report also stated there was no wrongdoing on boohoo's part. For the main, we understand what has happened and that we did not move fast enough because we have a very fast growing business.

What we are doing is—this is about the future. We commissioned Sir Brian Leveson, and there will be a team under him to make sure all these things are carried out. We are being very transparent and we are fixing this. We will make this a better boohoo.

Andrew Reaney: I can add some detail there as well, in terms—

Q90 **John Mc Nally:** I will come back to you on that in a minute because I just wanted to pursue the actual fact—the question that was asked was what have you actually done so far in terms of implementing the Levitt review? The actions were quite clear: within six months boohoo should produce a separate supply list. I think you have partially answered that, to a manageable number of companies, but what else have you actually done within those 17 recommendations that you could just read them off the top of your head to me just now?

Mahmud Kamani: Off the top of my head, I will leave you to Andrew. It is an ongoing process. I am the Chairman and the Executive Chairman of this company. We brought in a world-class team to be able to deal with these situations. I cannot possibly know everything in this business, but I do know this is a priority in our business and it is a work in progress. I



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can tell you everything that is on that report, plus some, is a work in progress. Things are being done; things are being fixed as we speak. I will also state that as we speak today, in a business like ours that is fast growing globally, there will be things that are breaking and all the time we are fixing them and making them better.

Andrew Reaney: I will take the question if you would like me to add some detail. The original report had 17 recommendations. We set up what we called our agenda for change program. Our agenda for change is an internal program to deliver on all of those recommendations. It is chaired and run by our CIO with KPMG to provide independent oversight and governance.

The KPMG team themselves were on the ground with me and some of my team at Leicester two weeks ago to see for themselves the exact situation on the ground. Regarding the 17 recommendations, we formed our own little steering group internally, and we actually subdivided 17 into 34. Within that 34, sourcing and supply chain own 20 of them, so 20 of those individual targets are on me and my team to deliver.

KPMG provides independent oversight and governance, and some examples of things that either have to start or finish within the three-year timeframe are: publishing our tier one and tier two supply chain by March 2021 in the UK, which we will do; publishing our supply chain by September 2021, which is something again that we have committed to doing; and setting up what we have called the supply chain compliance committee, which is chaired by myself, which has our CEO and our CFO involved and meets weekly. All of the minutes are actioned and agenda points to follow.

Some other really good examples of the Levitt recommendations were what were termed responsible purchasing principles. Now the principle there, of course, is that we have a duty to educate, particularly our younger buyers and merchandisers around responsible purchasing principles. That piece of work is actually ongoing right now. This references the fact that we did not necessarily always have the best systems and processes in place, we have a purchase order app that links the purchase order to not just the supplier, but also the CMT, the tier two that potentially is making that garment. It is a combination of better transparency internally and better systems internally and better accountability and responsibility.

The last point I would make is that the Levitt report recommended that we would start or finish all recommendations within the three years. We have committed internally to do everything within year one. So everything will either be started or finished within the first year of the publication of the report.

John Mc Nally: I will come back to you later on that, because you have stated that you have committed to publish a full list of your suppliers in the future, and you have obviously made some sort of a beginning on



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that. This Committee, and probably most people looking in, would quite like to see a list of suppliers, as Philip mentioned earlier.

It would be a good idea to start publishing these things as of this moment in time. It would give us, and more people, including the suppliers that can be named and shamed—I do not think the public humiliation of it did anybody any harm—I would like to see the commitment from the company. I sit on the APGG on textiles and fashion sustainability. You hear so many horror stories on this about bad bio-sustainable practices going on everywhere and the dumping of goods. That is another question, but I would like to see, a list of these suppliers published as soon as possible and I cannot see why you could not do that as of this week, if you have already managed to start that. I will finish on that just now.

Chair: Now we have some questions from an MP for Leicester who has particular insights.

Q91 **Claudia Webbe:** Yes, I probably should declare an interest as the Member of Parliament for Leicester East. My questions relate to the proposal to fix. Mr Kamani, boohoo has backed calls for the licensing of garment factories. Can you tell me how you see or why you think that will address the compliance issues in the industry?

Mahmud Kamani: That will do some of the work, we cannot do this alone; we need inclusivity. This can only be done fixing this collaboratively. We cannot possibly do this on our own. We still source from Leicester, we are a great supporter of British manufacturing, but we can't fix all the problems on our own.

