

Environmental Audit Committee

Oral evidence: Sustainability of the fashion industry, HC 1148

Tuesday 27 November 2018

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Members present: Mary Creagh (Chair); Mr Philip Dunne; Mr Goodwill; James Gray; Caroline Lucas; John McNally; Dr Matthew Offord; Joan Ryan.

Questions 124 - 390

Witnesses

I: Mike Barry, Director of Sustainable Business, Marks and Spencer, Paul Lister, Head of Ethical Trade and Environmental Sustainability Team, Primark, Jamie Beck, Head of Supplier Management, Arcadia Group, and Leanne Wood, Chief People, Strategy and Corporate Affairs Officer, Burberry.

II: Carol Kane, Joint Chief Executive Officer, Boohoo, Nick Beighton, Chief Executive Officer, ASOS, and Paul Smith, Head of Product Quality and Supply, Missguided.

Written evidence from witnesses:

- [Primark Limited - written evidence](#) | [PDF version](#) ( 1.28 MB) 

Examination of witnesses

Witnesses: Mike Barry, Paul Lister, Jamie Beck and Leanne Wood.

Q124 **Chair:** I welcome people to this meeting. Can I ask that all our guests in the audience make sure that their phones are switched off, and our witnesses as well, please? We do not want to be interrupted. We are going to be livestreamed on the BBC Parliament channel, so if people can keep background noises to a minimum, we will be going live in about 30 seconds.

I call the Committee to order. This is the penultimate session in our fast fashion inquiry. I welcome our guests and witnesses here this morning. For the purposes of Hansard, can you please introduce yourselves, starting from my left?

Mike Barry: Mike Barry, Director of Sustainable Business at Marks and Spencer.

Leanne Wood: Leanne Wood, Chief People, Strategy and Corporate Affairs Officer at Burberry.

Jamie Beck: Jamie Beck, Head of Supplier Management at the Arcadia Group.

Paul Lister: Paul Lister, responsible for ethical trade and sustainability at Primark.

Q125 **Chair:** Thank you all very much indeed for being with us here this morning. Throughout our inquiry there has been a recurring theme. That theme is the issue of the fashion industry chasing the cheap needle around the planet. We have been very concerned by the conditions that your garment workers are living in and working in. Mr Barry, Marks and Spencer's Plan A has long been seen as a shining example of corporate responsibility. Can you explain why you are not part of the International Garment Workers Union, IndustriALL's initiative for better standards in your supply chain?

Mike Barry: Thank you for the question. To reassure you, human rights is at the heart of buying hundreds of millions of garments around the world from thousands of factories. We have just been benchmarked fourth out of 101 in the corporate human rights benchmark, best modern day slavery statement British business in the FTSE 100.

Put that to one side and let's answer that direct question. We have been working now for decades in the world of ethical trade, working with ETI and working with SEDEX to understand what is truly happening in supply chains. We work in lots of different initiatives. Not every single one that is put in front of us do we need to work with. We keep talking with all these initiatives, we keep understanding what difference they can possibly make to the journey that we are on. Very respectful. No one is going to solve this journey on their own and that is why this panel is so very, very



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important. On this very specific initiative we decided that we can move things forward through the existing partnerships we have, but we will keep watching them.

Q126 Chair: You talk about SEDEX, but that is essentially the fashion industry marking its own homework, is it not? You do an audit and then once they are on your suppliers' list you do not check second- and third-tier factories, do you?

Mike Barry: We go beyond first tier. Let's again be very, very clear about SEDEX. It is bringing together the audits done by multiple different businesses and multiple different factories. By bringing the industry together, we are collectively sending a signal to the whole marketplace, all the producers, that these standards matter. I think that is very, very important to say at the beginning.

We know from work on things like modern-day slavery that you have to go beyond tier 1. We work now through tier 2, tier 3, right back to the cotton field as well. There is in no way complacency, but I want to be very, very clear we cannot take part in every single possible initiative out there but we are totally committed to human rights in our supply chain.

Q127 Chair: It is funny that you are committed to human rights and yet you do not want your workers to express their human right to freedom of association, collective bargaining, discussions around pay, overtime and working conditions. Is not the best audit the audit that is taken by workers through their elected representatives in your factories? Is it not the case that Marks and Spencer does not recognise trade unions here in the UK and once you realised the Act was about recognising trade unions in third countries, you could not be part of it?

Mike Barry: Let's start with the first challenge there. For our 85,000 colleagues we work very, very closely with business through business involvement groups. They have a really good voice in the direction of travel of the Marks and Spencer business.

Q128 Chair: Are these the garment workers you are talking about?

Mike Barry: You asked the question about our own employees. Let's be very clear, we work very closely with our workforce. Secondly, back down the supply chain, absolutely we support freedom of association. Again, there is a transparency map on our website naming every food and clothing factory around the world we use, telling you whether they have freedom of association in that factory or not. We have nothing to hide. We absolutely support the need for freedom of association in supply chains, absolutely in terms of the audits that we do. We are working with worker representatives to understand the reality of what is going on in the factory.

We are not naive. We know that people can be intimidated, we know that problems can be covered up, and we go looking for them. Again, this is why you have to work in partnership with multiple other businesses to



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get under the skin of the issues in supply chains. I want to be very clear with you that human rights matters to us; freedom of association matters as well.

Q129 **Chair:** How many of your factories are unionised?

Mike Barry: I could not tell you off the top of my head. The information is there on the website.

Chair: Do you not put it there? Do you not know?

Mike Barry: I do not know personally but it is up there. It is available in the public domain as to how much freedom of association is in our supply chain. We are one of the few businesses in the world that do that.

Q130 **Chair:** Can you talk us through the audit process that SEDEX does, because it is not clear to us? One of the constant refrains that we have is that this is the industry marking its own homework and that CSR—we have you all here today from the social responsibility side—is the kind of add-on to give you permission to operate and basically to cover up the fact that your workers are getting paid maybe 10 cents for making a pair of jeans that you are retailing at £30.

Mike Barry: Again it is a legitimate question. Let me explain how we do it within the business. We have a very small team in the central business I lead: 10 people who deliver the policy strategy over all partnerships within the business. Everything else is integrated into our business units, our clothing business, our food business, our retail business and logistics. They run these things day to day. They have teams with local sourcing officers that work very, very closely with independent third-party auditors that check every factory every year. We share that information again through the SEDEX platform. We are constantly working with other businesses to understand the problems that they are identifying, we are seeing, and working together.

We, too, would challenge the audit systems that we have today that can be better. There are pieces of work going on from the Consumer Goods Forum, through the Ethical Trading Initiative, through SEDEX, to improve the audit system. None of us is complacent about this but I do believe that we are finding the issues that matter and dealing with them.

Q131 **Chair:** How many factories have you pulled out of working, and in which countries, as a result of a SEDEX audit?

Mike Barry: Over the last what length of time?

Chair: Over the last five years.

Mike Barry: It will be a small number, and it is a small number for a very clear reason: we do not cut and run. If you find a problem, you stay and you put it right. The only reason we would leave a factory is if we felt that that factory did not take seriously the problems that we had found



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and were not willing to work with us to put them right. If you find a problem, you stay and you put it right.

- Q132 **Chair:** How do you put it right if you do not know where the unions are and you are relying on a third-party auditor? They come to you with a problem. There is no independent workplace voice, or you do not know whether you have trade unions or not. It does not sound very convincing, does it?

Mike Barry: Let's be clear, we do know that we have trade unions. All I am saying today is that out of the thousands of factories we use I cannot give you a specific percentage today, but our teams on the ground know. When they go into a factory they will meet workers and workers' representatives in the process of the audit. The happens all the time.

- Q133 **Chair:** Globally, less than 10% of garment workers are in a trade union, so that would probably be a similar percentage for your factories, would it not?

Mike Barry: I think it is a higher figure and I think, in terms of freedom of association, again trade unions are very, very important in this process. Let's be very clear, trade unions are in a really important role in supply chains, but there are other ways of doing freedom of association as well.

- Q134 **Chair:** What are those ways? If they are sitting down with management in the factory, that acts as a block on workers' trade unions being set up, does it not?

Mike Barry: Of course, and this is why we were working, again with other brands, to share best practice on how workers can have a voice in the factory. Again let's be clear. We have seen repeatedly in our own business, in our food supply chain, that when workers are well looked after you get a business case. They are more productive; you have less absenteeism. It works. It is in our interests to support better labour rights in factories and supply chains.

- Q135 **Chair:** It worries me about Marks and Spencer because you will be talking about your animal welfare, about happy cows, the quality of the turkeys, the hens that lay your eggs, yet you cannot tell us what is happening to your workers in second- and third-tier factories, or you are saying that if you go and audit, that you find problems and then you work to perhaps sort them out but you are not sure. It does not sound like a proper system. In this digital age what is stopping you from working with the global garment workers' union? You were involved with them in 2015; you pulled out in 2015. Why did you not sign that memorandum of understanding?