Andrew Reaney: To add to Mahmud's point, the regulation of the industry is something that Mr Taylor spoke about earlier, but it is actually one of the workshops within the AGM forum. All of the relevant interested parties are discussing regulation and you may be aware that our CFO wrote in July to BRC recommending exactly that—a fixed trader licensing regulation. From our perspective, as Mahmud said, anything that helps to regulate the industry is going to be welcome from our perspective.

One point I would make, and I think Mr Taylor made it as well, is that if we do decide to go down that route, we need to make sure that we have the right resources in place and that any solution that we do propose is something that is enforced and practical. From our perspective, we would welcome any sort of regulation mechanism.

Q92 **Claudia Webbe:** My question though is to see what you understand as to how such a proposal—boohoo is pushing the proposal, so therefore, boohoo must be aware of how or why a licensing of garment factories would help address the compliance issues. Let me narrow it down for you. Please explain to me how the licensing of garment factories will protect workers' rights.

Mahmud Kamani: We are not pushing it; we are supporting it.



Q93 **Claudia Webbe:** In terms of supporting it, how will it protect workers' rights?

Mahmud Kamani: Again, these factories are independent; you can only do this collaboratively. If the factory or the factory owner is dishonest, it will make it difficult. If we can all work together collaboratively, only then we can make everything good. Again, we cannot do this on our own, this is a collaborative process.

Q94 **Claudia Webbe:** What do we expect the licensing approach to do in terms of protecting workers' rights?

Mahmud Kamani: That is not a decision for us. What we are saying is we are supporting these recommendations by the government. We are supporting them; we cannot do this alone. We are one customer in this industry, there are many more customers in this fashion business that buy off them. We can only do our bit and support it, but on our own we will fall flat.

Q95 **Claudia Webbe:** It is important to understand the scale and the nature of the problem that you are seeking to support, help and address. This is about understanding what the scale of the problem is. Are you aware of any garment suppliers in Leicester that recognise a trade union?

Mahmud Kamani: I am personally not aware. What we are talking about here is complete transparency. We support complete transparency and them joining trade unions, but I cannot do that because it is their factory—they are independent factories.

Andrew Reaney: Our code of conduct supports the rights of any of our workers, any of the state workers within a supplier form an association if they require. That is one of the principles of our code of conduct.

Q96 **Claudia Webbe:** Could I ask you then, as the chief executive, are you aware of any garment factory in Leicester that recognises a trade union?

Andrew Reaney: I am not aware of any garment factory in Leicester that recognises a trade union. What I can say is that our code of conduct and most of the retailers' codes of conduct allows for freedom of association. A lot of the factories that we work in have very proactive workers' councils. I was in the factory last week and they have a workers' council. They openly discuss opportunities to improve training and development opportunities.

The nature of the industry by definition, because, as you would be aware, you have potentially hundreds of small businesses in the industry—some of these businesses employ 20, 30, 40 people—means that regulation by definition is more challenging. Again, I would take it back then to forums like the apparel and general merchandise forum, where all of us can work together, all of the stakeholders. We recognise that we have a strong duty of care here, because we have a large order book and we have a large presence in Leicester, but as Mahmud said, we cannot do this



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ourselves. Any solutions that we decide to come up with have to be done collaboratively and have to be practical and enforceable.

Q97 **Claudia Webbe:** In supporting the licensing approach, would you expect it to be able to engage trade unions in suppliers to monitor conditions?

Mahmud Kamani: It is down to the supplier.

Q98 **Claudia Webbe:** Would you expect the licensing model to engage suppliers in monitoring conditions, to engage trade unions within suppliers to monitor conditions?

Mahmud Kamani: I do not have enough detail to answer that question.

Andrew Reaney: I agree in this way. I do not think that we can pre-empt the work of the AGM forum, I really do not. It is quite a complex issue, as Mahmud said. We are happy to support any initiative that helps regulate our industry, but ultimately, I think that the AGM forum is the best place to have those conversations and come up with a very practical and enforceable solution to protect the workers' rights. You are right, ultimately, that is what this is about.

Q99 **Claudia Webbe:** Would you expect the licensing approach to enable an effective complaints mechanism that is well publicised, so that workers can use that without fear of recrimination if they want to report violations?