Mike Barry: I want to be very, very clear with you. We know where every factory is, we are auditing every factory, we are transparently putting on our website where every factory is. That is among the leading standards in the world. The corporate human rights benchmark has gone



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through laboriously what we do in terms of human rights and found very, very high standards, fourth out of 101 in the world. I am being very, very clear with you today: as a panel we are not complacent.

We are not for one second saying that human rights is cracked and there is not a better way of doing things. We are also saying how respectful we are of the good work that trade unions do in those supply chains, but we cannot take part in every single initiative that is put in front of us.

Q136 **Chair:** We notice the fact that of all the initiatives that you are taking part in, the one that involves independent scrutiny of what you are doing is the one that you are not part of.

I am going to move on to Ms Wood, Burberry. You have a very interesting approach to factories in Asia and you refuse to supply from Cambodia, Bangladesh and a couple of other countries. Can you tell us why that is?

Leanne Wood: Yes, we do not work with partners in those countries because we do not feel that we can be confident necessarily of the standards and we cannot audit or ensure them, so we have made a choice not to operate in those countries.

Q137 **Chair:** What are the weaknesses in the audit systems in those countries that you have discovered?

Leanne Wood: Beyond the audit system, at this present time we do not feel confident that all of the things that we believe in in our responsible business principles that we would necessarily be able to find suppliers who would be able to commit that they could meet those standards.

Q138 **Chair:** Is this in particular about human slavery in Myanmar?

Leanne Wood: It is across a range of issues. We very much are in favour of all the work that is happening around modern slavery. Our CEO was one of the founding members of the CEO group against modern slavery. We are recognised as one of the top 10 FTSE businesses in our reporting in this area, so it is certainly something that is hugely important to us.

Q139 **Chair:** Have you considered going into the IndustriALL ACT, the industrial trade union for garment workers? Are you considering joining that initiative?

Leanne Wood: We will always look at and consider initiatives, we are very happy to do that. About 75% of the workers across our supply chain are covered by collective bargaining agreements. Again, our responsible business principles set out that we want to be able to ensure that people are able to access freedom of association, so we are always looking at associations that can help us further these goals.

Q140 **Chair:** You have a factory in Wakefield, in Castleford. Do you recognise trade unions in this country?



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Leanne Wood: Our employees are free to join trade unions. We are the first luxury industry business to be accredited as a UK living-wage employer. That is something that is hugely important to us, so we certainly support all of our employees to be able to join a union.

Q141 **Chair:** Do you recognise any trade unions?

Leanne Wood: We do not recognise them collectively but we do have collective arrangements in place across many of our supply chain businesses.

Q142 **Chair:** In this country or overseas?

Leanne Wood: Our own manufacturing is in this country primarily, in Yorkshire, as you say. We have also recently acquired a factory in Italy.

Q143 **Chair:** Thank you very much.

Can I move on now to Mr Beck, Arcadia Group? You have been in the news recently, have you not, with your boss, with allegations of racism, sexual harassment, bullying, belittling of senior management in the UK? How does having a boss like that affect the culture in your group with regards to workers' rights?

Jamie Beck: It does not affect it at all. We have a strong fashion footprint programme, an ethical trading programme, which we have had for many years. We have a core code of conduct that is implemented throughout our factories and throughout our supply chain, and we have an audit programme similar to other high-street retailers to monitor that.

Q144 **Chair:** If culture is set from the top and the top management are being bullied and belittled by Philip Green, is that not a problem for the culture throughout the organisation?

Jamie Beck: I am not here to comment on that specifically. I thought we were here to talk about the supply chain and workers' rights.

Q145 **Chair:** This is about workers' rights in this country. There have been reports of what Philip Green is alleged to have said to workers in this country. He sets the standard and the tone for your dealings with workers further down the chain, if you like.

Jamie Beck: As I said, we have our code of conduct and that is in our conditions of trading with our suppliers and that is to meet the minimum standards throughout our supply chain.

Q146 **Chair:** You are in the ACT initiative, is that correct?

Jamie Beck: That is correct.

Q147 **Chair:** What difference has that made to your supply chain?

Jamie Beck: At the moment no direct impact. At the moment, where ACT is at, we are working with a number of trial countries, one in particular, where we are looking at what steps we can get to for a



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collective industrial agreement for wages in that sector. I would say that there is strong progress being made.

Q148 **Chair:** Which country is that?

Jamie Beck: It is Cambodia.

Q149 **Chair:** That is particularly important around child labour, is it not?

Jamie Beck: Sorry, can you repeat that?

Chair: Are there particular issues with child labour in Cambodia?

Jamie Beck: Not that I am aware of.

Q150 **Chair:** There certainly have been in the past, because obviously after the killing fields nobody had any documentation. One of the things was the destruction of the administrative pillars of society, which has taken a long time to rebuild. I was wondering if that was an issue.

Jamie Beck: No, not that I am aware.

Q151 **Chair:** Have you thought about going any further with ACT and signing up to a global framework agreement, as ASOS has done?

Jamie Beck: Yes, we have always had a very good, strong working relationship with the ITGLWF, which then turned into IndustriALL. We have had, like I say, a good, healthy working relationship where if they do find any concerns in the supply chain, they come and talk to us. We work with them and we help retailers to resolve any issues.

Q152 **Chair:** Thank you very much. Mr Lister, Primark is famous for its very cheap t-shirts. How can you justify selling t-shirts in your stores for as little as £2 or £3 and how can you be making a profit on those?

Paul Lister: That is a question that is often put to us. I think it is because our business model is slightly different from perhaps others. We do no advertising. You will have seen no billboards, no television advertising. Primark has never done any significant advertising at all. That can save us, in any year, £100 million to £150 million compared to some of our larger rivals. That goes straight into price, so that keeps our pricing low.

With our arrangements with our factory, we often buy on longer lead times, in quiet periods for the factories, and then we pay the factories early. If you are a factory owner, you will be able to give Primark a better price to reflect that. Then from the factory through to the store, we keep our costs to the absolute minimum and in the store our margins are very tight. Our published margins are between 9% and 12%. It is our business model that takes us to the £2 t-shirts.

Q153 **Chair:** You said in your response to us that you are a founding member of ACT—Action, Collaboration, Transformation—on living wages, but you do not know of any child labour in your supply chain. That is one of those



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slightly ambiguous phrases, is it not?

Paul Lister: No. I sit here today and say I do not know of any child labour in our supply chain. We look. I know of the risks of child labour. We look. I have a team of 110 people who are based predominantly in our sourcing countries around Asia. We know the risks and we have our code of conduct, as everybody has been referring to. Our code of conduct has a list of things we look for and one of those is child labour.

Q154 **Chair:** What is your definition of "child"? Is this anyone under 15?

Paul Lister: Under 15, 15 or 16. We do not look to 14. I think China has 14. We define child labour.

Chair: Can you be clear? Nobody under what age is employed in your factories?

Paul Lister: Under 16. Sorry, they are not our factories, they are suppliers.

Q155 **Chair:** Suppliers, yes, we understand that, thank you, that you are purchasing from.

If I can come back to Mr Beck, you say there is no person under the age of 15 in your factories, so there is already a discrepancy there in terms of differentiation of "child".

Jamie Beck: That is with our code of conduct, which mirrors that of the ETI and globally, really. That is convened from ILO standards.

Q156 **Chair:** One store says no one under 16 and one store says no one under 15.

Jamie Beck: It is the law within that country, but we say at a minimum it is 15 and that is the same for all the high street retailers' codes of conduct.

Q157 **Chair:** It is not, because your colleague next to you has just said it is 16, so it is not the same for all high-street retailers, is it?

Jamie Beck: I ask the colleague maybe to check his code of conduct, because they are the same.

Paul Lister: I will do that.

Chair: Mr Lister?

Paul Lister: We will do that, but I think it is 16 in our codes of conduct.

Q158 **Chair:** Mr Barry, what is your definition of a child?

Mike Barry: Let's start working down. Under 18, young people, you will start taking a lot of due attention at 18 but people can work in there under 18. Most countries in the world would look at 16 and we would absolutely comply with the law of the land there; if it is 16, it is 16. In a small number of countries 15 is acceptable. We would accept it in that



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context provided there are really good, stringent controls in terms of what that young person is doing at the time. It is very, very, very rare, but 15 very occasionally will happen in a supply chain.

Q159 **Chair:** Which countries?

Mike Barry: I could not tell you off the top of my head right now, but it will be a small number might be doing it. You are talking a tiny number.

Q160 **Chair:** We heard evidence of girls being bonded into three years of bonded labour by their parents in south India, 15 to 18, 14 to 17, in order to work for their dowry. Is India a country that you source from?

Mike Barry: Yes, we source from India, Bangladesh, we source from Cambodia and Vietnam. Again I am being very clear we understand the risks in these countries and we are constantly looking out for them. We work with local NGOs and local government officials to spot the risks all the time, and communicating with each other as well. Again, we never turn around and say—

Q161 **Chair:** You say local government officials?

Mike Barry: Yes.