Mahmud Kamani: We are in support of anything that allows for more transparency. Anything that allows transparency and the safety of the workers, we are supporting fully. We are 100% committed behind it, as are all my colleagues, as is the Boohoo Group. We are proud of this business and we are proud to make good and help make good.

Andrew Reaney: Worker remediation is another one of the work streams from the AGM forum because it is absolutely right that key workers need to have a voice. It is why we have an audit process in place and it is why we actively promote whistleblowing within our supply chain. Workers need to have a voice and need to feel that if there is something that they are not comfortable with, that they have an opportunity to tell that story.

Q100 **Claudia Webbe:** Are you aware of any suppliers in Leicester that have an effective complaint system for workers?

Mahmud Kamani: No, not to my knowledge, but again, this is going to be a collaborative move. This is going to be a joint effort. For us, it is about an agenda for change. It is about the future and it is about making good. Let's make good, but we need to do this together. We need to do this together.

Andrew Reaney: If you walked into any factory that is manufacturing boohoo clothes, on the wall you will see the boohoo code of conduct and



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you will also see the boohoo whistleblowing helpline. We actively share and follow up on all of those individual workers' issues as they arise.

Mahmud Kamani: We are as concerned as everybody else. We need to make good.

Q101 **Claudia Webbe:** You earlier referenced the evidence from the British Retail Consortium, I think. It summarised the industry into three categories or three stages. Among that were suppliers which were deemed to be good. Are you aware of any supplier that provides training on employment law and rights for its workers?

Andrew Reaney: I have seen plenty of suppliers that rolled our different training programs and as you rightly say, there are plenty of really good suppliers in Leicester. We ourselves are committed to Leicester and British manufacturing, and part of being commissioned is building a sustainable future for those workers, which again involves training and development, learning opportunities and support and education.

From our perspective, we will actively encourage all of our suppliers to do exactly like you say, because ultimately we want to make this industry as sustainable as possible.

Q102 **Claudia Webbe:** I would like to ask you about another proposal that was mentioned in the first panel. As we heard on the first panel, this concerns the call for the garment trade adjudicator to regulate the buying practices of brands and retailers—bodies like yourself. What would your response be to those who argue that it is the buying practice of brands that needs to be regulated, that it is the buying practice of brands that lead to worker exploitation?

Andrew Reaney: We, as a retailer, have an obligation to make sure that our buying teams are trained in responsible purchasing practices. It was one of the key recommendations from the Levitt report, and it is something that we are currently doing. We have very fashionable young buyers and merchandisers, and we recognise that we have a responsibility to ensure that they understand simple things like the component parts for cost price. So how does a supplier get to a cost price? How do you ensure to understand the different portions of the cost price? How do you ensure that the supplier, rightfully, makes a margin from their perspective as well?

Yes, we have a responsibility and an obligation. We take that very seriously. You may be aware, because you are a local MP, that we are committed to building our own factory on Thurmaston Lane. Hopefully, this time next year we will be able to invite all of the Committee Members to Thurmaston Lane.

One of the key things we are going to do as an initiative, as part of that factory, is to ensure that all of the buying, merchandising and design teams within the Boohoo Group spend time on the factory floor and understand how a factory works from A to Z, all of the processes,



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everything—capacity and fabric consumption, fabric ratings, how to build a cost price, how the factory runs, actually.

At this point, we have applied for planning permission. The factory itself will be huge. We are talking about potentially 60 machinists, which is equivalent to 85, 90 workers. That is 90 more jobs in Leicester, and we are going to move our own sourcing and ethical and technical compliance team into the same building as well.

That is part of our commitment to Leicester and part of us wanting to demonstrate to the industry that this is what a model for best practice looks like. We would very much welcome you and the rest of the Committee Members to see it, and that is hopefully this time next year.

Q103 Claudia Webbe: Thank you for that invite, but could I draw you back to the question? In terms of a Garment Trade Adjudicator that will focus on you, the retailer, the brand, would you agree that such a tool, if it was implemented, would enable payment terms to be fair and would include recourse?.

Mahmud Kamani: We pay all our factories in Leicester in 14 days.

Andrew Reaney: That is our standard payment term as well for the UK: 14 days from the time the goods leave the factory, the factories get paid in 14 days. Overseas it depends on the factory and depends on the country. We either pay an upfront deposit to help fund the order or at the absolute latest, we pay 30 days after the goods are shipped. In some instances, particularly if those goods go on a boat, the factory owner has his money or her money before we even receive the goods into the warehouse. Mahmud knows this better than I do: we have longstanding relationships with a lot of our suppliers. Cash flow is key to any business, and that is why we do that.

Mahmud Kamani: We do business with these manufacturers on a very commercial basis, but we want to support them. We want to support them; we want to help them. It is very easy for us to take all of our production offshore, for us to move out of Leicester. We are still here—you see the headlines, but we are still here. This is about the future. It is very simple, very easy for us to move this production offshore, but we are still big supporters of UK manufacturing. Lots of people in the fashion industry have moved offshore, but we are here and sometimes it feels we are getting punished for it, just sometimes.

Q104 Claudia Webbe: As you will have heard from the previous panels, the problem of worker exploitation is not a Leicester problem; it is a global problem. You are a global industry; it is not about whether you move from Leicester to go elsewhere. The issue is, would a regulator that focuses on you, the brand, not enable fair prices to be paid?

Mahmud Kamani: It is a commercial business and there are some very good factories in Leicester where we have good relationships. It is a commercial negotiation, but we are here to support the industry that will



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say plenty in itself. We are here to support the industry and we are here to support Leicester in the future. Leicester is part of our future plans, but please do not keep punishing us for it.

Q105 **Claudia Webbe:** Would you accept that is the buying practices of brands that need to be regulated?

Mahmud Kamani: No, I believe it is commercial decisions for buyer and seller. Buyer and seller have to agree. Our job now is to make sure that all the factories are audited, all the proper practices are put in place and everybody abides by them. That is how we have to collaborate, that is how we have to do this. This is an agenda for change for us.

Andrew Reaney: Being from Leicester, you will appreciate that there is lots of negative press associated with Leicester, unfortunately. Mr Taylor called it out, and there are some very nice people on the ground in Leicester, there are some excellent factories. We absolutely will grow our order book with our compliant suppliers in Leicester, because as Mahmud said, we are committed to British manufacturing and, quite frankly, the nature of the model—and Kelly can speak to this better than I can—means that you have a very strong manufacturing base literally a couple of miles up the road from our distribution centre in Burnley. We use Leicester for speed and we use Leicester for agility, and as Mahmud said, we are very proud to support British manufacturing.

Q106 **Claudia Webbe:** Mr. Kamani, you wrote to the Home Secretary supporting the Fit to Trade licensing scheme. The Home Secretary, you will recall, wrote back to you and said, “I am concerned that your response to recent reports of labour exploitation in your supply chains appears to be focused on terminating contracts with suppliers, rather than on protecting vulnerable workers”. Essentially, the Home Secretary asked you to review your buying practices to prevent aggressive pricing models, increasing the risk of poor working conditions and exploitation. What have you done since then to put this in place?

Mahmud Kamani: This is about the future, as we keep saying, and we have commissioned Sir Brian Leveson, and a whole team under him, to oversee our agenda for change. We are very serious. We have asked for this invite to come here and attend four of us all to meet because we are very serious about making better, making good, becoming more transparent and supporting UK manufacturing.

Andrew Reaney: We know that we have the Alison Levitt report and we know there were some very specific recommendations to come from that, and we hopefully have conveyed to the Committee how seriously we take those recommendations. We have also commissioned, as Mahmud has said, Sir Brian Leveson to write his own independent report, which will be the progress report to say “the Alison Levitt report delivered these recommendations and this is exactly what the group have done”.



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Sir Brian has a team of six people, those individuals have very strong legal and investigative backgrounds. They were on the ground last week with my team in Leicester seeing the factories and the suppliers for themselves. So we are here because we are absolutely 100% committed to transparency and, at the same time, we want to grow our manufacturing base and our order book within the UK, and specifically Leicester.

Mahmud Kamani: The report will be published. We are committed to transparency.

Q107 **Claudia Webbe:** You will understand where I am coming from as the Member of Parliament who receives daily cases in relation to the underreporting of pay, working conditions, and health and safety that people are engaged in. The underreporting of hours is routine and the inability to pay the national minimum wage is rife and problematic. We do not have to debate whether or not this exists because clearly we have got all of the reports that say that it does.