Q162 **Chair:** Like the ones who inspected the factories in Rana Plaza that then collapsed? The whole reason that Rana Plaza collapsed was because of corruption in the building standards there.

Mike Barry: Let me be very clear, Marks and Spencer had nothing to do with Rana Plaza. Secondly, let me also respond to that. You have to listen to different people and you triangulate. I will listen to trade unions, local NGOs, local government officials, other businesses and brands in that space. Everybody gives you a bit of intelligence to understand what is going on there. You have to be there and you have to be listening. I do not think anybody tells you the gospel truth, you have to be listening to everybody. The more you have people on the ground, the more you hear, the more you can share and respond to that.

Q163 **Chair:** You are very defensive about Rana Plaza, but any one of the three fast fashion brands sitting here could have been employing people in Rana Plaza, could you not?

Paul Lister: We were in Rana Plaza. We had a supplier in Rana Plaza.

Q164 **Chair:** What contribution did you make to the fund?

Paul Lister: In relation to Rana Plaza, we announced we were in Rana Plaza on the day that it collapsed and very early on we started to provide food aid because people were not being paid and food became the most important thing to everybody in Rana Plaza, irrespective of whether they were in the Primark factory, which was one of a number of factories within that building. After that, people had fled. The building owner had fled, the factory owners had fled. It became apparent that wages were also important, so we agreed that we would pay short-term



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compensation for three months' salary for everybody in the building while we then developed our own long-term compensation scheme. This is in early May, when the building had collapsed in late April.

That took longer, the compensation scheme took longer, because we were determined to have a compensation scheme that was based on the injuries suffered. Each individual had to be assessed for their injuries suffered. We also determined that the person who was entitled to the compensation would keep that compensation. It would be for them and not the family, because they were the people entitled to it. That took longer to develop than we thought it would, so we eventually paid nine months' compensation in terms of short-term compensation to everybody within that building. Our total compensation, when it went to the long-term compensation and started to pay that out, was \$14 million.

Q165 **Chair:** How many workers were directly lost in the Primark factory? It was about 1,400 overall.

Paul Lister: Yes, it was about 250, I think. I would have to check the actual number.

Q166 **Chair:** That is a lot less than you would have paid had a similar disaster happened in this country, for example?

Paul Lister: We based it on an insurance scheme that would have happened in this country. We looked at what would happen in Europe in relation to compensation, where the wages are taken into account and life expectancy, and the actuarial model was based on a European system with the inputs provided based on local data. That is how we reached the numbers we paid.

That we then also agreed with the ILO, who were doing the parallel scheme, which I think is the one you are referring to. The ILO was also basing it on those numbers. The actuarial model was based on the European standard with the inputs based on the local numbers.

Q167 **Chair:** Mr Beck, did you have any sourcing from Rana Plaza?

Jamie Beck: No.

Q168 **Chair:** You did not. Did you make any contribution to the ILO fund?

Jamie Beck: No.

Q169 **Chair:** You did not. What about you, Mr Barry?

Mike Barry: We were not there and we did not make a contribution.

Chair: Thank you very much.

Q170 **Joan Ryan:** Leanne Wood, we are pleased that Burberry has announced an end to the wasteful practice of burning unsold stock. A concern would be that you could hardly have been said to have done this voluntarily as a progressive move or because of a concern about the ecological



emergency that we face. In fact, your initial response was described as brazen. Although now it is a good move, it appears to have been done to avoid further reputational damage rather than any other concern. However, how widespread do you think this practice is across the rest of the luxury fashion industry?

Leanne Wood: Yes, we have committed to stopping it in our environment. It is something that we started in 2017, with establishing some goals for ourselves around how we revalue waste. It is an industry practice. We are the only luxury business that has reported it in its accounts, so we do not have specific numbers for other companies but it is something that does happen in the industry.

Q171 **Joan Ryan:** Mike Barry and Paul Lister, M&S and Primark have both piloted takeback schemes. What has been your experience of how successful they are?

Mike Barry: Just to step in with two observations, one is your internal clothing. Each year you are producing samples, you are producing garments that you cannot resell, customer returns. What we do is we give back half a million garments a year to charity. The rest is sent for commercial repurposing, nothing to landfill or incineration. With our customers, we worked with Oxfam for 10 years on something called Shwopping. It takes back about 30 million garments over 10 years. It has sold those products and raised about £21 million for overseas development work.

We do not think the great challenge is about takeback. Takeback is possible. It is what you do with 1.2 million tonnes of fibre that the British industry uses collectively each year and we need to work harder, all of us, in terms of developing new industries that can use the fibres. It is quite possible to prevent anything going to landfill or to incineration. It is much harder at the moment to do something with the fibres you recover. We make sure, certainly with Oxfam, anything it does not sell in the UK is sold ethically overseas. Anything that cannot be done there is recycled.

Q172 **Joan Ryan:** They are interesting points because clothing production has roughly doubled in the last 15 years, yet across the whole industry only 13% of total material input is in some way recycled, so it does not seem a hugely effective way forward at the moment. Would you agree?

Mike Barry: I would agree. I think that is why we are all sat here. At the moment that 1.2 million tonnes of fibre that costs probably several billion pounds around the world to buy and put into garments to be sold to consumers is not recovered as well as it could be. We could have a really important industry in the UK, a circular economy industry, that uses hundreds of thousands of tons of cotton, wool, leather, any material that we bring back. There is lots of potential. M&S has made a good start; I would say all of us can do so much more.

Paul Lister: We piloted a takeback scheme in 2016. What we wanted to do there was learn how the clothing went through the logistics of a



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takeback scheme. We will next year in 2019 put a takeback scheme into all of our stores. One thing we learned was we needed to put the boxes in store in a recognised place in front of house as opposed to in a service area behind the cash tills. The takeback scheme is being developed. We are talking to a number of recyclers and then the money that is benefited from the takeback scheme will be donated to local charities, depending on the country in which we operate.

In relation to unused stock, we have very little unused stock. It is about 0.25%. That is being donated to Newlife, which is the charity. They benefit and they save to the tune of about £4 million from that. In the last year that has benefited something like 25,000 children that it has been looking after.

Q173 Joan Ryan: It is good to hear of these initiatives and to give you the opportunity to talk about them here, but it does seem that it is making very little impact overall at the moment. Is there a real commitment within your companies and within the industry to make these changes for the right reasons to deal with the ecological emergency we face and also with the waste that you create that helps to support the profit of your business, or is it really just to avoid the situation Burberry got itself into?

Mike Barry: I can be very, very clear that we take it seriously. That is what we have been working on for 10 years. We have done 30 million garments. Could it be more? Possibly. We have to push ourselves harder to get more. What we are running into is the constraint of the current system. If there are better outlets to take the fibre back that we recover, the many thousands of tons of wool, for example, that we use in suits, to use that productively to upcycle or to put into another industry, then you can really start to drive some scale.

We also need consistency across the high street. You have heard a good story there from Primark and we do good stuff. What we need is consistent recovery of garments. Underpinning it all—and I think we will come back to this later—is the need for us all to sell quality goods that last a long time. The ultimate way to stop waste is to sell quality, but once you do get it back, make sure you use that material time and time again.

Q174 Joan Ryan: We know that as an industry you have not yet been required by legislation to take responsibility for discarded garments, so it is quite different there to, say, the electronic goods.

This is to everybody, so you might all like to come in on this. The Government are currently working on a new resources and waste strategy. What policies would you like to see Ministers include to reduce and reutilise the mountain of clothing waste we are currently producing, or that you are currently enabling to be produced?

Leanne Wood: One of the things that we would be very keen to see is anything that can stimulate investment in innovation in some of these areas that Mike was mentioning, or in recycling technology. There are



certain fabrics, whether it is fibres or even finished fabric, that today is very difficult to find recycling solutions for. The UK could lead the way in this area, ways to stimulate innovation, new ideas. We participate with the Royal College of Art in a partnership to look at developing new kinds of fabric and I think there is a huge opportunity for us in this area.

Paul Lister: We are looking at new fabrics. We look at new fabrics and the new technologies that we have been talking about. It is difficult at the moment to disentangle, if you like, cotton and polyester. If you have a polyester and cotton shirt, it is difficult to disaggregate those two materials, but new technology may be able to do that. We are speaking to people in relation to new technology that will be able to do that and produce virgin cotton and virgin polyester that could then be recycled again. It would be very helpful if there were incentives in relation to that. That could be done in the UK where the clothes end up.

Q175 **Joan Ryan:** Do you think we can do this in the timescale that we now know we have in order to reverse the damage that we have done to the environment?

Paul Lister: Yes, I do. The Committee, I know, has heard from people who are looking at it now and are testing that technology. If that technology works, there is no reason why it cannot be done in a very short period of time. It needs to be done here—it would be better to be done here—than in the developing world because this is where the clothes stay.

Mike Barry: Three quick observations to the questions there. In terms of extended producer responsibility, I think again the policy system needs to consider the 1.2 million tonnes of fibre. Is it a valuable resource compared to the other resources that Government could intervene on? Quite possibly, yes. I think that EPR could well be considered. Zero Waste Scotland has done some good, innovative stuff to start to create micro-enterprises that can take material back and reuse it. I think that is very, very important.