The Alison Levitt review, your own review, highlighted that you were signed up as a company to a range of ethical and sustainable systems and so on. In a sense, it almost demonstrated that it was a tick box exercise, that you signed up as an ethical and sustainable company that enables workers' rights to be protected. This tick box exercise, would that not be the situation with garment factories in Leicester if we simply enabled a licensing approach?

Andrew Reaney: There are no tick box exercises being carried out by us and the boohoo team. As I have already said, and it will hopefully give the Committee some reassurance, we have undertaken 400 audits alone this year in Leicester, and have eight auditors on the ground, plus our team. I am on the ground every week in those factories with the team. All of the factory visits are unannounced.

Your point about workers' wages is very well made. We have mandated only two types of clock-in machines for our suppliers: a biometric system that relies on a thumb print or fingerprint approach for our employees, or a cloud-based system that is linked to someone's smartphone and has a unique access code. We have been in this industry a long time and we are fully aware of the potential for breaches of our code of conduct, which is why we take issues like any wage irregularities very seriously. This is why we have mandated either one of those two machines as one practical example of ways to ensure absolute transparency, and absolute certainty about minimum wage payments.

Q108 **Claudia Webbe:** The final point that I want to make is that there are many workers in this industry whose wages have gone down. Some have worked in the industry since 1992, before the introduction of the national minimum wage. They are earning less now than when they started and their wages have gone down during this pandemic, yet work, in terms of the number of garments in Leicester, has gone up and indeed your profits



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as a company has gone up. Would you agree that billionaires exist while workers are exploited?

Mahmud Kamani: We are a public liability company. We are very transparent and we have a lot of governance in place. This is all about the future and we are very proud of UK manufacturing. That is what I would like to state.

Q109 **Chair:** I would like to pursue one point in relation to the good work, which you are undoubtedly doing, Mr Reaney, in trying to clean up the act, if I can put it like that. We have had reports that some of the buying practices include seeking volumes which are unlikely to be able to be matched by the supplier, and that as a result, in order to win the order, they take the order but engage subcontractors who are unauthorised and may not be on your radar. What happens when you become aware of unauthorised subcontracting?

Andrew Reaney: It is a very good question, and only this week we have been made aware by a third party of a potential unauthorised subcontracting issue in a factory, which is a supplier of ours in Pakistan. I think that we have referenced it very openly here: that we did not necessarily have the systems in place to guarantee complete transparency of tier one, which is what we call supplier, and tier two, which we call subcontracting.

There is nothing wrong with subcontracting once we are aware of it and once we have an effective audit in place of that particular site. So the truth is that it is something that in the past we did not necessarily have complete transparency of. But by very early in the new year—mid-January onwards—we will have 100% eyes on it, particularly within the UK and, as I said, that is about systems and about system upgrades.

Chair: I will ask Caroline Lucas to pursue the questions on sustainability.

Q110 **Caroline Lucas:** I wanted to follow up one question from Claudia Webbe about unionisation. Mr Kamani, you explain that you cannot be held responsible for the conditions in all of the suppliers' factories. That is a bit of a questionable assertion because presumably you could, if you chose, make unionisation a condition for suppliers to actually supply to boohoo.

Putting that to one side for a moment, what you certainly do have responsibility for is unionisation in your own warehouse and your call centre and in your head office. I know that before the Levitt inquiry, USDAW, the union, wrote to the Levitt inquiry saying that their efforts to set up a union at your headquarters had not been successful, and I understand they have been rather disappointed in the response post Levitt. Could you please set out what your plans are in terms of unionisation in your own operations?

Mahmud Kamani: The unions campaign quite freely and quite openly outside our distribution centres and we are very happy about it. They also campaign outside our head office. Anyone willing to join is free to join. It is that simple.



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Q111 **Caroline Lucas:** I think they were expecting a future communication from you to further discuss unionisation in your headquarters. Could you confirm that you will be doing that?

Mahmud Kamani: They campaign outside our place. People here are free. We have 8,000 employees. The unions choose to campaign outside our offices and they are very, very free, our people, all 8,000 of them, to join out of their free will if they wish to.