The thing I do not want us to forget is new business models emerging. It is very early days yet. We can start to see rental models and sharing models starting to emerge that will get people to participate in the use of clothing in a different way. It is small, it is early, but it will start to disrupt the marketplace. Is it quick enough? That is probably the homework question here. Probably not. We need to think quite rapidly how over the next five years we can move to a position where a significant amount of 1.2 million tonnes is, either voluntarily or legally driven, reused in the UK economy.

Joan Ryan: Mr Beck, do you wish to add anything?

Jamie Beck: No. I agree with the comments that have been given. I think that the focus is on the fibre-to-fibre model. It has to start at a fibre



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and then be able to go back to the fibre. It is the research needed for that and the facilities, as Paul said, here in the UK.

Q176 **Joan Ryan:** What is Arcadia's commitment in relation to these issues?

Jamie Beck: At the moment we are just staying abreast of what innovations are out there, but I think that it is fairly limited in what can go all the way back from fibre to fibre. We would be happy to look into purchasing.

Q177 **Chair:** Essentially, you are not doing anything?

Jamie Beck: Not fibre to fibre, no.

Q178 **Chair:** No end-of-life collections?

Jamie Beck: Sorry, yes, we do have a takeback scheme in our head office and we have trialled it also in our main store. Are you talking about takeback schemes?

Chair: In your head office?

Jamie Beck: Yes, for the samples and materials that might come in, for our employees.

Q179 **Chair:** In one store?

Jamie Beck: Yes.

Q180 **Chair:** How many stores do you have in the UK?

Jamie Beck: I could not tell you off the top of my head.

Q181 **Chair:** Maybe you could write to us with that information. What about the fabric that is lost in the cutting in these countries where you manufacture? What happens to that?

Jamie Beck: From my experience in visiting factories, the fabric that is wasted is an extremely small amount. When you look at the technology that goes in, because the cost of the fabric of the overall cost price is the majority, the investment in technology to make sure that there is as little waste as possible through different design and cutting techniques is huge. The actual waste from that is very, very minimal. In the factories there that I know about that I have seen, it is recycled.

Q182 **Chair:** You have been to one factory and it was recycled there?

Jamie Beck: No, I have been to many factories and the fabric is never wasted.

Q183 **Chair:** What happens to it?

Jamie Beck: It would be sold on, normally, by the factory.

Q184 **Chair:** For what?



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Jamie Beck: Normally to go to recycling to make things like insulation or to other industries.

Q185 **Chair:** We have done a Google and there are 2,500 outlets in this country and one takeback scheme for the public?

Jamie Beck: Yes.

Q186 **Mr Goodwill:** Marks and Spencer, Arcadia and Primark have all signed up to the sustainable clothing action plan. This relates not just to setting targets for waste, which we have talked about, but also carbon emissions and water use. What challenges have you faced in addressing these targets and is it something that you lie awake worrying about meeting these targets or is it just another box on the corporate social responsibility plan that you can tick and tell your shareholders and customers that you are doing the right thing?

Mike Barry: We are huge supporters of SCAP, the waste resources action plan that is generally across the UK in plastics and other materials. SCAP is very, very important. There are two insights there. One is existing work. Some of the challenges are particularly around measurement, making sure there is an industry consistently measuring environmental impact. You may well have heard of the HIGG index. It is a global scheme now to make sure we all consistently define environmental impact in the same consistent way. Making sure that the UK industry adopts HIGG voluntarily across everything it does will help SCAP enormously.

The other thing that SCAP can do is address new issues. You have heard evidence already about microfibre shedding from clothing and the impact on the oceans and the risk that is growing there. SCAP has a really important role to do in convening the whole industry to come up with solutions. We are working with something called the European Outdoor Group on that, but I think that the SCAP platform in the UK can be very, very powerful for solving it.

Mr Goodwill: Mr Beck?

Jamie Beck: Yes, I agree with everything Mike says. The components of SCAP is the correct recipe for dealing with some of the things that have been spoken about here today in terms of the consumer advertising campaigns that it has done and the focus in reducing carbon, water and waste. Yes, we actively support it.

Mr Goodwill: Mr Lister?

Paul Lister: As we do, being part of this. Where Mike said earlier, any collaboration, you learn from each other. That is helpful. SCAP is one of those things that we have learned from and we have made big progress in relation to the targets set.

Q187 **Mr Goodwill:** When you are looking at the type of fabric you might use in a garment, you obviously have a lot of manmade fibre out there, you



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have mixes and you also have natural fibres, which I suppose if you are looking at energy field you would be looking at the sustainable energy versus fossil fuel and it is basically a fossil cloth. Do you look at that as you are starting the process of sourcing a new garment or is that something that is the end-of-the-exhaust-pipe problem that you try to solve rather than at the start?

Paul Lister: In terms of when the garment is being designed and what goes into the garment at that stage?

Mr Goodwill: Yes. If you use cotton as opposed to a polyester or what have you, does that mean the end of the life of that garment or as you produce waste during the production, that is going to be much more sustainable and meet the targets that have been set or is this the sort of problem you have to deal with at the end of the process?

Paul Lister: The buyers look at a garment in an overall view and the manufacturing process in an overall view. Part of that will be where they source, how they source, what goes into the garment and the end result of the garment, the whole environmental footprint of that. That is all set out in a document that they will produce and look at in order to determine what that garment looks like in its overall context. There are fashion elements as well that go into that. They are not blind to that.

Q188 **Mr Goodwill:** As a rule, at the bottom end of the market it is more manmade and at the top end it is more natural fibre?

Paul Lister: No, nearly 50% of our garments are made out of cotton. Cotton is by far and away our largest fabric.

Q189 **Mr Goodwill:** Would you like to come in again?

Mike Barry: Very briefly, I think this is a really good discussion because every fibre that we use carries an impact. Polyester manmades might be worse in terms of carbon footprint. We know that cottons have enormous challenges in terms of fertiliser use, pesticide use, labour standards in fields. Many of us are on the pathway now to 100% BCI cotton, better, more sustainable cotton.

Every time you make a decision to hop from getting out of that fibre because it is a problem into another one, you run the risk of jumping from frying pan to fire. That is why the HIGG index is so very important to allow us to compare fibres to work out how we take the optimum decision about managing that environmental impact. There is more for us all to do, but what I would say is every raw material we use is on a pathway to be very much more sustainable than it was. We have not quite worked out how to work out whether one fibre is 17.8% better or worse than the other one at this moment in time. That will come.

Q190 **Mr Goodwill:** To the whole panel, do you think that a voluntary approach is going to be sufficiently robust to deliver the reductions in carbon, but also water use, as we have mentioned, or should we move to more



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compulsion in this, as we have seen in other industries, which may be more energy intensive but every bit counts towards our overall CO₂ reduction targets?

Leanne Wood: We are committed to 100% renewable energy. At the moment it is about 50% but we are making good progress towards that target. I certainly think that individual companies on their own may struggle to do this, particularly smaller companies, so anything that we can do to support, whether it is in industry collaboration or by learning from each other, is very helpful. Beyond that, there are going to be companies with different challenges and it is going to be hard to pinpoint one rule for everybody.

Q191 **Mr Goodwill:** Of companies that source globally, how much control do you have over the way that a factory is heated or the air conditioning or lack of it that is in a particular factory in India or Bangladesh?

Jamie Beck: I would say limited in some of our smaller suppliers. Where we have greater purchasing power and we have strategic supplies—which is the majority, I would say, of our intake of garments into the business—then, yes, we will have some sway about where they source their energy from. In a lot of the countries they are encouraged to do that anyway, generally, as a good business operating model.

Q192 **Mr Goodwill:** Would on-shoring more production be a way of achieving these goals possibly?

Jamie Beck: Potentially.

Q193 **Chair:** Can I challenge you on this? You have agreed, under SCAP, voluntary targets—no hassle if you miss them—to reduce your waste by 7.5% by 2020. So far the signatories have reduced waste by 0.8%. Those are the figures that we have. Are they wrong? You are looking puzzled, Mr Barry.

Mike Barry: Yes, there is a new report coming out in January. Again, it is not in the public domain yet. It is not for me to say what the numbers say, but our experience is that we are making much more progress as an individual business than that. I do want to face into this point because I think you used the words “environmental crisis” a moment ago.

I work in a food business and a clothing business. I am used to these challenges in food. Clothing faces the same challenges as food started to face 10 years ago. I want to be very clear with you: environmental and social, we need to be much better. Voluntary, I think I would look at us having one opportunity to do something like plastic packed. At last on plastics the industry in its entirety, brands and retailers, have faced into the lee for enormous change on plastics. WRAP is voluntarily leading that, supporting everybody in plastics packed.

I think that we are at a stage where as an industry we might need something of that enormity in terms of the fibres, the factories, the takeback that we have. If we do not produce I would understand if you



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guys turned around and said, “You need a law to take you forward”. We would not be averse to that, but I do think generally the marketplace, if it takes things seriously—and that is an “if”—can solve this in a voluntary way. All the initiatives that we need are out there. They just need ownership and commitment to them.

Q194 **Chair:** Okay. The figures that I have from WRAP from July 2017 show that the industry or the signatories have reduced their carbon footprint by 10.6% against a target of 15%. There is no way you are going to meet a 2020 target of getting to 15% in that time. What are your figures now? Are you able to share them with us?

Mike Barry: I would think it was inappropriate with the figures coming out in January to put anything into the public domain just now. I would say that the industry has made a good start towards that figure. I am being, again, very clear. It is not enough. In terms of the carbon footprint, the environmental social footprint of clothing, the billions of garments sold in the UK every year, we collectively need to be better.

Q195 **Chair:** The waste is only at 0.8% per ton of clothing. You are 10 times away from this 7.5% target there.

Mike Barry: That is a very legitimate challenge on waste.

Q196 **Chair:** Of course, the impact of increased volumes of clothing, which you are all in the business of selling us more, outweigh these efficiency improvements, don't they? So even if you become more efficient at dealing with your waste you are still selling more and creating more waste because that is the model that you operate under, isn't it?

Jamie Beck: I think it is the investment upfront in the design stage. With the support of SCAP we have just developed an internal training document, a fibre toolkit, which is designed and trained out to the designers and buyers to start this at the very beginning—so at the design stage—to see what sustainable alternative fabrics there are, and on the accessories as well. As you say, it is from the outset doing it so if it is selling more garments then it would have less impact so it would offset that.

Q197 **Chair:** You are one of the signatories?

Jamie Beck: Yes.

Q198 **Chair:** How are you doing with your waste reduction, water reduction and carbon reduction?

Jamie Beck: We are making good progress.

Q199 **Chair:** Are you going to hit the 2020 target?

Jamie Beck: That is the aim.

Q200 **Chair:** Mr Lister, are you a signatory?

Paul Lister: We are.

Q201 **Chair:** Are you going to hit the 2020 target?



Paul Lister: I think that in the three categories SCAP will hit its target and we will be part of that. With waste what you have identified is the more challenging one. With all the processes you have to start somewhere, you have to make progress, then we can share the progress that we make in SCAP across the industry. The difficulty with all of this is that you have to turn over the pebble. You have to start. Once you have started, share what is difficult; share what has been easier.

Q202 **Chair:** I represent Ossett and Wakefield, which have a shoddy and mungo industry that goes back 100 years from the wool producing area of this country, where all the waste that was produced from the mills went into mattresses, refibred into carpets, bedding and insulation. It is not like there is anything new that we can invent, is there? It is just that these traditional industries have died and it has been easy to chuck things into landfill and forget about them. Isn't that the real problem with the fast fashion industry if you are selling stuff at £5? People are not going to treat it with any respect at the end of its life. It is just going to go in the bin.

Paul Lister: Every item that we make—every item that we produce and sell—we are looking at durability. The durability has a number of tests across that lifecycle. It is about washing. It is about the design. It is about the treatment of that garment. We are proud of the quality and the durability of our garments. They are not bought to throw away.

Q203 **Chair:** What about you, Mr Beck? Every week is a season in Topshop, isn't it?

Jamie Beck: I am not aware that every week is a season but, yes, we do have a lot of different ranges that come out in terms of newness. I would agree with Paul. We do not sell a lot of garments for £5. They are at a higher price point and again the product is designed and tested rigorously for things like washing and colour fastness to light to make sure it does not fade. These garments are not designed to be a disposable item that would be bought for a holiday. They are designed to be long lasting and that continues on to a secondary use as well of other people, whether that be a charity shop or whether that be given to friends and family. It is designed to a high standard.

Q204 **Chair:** Why is so much of your product ending up in the bin then?

Jamie Beck: We do not believe it is ending up in the bin. We believe it does go to charity shops. We believe it does get reused and sold on.

Q205 **Chair:** Where is the evidence?

Jamie Beck: I have not—

Q206 **Chair:** You are not collecting it so how do you know what is happening? You are just believing.

Jamie Beck: If you look, for example, at the second-hand market even on eBay and you look at the amount of items being sold there, that gives a very good indication that our products are resold on by our customers.



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Q207 **Joan Ryan:** Is that not rather an indication of the fact that in the UK there has been this huge increase in the consumption of new clothing? New clothing is now higher in the UK than in any other European country and double that of many other countries.

Chair: Exactly. The model here is predicated on selling twice as many clothes as, for example, Italy buys per head. There will be a lot of stuff for sale on eBay because we buy more stuff, I believe. Okay, we will move on.

Q208 **Caroline Lucas:** I wanted to come to cotton production in Uzbekistan and Turkmenistan in particular. You will know they are both in the top 10 cotton producers in the world and we have had some worrying evidence about the Governments of those two countries in particular forcing their citizens to pick cotton under incredibly harsh conditions every harvest season. I wanted to ask each of you in turn, if that is all right, about whether or not any of the cotton you use is sourced from either of those two countries.

Mike Barry: To answer first, no, it is not. We have banned very clearly in our supply chain the use of cotton from those two countries. Every piece of cotton we use—and we use over 50,000 tonnes—is very close to being 100% Better Cotton Initiative cotton now, so more stable cotton.

We have seen demonstrable evidence working with people like WWF, working with 20,000 farmers in India, about the difference that makes. Will we stop there? No, we will keep pushing for higher standards, but we have banned the worst and we are moving all of it to at least a good standard and from there we will move on.

Leanne Wood: We do not source our cotton from either of those countries. We are also members of the Better Cotton Initiative and are targeting 100% of our cotton coming from that initiative.

Q209 **Caroline Lucas:** By when?

Leanne Wood: By 2022. It is over 20% now and we are working on improving it.

Jamie Beck: Again, we do not source our cotton from those countries and that is a condition of trading with our suppliers for both countries you mentioned.

Q210 **Caroline Lucas:** Are you part of the Better Cotton Initiative?

Jamie Beck: We are, yes.

Q211 **Caroline Lucas:** What percentage have you achieved in terms of your—

Jamie Beck: We have a 20% target by 2020.

Caroline Lucas: A 20% target by 2020?

Jamie Beck: That is correct.

Q212 **Caroline Lucas:** What are you at now, do you know?

Jamie Beck: We are well on the way to hitting that target.



Q213 **Caroline Lucas:** What does that mean?

Jamie Beck: I do not have the figures in front of me but I know that we are—

Q214 **Caroline Lucas:** Then maybe in the letter you are writing to us about some other bits and pieces you could add that in.

Jamie Beck: Yes, certainly.

Paul Lister: We have also banned cotton coming from Uzbekistan and Turkmenistan. We are not a part of the Better Cotton Initiative. About five or six years ago we started a sustainable cotton initiative with CottonConnect in Gujarat in northern India where we signed up with the Self Employed Women's Association to see whether we could get cotton from those fields into our supply chain. That was the aspiration. We started with 1,200 farmers. We have recently expanded that to 10,000 farmers in Gujarat and we have expanded it again now into Pakistan where we have gone to 20,000 farmers, again with CottonConnect.

We started. We have the cotton. We have had sustainable cotton pyjamas using that cotton. It has come all the way through the supply chain and next year we would expect about 20% of our production to be from that sustainable cotton.

Q215 **Caroline Lucas:** How does that scheme differ from the Better Cotton Initiative? How do the two relate? One of the difficulties for consumers is just that there are so many different projects out there. How do we know what one is best in terms of its sustainability, for example?

Paul Lister: That is a very good question in terms of what is sustainable and what is more sustainable.

Q216 **Caroline Lucas:** Is there a reason why you did not go with the other one?

Paul Lister: Yes, because when we looked at it we set off with the aspiration that 100% of the cotton in each of the garments that we would classify as sustainable was sustainable. There was not a mass balance element to it. It was 100% from those fields in Gujarat and that was the aim, to see whether we could do it. Having succeeded in doing it, we then decided to expand it and we see that as our way forward that in each garment we have the sustainable label on that 100% of the cotton in that garment will come from the sustainable cotton initiative that we are doing with CottonConnect.

Q217 **Caroline Lucas:** Who audits if this is your own scheme, in effect?

Paul Lister: It is a CottonConnect scheme. We are not cotton experts so that is why we have the partners. CottonConnect introduced us to the Self Employed Women's Association. It is women farmers in Gujarat and they were introduced to us by CottonConnect, who had the connections anyway, and CottonConnect are our cotton advisers.

Q218 **Caroline Lucas:** Do they audit and check it?



Paul Lister: Yes, they check it and then it goes through various schemes in order to make that happen.

Q219 **Caroline Lucas:** Do you have a definition of sustainable that you can share with us because it is a word that gets used and abused?

Paul Lister: It is quite tough. I forget the name of the organisation that verifies it in terms of the verification, but the sustainability elements come from us in that there is a reduction in fungicides and pesticides.