Kelly Byrne: Just to stress, as Mahmud said, our people are free to join a union. We choose to invest in our people not unions. That is by giving them aerobics benefits package. We talked about free chairs, free medical pay, that we pay the national living wage in our distribution centres. We do not discriminate by age. Our focus is in investing in our people not unions.

Q112 **Caroline Lucas:** The unions would like to have a meeting with Mr Kamani and all I am seeking to ascertain is whether or not Mr Kamani would please be willing to have that meeting with USDAW, because they would very much like to have a meeting.

Mahmud Kamani: What I would like to say is that I personally do not want to join the union so I do not want to meet them.

Q113 **Caroline Lucas:** You have rather more responsibility than just your own individual union membership, Mr Kamani.

Mahmud Kamani: They are asking to meet me.

Caroline Lucas: It is the point about the democratisation of workplaces, and unions have a key role to play. I would love you just to be able to say that you would be willing to meet to discuss that.

Mahmud Kamani: I do not want to join the union personally so I do not want to meet them, but they are free to campaign outside the warehouse, outside our distribution centres. Anybody here who would like to join them are also free to join them. I am more than happy—more than happy—for people to join.

Q114 **Caroline Lucas:** That is a little disappointing. I do not see why a meeting would be such a difficult thing to grant.

Mahmud Kamani: Because I do not want to join. I personally do not want to join the union. Thank you.

Q115 **Caroline Lucas:** I will note that answer but I do think that if you want to be a force for good in the world, as you claim, then having a meeting with some people who are quite important in your industry, who would like to meet with you, is a slightly better way of doing it.

Mahmud Kamani: You must respect that we have a very fast-growing business. It is busy. We started with two people in 2006, and we now have 8,000. My time is stretched. We have lots of colleagues and



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everybody in here is free to join the union. I do not wish to meet them because I do not wish to join personally. Thank you.

Q116 **Caroline Lucas:** Let me see if I can get any more luck with my questions on environmental sustainability. Kelly Byrne, do you think that selling items for as low as 6 pence on Black Friday encourages young people to value their clothing?

Kelly Byrne: As we said earlier, that was a marketing strategy. There was no money made on our behalf on those items and—

Q117 **Caroline Lucas:** It is not the marketing strategy I am asking you about. You have already answered the question about the fact that this was a loss leader—this was not something that you were making your suppliers provide at cost. What I want to ask is about that marketing strategy. Would you accept that, as a marketing strategy, it is incredibly damaging because essentially it gives the impression that clothing is a throwaway product that has no intrinsic value?

Kelly Byrne: No, I do not accept that strategy. Our research tells us that our customers purchase from us about three times a year, 2.9 times a year, and in each basket is three and a half items, so they are buying 10 items a year from us. That does not matter whether it is a £15 dress or a £150 dress. That purchasing behaviour is no different. Buying 10 items a year is hardly mass consumption.

Since we appeared at this Committee in 2018, that purchasing behaviour has not changed. In two years there has been no growth in the amount of items that people buy from us. We have expanded our customer base in that time, because we have acquired new brands, but the purchasing behaviour is still the same and it does not encourage throwaway fashion.

Q118 **Caroline Lucas:** I am not sure that average figures necessarily help us over this, because obviously there are different kinds of behaviour in some of the different products that you have. Someone buying from Karen Millen perhaps would not be buying as many products and someone who is looking for products at about 6 pence—

Kelly Byrne: Our data disputes that. They buy very similar amounts regardless of the brand that they shop with. That is what our data is telling us.

Q119 **Caroline Lucas:** It will be interesting to see the data. What we do know is there is a huge amount of textiles that get thrown away, isn't there? It has been calculated that around 300,000 tonnes of textile waste goes into household black bins every year, which in turn go to landfill and incinerators. Would you at least accept that if you are going to buy a product at 6 pence or even a couple of pounds, the chances that you would think about recycling that afterwards or taking it to be reused is probably somewhat less?



Kelly Byrne: Not at all. Our research that we have done with customers very recently is showing that landfill is the absolute last option for our customers, especially in the current climate with Covid lockdowns. We are seeing a lot of our customers go on to resell clothes, recycle clothes, upcycle clothes, and that is the most important thing for our customers. Landfill is the last resort them, and recent research has told us that.

Q120 **Caroline Lucas:** Are you able to publish that research?

Kelly Byrne: Yes, we can write to you with that; that is no problem.

Q121 **Caroline Lucas:** That would be really interesting because there is a major problem with throwaway fashion. We know that in terms of its impact on the environment it is a growing problem, so if boohoo is bucking the trend on that, it would be very useful to know. What happens to clothes that are returned to Boohoo Group brands?

Kelly Byrne: What happens to the clothes when they come back to our warehouse?

Caroline Lucas: Yes, if you have any returns, for example, or anything like that?

Kelly Byrne: It would be resold on if it is in a fit state to do so or we would often donate to charity shops and sample sales. It really depends on what the garment comes back to us like.

Andrew Reaney: Can I add to Kelly's point, Ms Lucas? There is a tiny percentage of returns that come back that are not saleable. After Carol's appearance at the EAC, this business invested just over £500,000 in a facility in Lancashire, in Longworth. What they do is they take genuinely unwanted goods. They break down the synthetic fibres, polyester fibres, within them to what is almost like a polyester dust compound. What they have managed to do is effectively create trims and accessories. The polyester that might have been in somebody's blouse last year can effectively become a button in the next blouse.

It is interesting because the Committee in 2018 spoke at length about the importance of circularity, but the fact was that none of us truly had the technology to do exactly what we wanted, which was effectively to turn a garment from polyester and recycle it all the way through the supply chain to a new garment, potentially. Obviously, Longworth isn't quite there yet, but the investment that this business made in that facility has got them almost there. We can say that the polyester in the blouse will be a button, potentially, in a blouse next year or the year after. That is a facility we would encourage you to visit as well.

Kelly Byrne: We are looking at many other innovative ideas like that.

Q122 **Caroline Lucas:** That sounds very good. Does that mean that you can absolutely say that no returns get destroyed when they come back to boohoo? In some places that has happened.



Mahmud Kamani: We do not return anything.

Kelly Byrne: Absolutely nothing goes to landfill. We have a zero-landfill policy.

Mahmud Kamani: Nothing gets destroyed.

Q123 **Caroline Lucas:** Very good. It is welcome that boohoo has signed up to a number of voluntary sustainability initiatives since our last inquiry, but what actions do you plan to take as a result of your involvement in those initiatives? Perhaps that is a question for Mr Reaney.

Andrew Reaney: Thank you, Ms Lucas. As you rightly say, we are members of the Sustainable Apparel Coalition. We have joined. What we have done as the first portion is we have rolled out the FEM module—the Facility Environmental Module—to our top suppliers. Our plan through 2021 effectively is for all of our suppliers to complete that module through the Higg Index.

You will be aware of FEM. Effectively, what it does is it challenges all of our suppliers to look at the areas like renewable energy, look at their waste management plan themselves. That is something that we have started. All of our top suppliers have completed the module and all of our suppliers will complete it through 2021.

Dr Moon spoke about WRAP's 2030 plan. We will sign up and be a signatory very early in the new year. We will also publish our sustainability strategy, probably March/April time. We are working on that right now. As you are aware, there are three fundamental principles. There is greenhouse gas emissions, there is reducing water within manufacturing and production cycles and the third point we have just referenced is circularity. We will absolutely commit to doing our bit to ensure that we hit those targets.

Right now we are working on our science-based targets, our Scope 1 and Scope 2. Again, the parallel workstream with SAC gives us some insight into the Scope 3, the supply-chain emissions. So, yes, we are very committed to sustainability. As I said, we will publish our full sustainability strategy in the first quarter of next year.

Kelly Byrne: Just to add to Andrew's point there, we are definitely on this journey already. We already have one supplier in the UK who in the last 18 months is providing us as a group with nearly 300,000 units made out of recycled polyester. That is just one thing as part of this journey that we are on.

Q124 **Caroline Lucas:** The sustainability strategies in the first quarter of next year—can you guarantee as well that signing up to the Textile 2030 will be part of that?

Andrew Reaney: Yes, 100%; 100% we will, yes.



Q125 **Caroline Lucas:** Can I ask you one final point about the Compliance Plus that Matthew Taylor was talking about earlier in the session? I do not know whether you heard him talk about Compliance Plus and whether that was something you would be interested in supporting.

Andrew Reaney: Would you mind elaborating, please, Ms Lucas?