Q220 **Caroline Lucas:** But a reduction, sorry?

Paul Lister: Forty or 50% of a reduction in each of those, and then there is a switch from chemical fungicides and pesticides into a more earthy—

Q221 **Caroline Lucas:** Organic?

Paul Lister: Organic, thank you. No, it is not really organic. It comes from cows and the like.

Q222 **Caroline Lucas:** That is organic.

Paul Lister: It is organic. It will do, yes. That is the reduction there. Yields have gone up and then also irrigation—

Q223 **Caroline Lucas:** Yields have gone up?

Paul Lister: Yields have gone up.

Q224 **Caroline Lucas:** Even though your pesticide use has gone down?

Paul Lister: Yes, yields have gone up by I think it is 6%.

Q225 **Caroline Lucas:** To what do you attribute that?

Paul Lister: We think it is to do with the use of these organic pesticides and fungicides. We think it is also to do with irrigation. I visited the fields recently. The seed initially was scattered all over the place; now it is in lines. It seems basic to us. It was not basic to these women farmers and now it is in lines so irrigation is properly done.

Q226 **Caroline Lucas:** Are you using more water or less water?

Paul Lister: Less water. They would just flood. To be fair, they have been doing it a long time. They did not have the education. Having had the education, they then have learnt to do it properly and, frankly, their income has also gone up. Their income has gone up by something like 240%.

Q227 **Caroline Lucas:** These targets, for example—the 50% reduction or whatever in chemical pesticide use—is that something that is going to be further ratcheted down over time or is that, once you have hit that, then your standard?

Paul Lister: No. When we started we did not know. You have to start somewhere. You have to kick off and see where you get to. I think that we will always look to reduce or the farmers will always look to reduce. These are expensive chemicals. They were expensive.



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Q228 **Caroline Lucas:** My concern is that while it is laudable to reduce chemical use by 50%, if you are also increasing the amount of clothing that is being produced by 150% then obviously the net difference is not the same. The overall volume of what you are producing risks undermining the good reductions that you are making in terms of the pesticide use. I am just trying to understand whether or not you have a motivation to move towards completely organic, for example.

Paul Lister: Not organic. It is the same thing. Not organic. We will continue to look at the sustainable cotton initiative that we have driven, so that is why we are looking at the takeback schemes. Cotton is easily recyclable if it is in a purer form. If it is starting to be mixed with polyester it becomes more difficult. That is why I was talking before about new technologies that are perhaps available and will be available that we are looking at now. A combination of in the field all the way through to what happens at end of life is the more holistic approach that we are looking at.

Q229 **Caroline Lucas:** Can I move to Mr Beck and ask what proportion of the cotton that is in your shops is organic?

Jamie Beck: I do not have the figure off the top of my head. It is not a large proportion that will be wholly organic. They will all have elements in there and again with our Better Cotton mix that we have as well.

Q230 **Caroline Lucas:** Can you just say a couple of words about the Better Cotton Initiative?

Jamie Beck: Yes, certainly. The Better Cotton Initiative is all about training farmers and similar to what CottonConnect is, but they will train the farmers to use the land sustainably. They do not use harsh pesticides that will give the farmers initial quick yields. It will be very much about looking after and maintaining the soil so it will produce a yield over a longer time and with less harmful pesticides.

Q231 **Caroline Lucas:** What percentage of your cotton is under the Better Cotton Initiative?

Jamie Beck: We have a target of 20% by 2020.

Caroline Lucas: That is what you are going to tell us, yes.

Jamie Beck: Yes, that is the one I will come back and confirm to the Committee.

Q232 **Caroline Lucas:** It would be interesting to have that figure to know how far you are towards that because 2020 is quite close.

Jamie Beck: Yes. I know we are making good progress.

Q233 **Caroline Lucas:** Leanne, could you let us know what percentage in your cotton is organic?

Leanne Wood: We use primarily natural materials, obviously a slightly different business model. I will come back to you on the particular percentage around organic, but over 20% of our cotton is sourced



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through the Better Cotton Initiative.

Q234 **Caroline Lucas:** Do you know if there is an aspiration to increase that 20%?

Leanne Wood: Our goal is 100% by 2022.

Q235 **Caroline Lucas:** Mike?

Mike Barry: Yes, we are 75% of the way there in terms of BCI cotton. We will be 100% next year, 2019. I think that a very important point raised across the table has been this extension support. It is not just sending a standard down a supply chain from London and hoping for the best. It is about working with farmers to make a real difference out there.

As I said at the start of the discussion about cotton, we cannot rest here because I think what you are getting is the industry to a good common standard. We are working with Textile Exchange. We have brought 30 brands around the world together to commit to 100% BCI cotton. Good start; get everybody to that silver standard and then you have to push on to gold from there.

Q236 **Caroline Lucas:** Just very quickly, what work are your companies engaged in to reduce the amount of synthetic shed that happens from products when they are being washed and so on? I know we have touched on this a few times, but it is in terms of the companies. Maybe I will go back to Paul Lister and work along.

Paul Lister: It is new. We had to start. We joined the microfiber initiative, which is being advised by the University of Leeds to see quite what that looks like. It is early stages.

Q237 **Caroline Lucas:** Are you putting money into that directly? When you say you are joining it, does that—

Paul Lister: We have joined. I cannot tell you whether there was a joining fee. I could come back to you on that. I cannot tell you whether there was, but the learnings from that we would then take and apply.

Q238 **Caroline Lucas:** Same question?

Jamie Beck: Yes. We joined the industry acting on microfibers and I think, yes, there was a fee of around £5,000. We are now looking at the next step of what we can do with them to support them in their goals, which I think first and foremost is about collating what evidence and research has been obtained already and then looking where there are gaps.

Leanne Wood: We are members of the Ellen MacArthur Make Fashion Circular initiative, and as part of that we have joined a working group with them on microplastics. We have also committed to their New Plastics Economy Global Commitment as well. We are working on this with the companies that are involved in that foundation.

Mike Barry: We, too, are part of the European Outdoor Group Leeds University collaboration on this—payment of £5,000. I would say it is the



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least understood of all the environmental challenges the industry has and I think I have just seen some research that suggests it is not just synthetic fibres. Natural fibres like cotton that are heavily coated in chemicals get into the environment and might not break down as well. It is just indicative of how much more research is needed in this space.

Q239 Caroline Lucas: I must admit when we started off on this inquiry I was shocked at how little research was being done in this area. As well as giving some support to what is happening at the University of Leeds—and I know you have explained what you are doing with the Ellen MacArthur Foundation—are any of you doing anything else on this separately from what is happening at the University of Leeds in terms of research?

Mike Barry: Again, all our efforts are going in there because I think that we need one truth. There is a real risk if you end up with four or five different competing research arms coming up with different ways of defining what is shed and the impact it has. I think that it is very important that the Leeds initiative, European Outdoor Group, brings together all the businesses to commit. Will there be more research in the future? Absolutely. This is just the beginning on this one.

Q240 Caroline Lucas: What incentives could the Government be putting in place to encourage greater use of recycled fibres? Is there anything you think that a legal framework could help? Would it help to have a percentage of recycled fibres going into—

Mike Barry: We have set up a voluntary target of 25% of our clothing having 25% recycled content by 2025. That is a target that we have set. Could Government work on something around extended producer responsibility, EPR, to encourage that? Yes, they could.

Q241 Caroline Lucas: What percentage are you at now towards that 25%?

Mike Barry: Very tiny. We have done a few ranges. We have done a men's suit with David Gandy where we have 50% of the wool recovered from our swapping scheme. We have taken suits back and reused them, but it is more to raise awareness of the issue rather than to claim that is hundreds of thousands of garments. It is not. I think that the only way is up from here, but we have set a very clear marker for our business and our business units. We need to move forward on this one.

Leanne Wood: We have invested £3 million with the RCA and a future materials research group that is not only looking at this issue but certainly is trying to look at what future more sustainable materials could be.

To your question about Government intervention, I think that targets are one thing. The other area that I think could do with some help is innovation and stimulating innovation. I completely take the point about old industries being able to do this and, in fact, many of our raw materials will go into some of the areas that you talked about, but I still think that there must be some new solutions and innovations that we could help stimulate.



Q242 **Caroline Lucas:** Do not think you have to add if there is nothing more to add.

Jamie Beck: No, I agree with the comments that have been made.

Q243 **Chair:** Thank you. Can I just go back to the Turkmenistan question? One of the things in the evidence was that it is not branded as Turkmenistan/Uzbekistan cotton. It comes through Turkey. Are you buying cotton from Turkey and, if so, how are you making sure that it is not Turkmenistan cotton?

Mike Barry: Again, working very closely with suppliers. We have a very clear policy position. We work very closely with our supply chain, long-term partners. You work back down the supply chain. Can any business say there is a zero kilogram of Turkmenistan cotton in their business having banned it? No, they cannot, but what you can do is rigorously enforce that back down the supply chain. Raising awareness among your suppliers, working back down their supply chains, but again getting 100% traceability on the cotton we sell in the way that we have in factories is the next big horizon. I think that will be one of the final challenges for the industry over the next 5 to 10 years. Those that manage it will succeed. Those that do not will probably struggle in the longer term in the marketplace.

Leanne Wood: We expect all of our suppliers to sign up to our ethical trading code of conduct and our responsible business principles, and traceability is something that is hugely important to us across all of the raw materials that we use. I would agree with the point that an absolute 100% certainty is very difficult for us to achieve, but it is certainly something that we focus on.

Q244 **Chair:** They sign up to your standards and then how do you audit those standards?

Leanne Wood: We carry out more than 400 audits a year—some are scheduled, some are unscheduled—across the supply chain. We have an external advisory body that helps us set the standards for those audits and we go back if there are findings. It could be three months, six months, 12 months, depending on what the findings are, so we carry out those audits very regularly.

Jamie Beck: Again, we communicate it very clearly to all our suppliers that sourcing cotton from those countries is banned and then on each individual factory set-up they have to sign and agree to a disclaimer to say that. Then we will do random checks throughout the year, particularly with Turkish suppliers, and then to receive them on our online system to make sure that there is a paper trail for where they bought that cotton. That is not 100% because it is difficult with smaller suppliers with small orders, as my colleagues here have just said, because of the traceability.

Q245 **Chair:** But you can track it through your data systems, can you?

Jamie Beck: For some, yes.

Q246 **Chair:** But not all?



Jamie Beck: Yes. That is correct.

Paul Lister: Similarly, we banned it and then we banned it through the supply chain. Each of the suppliers was banned from buying it. We have an audit team like Burberry and part of that audit process is to check. We do nearly 3,500 audits. We have a team in Turkey that are well aware of all the issues. Each team in each country frankly is aware of the issues in those particular countries and they are aware and look out for any breaches of our terms of trade, and this is one of the terms of trade.

Q247 **Mr Philip Dunne:** I would like to conclude this session by asking you a little bit about the implications of some of the potential policy solutions. We have touched on some of this earlier. As a Committee we have taken a bit of a lead recently in exposing modern slavery on our high streets. I am not suggesting any of you were involved in that in this country, but it is a subject of considerable concern to us and we have touched on working conditions within your supply chains. We heard from Dr Sumner of Leeds University, who used to work for M&S, that having something in legislation to require companies to expose where their raw materials have been sourced would lead to sea change in attitude. Can I ask each of you whether you would welcome some legislative effect on this issue and whether it would put you at a competitive disadvantage?

Mike Barry: Just a quick intervention: I think that transparency is absolutely key. The bandwidth of Government to be able to legislate on everything is limited. If there is one thing that Government have done particularly well in this space in the last two years it has been the Modern Slavery Act, forcing people to step forward and say whether they are doing something or not and saying what that is. Again, there is still more work that can be done in terms of making sure that it is easy to find everybody's modern day slavery statement so they can be compared and contrasted. For the FTSE100 M&S rank top at the moment but we are not complacent.

If we did that for fibre, I think that there is a lot to be said that Government should be asking us to declare where it comes from and then stepping back and let the marketplace, NGOs and the media mine that information to hold us to account. I saw a great initiative yesterday from TISCreport that has taken the modern day slavery statement information and linked it to every postcode and city in the UK so you can work out where modern day slavery might be most prevalent in any one part of the UK. I think giving people access to those databases drives change without you having to micromanage every aspect of the marketplace. We would certainly support more transparency in the marketplace.

Leanne Wood: We very much are focused on how we can make sure that all the conditions in our supply chain are right for all people that work there. The majority of our production is in the UK and Europe and we do not manufacture in countries where we cannot be confident that we are able to put in place our principles.

To your question about other companies, we are the only UK luxury



manufacturer of this kind of scale. Our competitors are outside the UK. I think that it would very much depend on what kind of legislation and where that took place.

Q248 Mr Philip Dunne: But if it was to require you to identify the sources of your raw material, not where you do your manufacturing, would that put you at a disadvantage or would you welcome that?

Leanne Wood: It would be different from our competitors. That is something that we are continually thinking about, transparency, but it certainly would be different from our competitors who would not have to do that.

Jamie Beck: Again, I could not see it as a disadvantage. I would think that the practicalities of it would be difficult, again, with larger suppliers that import lots of goods versus smaller suppliers where tracing that, let's say, cotton back would be challenging, but, yes, I do welcome it.

Paul Lister: The initial step for me would be the transparency in the modern slavery statements themselves that exist at the moment. The Modern Slavery Act did a good job, but being able to compare what is going on within each of the businesses that are putting out a modern slavery statement is quite hard at the moment. Transparency in relation to that would shed light on quite what the next steps should be, whether that is something around the key components or whether that is simply around what is going on at the level still of the modern slavery statement, whether everybody who is supposed to be doing one is doing one and then what they each look like in that regard. For me that would be the key first step before we went further because some people clearly will not be going as far as others even at this early stage of the Modern Slavery Act.

Q249 Mr Philip Dunne: Finally, in relation to handling the waste, the 1.2 million tonnes, here it seems that there has been very poor progress for all the reasons that you have described. Again, do you think that we should be following, for example, the French model when the Government come out with their resources and waste strategy imminently? We are expecting some additional extended producer responsibility in other sectors. Would you welcome such a thing in your sector? Again, would you see that as putting you, as physical retailers on the high street where you have the space and the capacity to receive takeback—and we have heard it is very variable across the panel—whereas some of your competitors online do not have a physical presence, at a disadvantage? How would we bring them into such a scheme? Could we start with Mr Lister?

Paul Lister: Frankly, any scheme that levels the playing field and is transparent in that we would have no issue with at all. We welcome the Modern Slavery Act. Any scheme on mandatory takeback we have no issue with. It is just that level playing field that we would ask for in any legislation, whatever it may be, be that for the online retailers or for the high street retailers of any size as well. The regulatory burden is often



easier for us to fulfil than the smaller competitors, but any regulation needs to be enforced and level.

Jamie Beck: Yes, as Paul mentioned, a level playing field and making sure that there are the wider facilities for consumers to recycle, whether that be at local amenity sites, and allowing free access. I do not think that every consumer before they go shopping will remember to go and collect garments from their wardrobe that they have not worn to take back, whereas I think that if they are doing a spring clean or a clear-out they might well then collate lots of garments to take and that might well go through a charity shop or an amenity centre. Yes, we would welcome a plan, as Paul said, as long as it was fair.

Leanne Wood: I think that the points on level playing field are well made. The thing I would add is that this is a responsibility for all of us. We are trying. There is more that we can do. We do not have it all sorted yet, but it is also about informing consumers about us working in partnership. There is clearly a role for Government here as well.

Mike Barry: We would have no problem supporting initiatives like that.

Chair: Okay. Thank you all very much indeed for coming. That was the bell for prayers to begin. I thank all of our witnesses for appearing before us today. We are going to do a swift turnaround to move to our online retailers.

Examination of witnesses

Witnesses: Carol Kane, Nick Beighton and Paul Smith.

Q250 **Chair:** We are now moving on to our second panel in this hearing on online fashion brands and retailers and your social and environmental impacts. Can I ask you to introduce yourselves, starting from my left, Mr Smith?

Paul Smith: Good morning. My name is Paul Smith. I am head of product quality and supply at Missguided.

Carol Kane: My name is Carol Kane. I am joint CEO at the Boohoo.com Group.

Nick Beighton: Good morning. My name is Nick Beighton and I am CEO of ASOS plc.

Q251 **Chair:** Thank you very much for coming. Again, I remind colleagues and audience members to turn off phones and so on so we do not get disturbed. There was some buzzing in the previous session.

We are disappointed not to hear from Missguided CEO Nitin Passi. Mr



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Smith, he said that he thinks it is a bit unfair how you have been called in, people trying to create a story and you are the bait. Is that how it feels?

Paul Smith: I would like to context the size of our business because I think that is important. I am here with two goliaths of the fashion industry. We are somewhat smaller. We represent 0.26% of total women's wear sales in the UK. We only turn over £200 million and we have only been trading for nine years. We are a small, privately owned business and as such we are glad to take our place at the table. Obviously, we are part of the UK fashion industry, but we are extremely small by comparison to specifically the other retailers that we just heard this morning.

Q252 **Chair:** I hear you, but we were very keen to hear from the self-styled king of fast fashion, especially because of some of the very worrying evidence we heard about company practices, particularly in this country. As to your point about 0.26% of the fashion market, no company has more than 7% of the fashion market. It is a very fragmented market. In the top 10, Sports Direct only has 2.4% of the market so you are one of the top online retailers, which is why we were particularly keen to hear from you. Do you feel that you are being used as bait? What is the problem with this inquiry that means your chief executive will not come here?

Paul Smith: There is not a problem with the inquiry that means our chief executive will not come. It is about the appropriateness of person. If the aim of this inquiry is to get to the absolute issues, then it is important to have the experts in front of you and the people within our business who are closest to this detail.