Caroline Lucas: Do not worry, it was in a previous session. Matthew Taylor was talking about a programme whereby there would be a number of measures that could be introduced in factories and so forth, like, for example, new payroll software, more unscheduled visits by regulators and so forth. He was pitching this as something that garment factories might be willing to sign up to, but I will make sure you have more information before you answer.

Q126 **Chair:** Thank you very much, Caroline. We are just coming to the end. I appreciate that we have run over time a little bit, and I am grateful to you for that.

I have a couple more questions. Mr Kamani, you have given a very forceful defence of your enthusiasm for maintaining UK manufacture, which is commendable, but Mr Reaney has also explained that you have terminated over 60 of your suppliers in Leicester in the last three months. Have you been looking at increasing the proportion of your suppliers coming from overseas since the scandal in Leicester broke?

Mahmud Kamani: We are committed to Leicester and I will keep saying that. I am personally pledging to you that we are committed to Leicester. Once we can work closely with the factories, we will hopefully increase our production and our units in Leicester in the foreseeable future. This is what I can guarantee.

Q127 **Chair:** Thank you. Your group is listed on AIM, where the reporting standards are obviously lower than on the main market. Therefore, that includes the requirements for ESG reporting for environmental, social, sustainability governance.

We noted this summer that one of your larger institutional shareholders—Aberdeen Standard Life—sold their entire shareholding, saying at the time that they had been engaging with you for some time but were unhappy with the responses that they were getting in terms of your ESG standards. Are you determined to try to improve your ESG reporting and governance or does it not matter to you if you lose—

Mahmud Kamani: Absolutely it is. Agenda for Change, ESG governance is absolutely critical for our business. Critical.

Q128 **Chair:** The Executive Board were awarded a very significant bonus schemes just before the announcement of your results this summer. That is linked, I think, to the increase in the share price over a period of time. Would you be prepared to link your remuneration structures to measurable improvements in sustainability of your products and your ESG improvements?



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Mahmud Kamani: What I would say is: it is performance-related, the bonuses, and this Agenda for Change. The share price today is £3 and it has to get to £6. That is what I would like to say. We are committed to making good. That is what I would like to say, thank you.

Q129 **Chair:** That is a no, then, in relation to improving sustainability or ESG.

Mahmud Kamani: That is not correct. That is not a no.

Q130 **Chair:** You referred to the change in share price as the criteria.

Mahmud Kamani: That is one of the criteria. There are lots of performance criteria.

Q131 **Chair:** Does that include either sustainability or ESG improvement?

Mahmud Kamani: We will discuss it at the next Board meeting. That is what I would like to say.

Q132 **Chair:** You will consider including those potentially in future performance criteria. If that is what you are saying, it is not—

Mahmud Kamani: Maybe if there is another performance later then maybe we will look at the next one and look at that, yes.

Q133 **Chair:** Thank you, Mr Kamani. Clearly the situation of garment workers in Leicester is the purpose of this inquiry today. We are all very concerned about it, not just the Member for Leicester East. Your commitment to increase your UK sourcing is clearly welcome, but we hope that that will come with the work that Mr Reaney and the new Agenda for Change proposals that you have made will also improve the working conditions of the supply chain in Leicester and other parts of the UK.

Mr Reaney has offered us to visit your new factory as and when that opens in Leicester. That would be a change. You also indicated that you will be publishing your supply chain lists over the next year and you have made various other comments—particularly Mr Reaney—about changes that will be happening. Mr Kamani, what would be the one thing you would like to see having improved, in relation to what we have been talking about today, in a year's time?

Mahmud Kamani: I would like to first state that we requested this meeting to show our commitment and our transparency and our openness. Our openness to come here in front of you—something that I have never done in my life—to sit in basically what you call the hot seat and offer ourselves. That surely is a commitment. It is not one thing I want to make better; it is everything I want to make better.

When this business had two staff it was not one thing—it was 1,000 things together. I am very proud of this business. I am very proud of what we have achieved—our colleagues, all our shareholders. We will make Leicester right. We will make things correct. That I promise you.

Chair: Thank you very much. That concludes our panel. I am grateful to



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you, Mr Kamani, Mr Reaney and Ms Byrne, for your time today and for answering the questions in the way that you have.