Q253 **Chair:** In your online competitors, the experts are sitting next to you and they are the chief executives who have come in.

Paul Smith: Okay. In our business we are a small family business. We have very few directors. When it comes to policy on sourcing, on ethics, on product quality and sustainability, that is my area, which is why I am employed, and I am the best person qualified to answer your questions.

Q254 **Dr Matthew Offord:** I have to say, Mr Smith, we received a letter from Mr Passi who says in regard to yourself, "Paul has 33 years' experience working in clothing retail at a variety of retailers". We will get experience from other retailers and I am sure that they can give us examples across the whole of the industry, but I understand that your business was started in 2008 by Mr Passi who was a lone operator.

Paul Smith: That is correct.

Q255 **Dr Matthew Offord:** How long have you been with the business?

Paul Smith: I have been in the business a year now.

Dr Matthew Offord: A year?

Paul Smith: Yes.



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Q256 **Dr Matthew Offord:** Since the beginning of this year?

Paul Smith: Yes.

Q257 **Dr Matthew Offord:** So 11 months?

Paul Smith: Yes.

Q258 **Dr Matthew Offord:** So you can tell us more about the business in 11 months than he can in a decade?

Paul Smith: Again, to context our business, we have been trading for nine years. The first three years of that trading was we were buying stock, recommended stock, from wholesalers and putting it on our website. We have only been contract manufacturing for six years.

Q259 **Dr Matthew Offord:** So you can tell us more about the business after 11 months than he can in a decade?

Paul Smith: I can tell you about where it is now, yes.

Q260 **Chair:** Okay. Let us move to the substantive issues. We have heard some very shocking evidence in this inquiry that garment factories in Leicester, the so-called dark factories, are supplying in particular Missguided and Boohoo and that they are flouting employment law by not paying the minimum wage. Can you start by telling me whether you source from Leicester?

Paul Smith: We do.

Q261 **Chair:** Ms Kane?

Carol Kane: Yes, we do.

Q262 **Chair:** Okay. Where else do you source from in the UK, which other cities?

Carol Kane: Manchester.

Paul Smith: Purely Leicester.

Chair: Purely Leicester?

Paul Smith: Purely Leicester.

Q263 **Chair:** Okay. Mr Beighton, do you source from—

Nick Beighton: Yes, we do. We have about 19 suppliers in the UK and around 14 are in Leicester. Less than 3% of our total sourcing comes from the UK.

Q264 **Chair:** Sorry, 14 out of your 19 suppliers are in Leicester?

Nick Beighton: Correct.

Q265 **Chair:** Where are the rest?

Nick Beighton: London and a couple in Wolverhampton.

Q266 **Chair:** In Wales?

Nick Beighton: Wolverhampton.



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Q267 **Chair:** I heard Wolverhampton. What did you say afterwards?

Nick Beighton: Two in London, two in Wolverhampton—that is 18. I am missing one, cannot remember.

Chair: Okay. If you can write to us with the missing one that would be great.

Nick Beighton: Of course.

Q268 **Chair:** London, Wolverhampton and Leicester, okay. How are you ensuring that the minimum wage is paid in these 14 Leicester factories, Mr Beighton?

Nick Beighton: About four years ago the ETI report was issued in Leicester—it was pretty shocking to us—and that talked about unauthorised subcontracting, non-payment of minimum wage and recording of hours. As a result of that we worked with a number of the retailers and we developed an auditing technique called Fast Forward. That was aimed at making sure these issues were tracked and these issues were addressed. All of our factories we work with are now 100% signed up to Fast Forward and we have spread this with our industry partners, which we think is a great thing, so I am pretty certain that these issues do not occur in the 14 factories we work with in Leicester.

I visited probably half a dozen of those in the last six months and I have been several times in the last two years and I am pretty happy with the standard of those factories.

Q269 **Chair:** You might be happy with the standard but one of the factories that signed up to your Fast Forward commitments—one of the guys who ran the factory, Santoshan Sangha—said, “He committed to it for three years, lost £100,000, went out of business”. He said, “The retailers gave him no commitment in return. They go back to Turkey. They come back in six months’ time expecting to find you still in business.”

Nick Beighton: I do not know that gentleman but if you give me the details of that I will look into that one.

Q270 **Chair:** It is in the *FT*.

Nick Beighton: Okay, thank you. I will look—

Chair: And on our website.

Nick Beighton: I will get the details, thank you. One of the other things we also did is—

Q271 **Chair:** His argument, if I can just say, is it was made by retailers for retailers with nothing for manufacturers. How would you respond to his criticisms?

Nick Beighton: He may have made that allegation against other retailers. If he has made it against ASOS I will take that very seriously because that is very different. I am certainly accountable for where we place our purchase orders and the standards in place that we aim to have. He may have made it against other retailers. If he has made it



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against ASOS, I will follow it up and I will put it in writing to you what my findings are.

Let me just go back to what I was about to say. I have an aspiration of tripling the sourcing within the UK, and Leicester is one of those areas where I would like to do more of it. We worked with the Leicester council just over a year ago where we asked for greater enforcement from the local agencies to work together to—

Q272 **Chair:** Why should local agencies enforce conditions in your factories? Why are you not ensuring that—

Nick Beighton: The factories are not ours, you know that, but we do place purchase orders—

Q273 **Chair:** You are buying from them. They are your suppliers.

Nick Beighton: Madam Chair, I wanted to triple my business within the UK but I wanted also greater assistance to ensure that the standards we put in place were adhered to. That would give us greater confidence to put more sourcing in. During the course of the last five years we have pulled out of 20-odd factories in Leicester, which is regrettable to me. We would love to increase our sourcing, but some of these standards were not adhered to so our philosophy was, "Give us more help doing the things that cover your remit and we will be able to put with confidence more business your way". That was the thesis of our engagement with the local council. I am also pleased they have acted upon that. The director of labour market, David Metcalfe, has picked this one up and I think that they are making good progress within the market right now.

Q274 **Chair:** David Metcalfe is the head of labour enforcement at BEIS. He is nothing to do with Leicester council.

Nick Beighton: No, but he has worked on enforcement, pulling together the agencies in Leicester. The guiding coalition for change was put together by the council leader, Peter Soulsby, and I am beginning to think that they are going to make some progress in Leicester.

Q275 **Chair:** The council leader?

Nick Beighton: Peter Soulsby.

Chair: The mayor.

Nick Beighton: The mayor, sorry.

Q276 **Chair:** You are a multi-million pound business and you have asked a council that has had its budget cut by 50% over the last eight years to do your audit for you?

Nick Beighton: No. To be clear, I have not asked them to do any auditing at all. We audit every factory at least once a year and if there is risk we keep on going. This is us going, "We will commit more resources to your economy. We want to supply more from the UK". I have gone on record as saying so, "But give us some help with doing these things and these things to help in doing it". It is more cumulative assurance. At the



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same time, we have also recommended greater union presence there, so freedom of association and collaboration from the ground up helps us. These are multiple approaches to solve the problem, and the opportunity for us is more business with the Leicester area particularly to enhance our supply chain.

Q277 **Chair:** What unions are in the 14 factories that you work from?

Nick Beighton: I do not know the specific in there, but what I can say is just over 12 months ago we signed up to a global framework agreement, IndustriALL. I think we were one of the first to do so. The simple reason for that was we know auditing is not perfect. We know it is a statement of what you can see while you are there. We also know that our buyers cannot be ever-present all the time. By bringing a union in place with freedom of association, where the workers can help police this, too, it helps solve the problem of greater attention to that within sourcing and it becomes one of the checks that the auditors refer to. They refer to the local representatives to ensure the things they are seeing are represented on the ground. For us it was about greater assurance that we are sourcing in the right way and the factories are conducting things responsibly to our standards.

Q278 **Chair:** You do have, I think, Unite and GMB potentially active in your warehouse in Barnsley, is that correct?

Nick Beighton: The warehouse in Barnsley is operated by a third party called XPO. A couple of years ago they signed an agreement with the Community union.

Q279 **Chair:** Community, right. You have a recognised trade union in Barnsley but you cannot tell me if you have trade unions in your factories in Leicester?

Nick Beighton: We have signed a global framework agreement, IndustriALL, which gives the access for all workers to have it. We have not said "you must" but we signed a global framework saying, "This is our recommendation".

Q280 **Chair:** That is across the world?

Nick Beighton: That is not just UK; that is wherever the ASOS manufacture falls.

Q281 **Chair:** Just remind me again, how many factories did you pull out of in Leicester?

Nick Beighton: Twenty-three was the exact number over the last five years.

Q282 **Chair:** Have you published a list of those factories?

Nick Beighton: No, but I can do.

Q283 **Chair:** We would be very grateful to see that list.

Nick Beighton: Working with the mayor we also said, "There are a number of areas we have concerns. We will help you with the ones we



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have done to assist with your enforcement”.

Q284 **Chair:** Okay, thank you. Ms Kane, what do you do with Boohoo? How many factories in Leicester do you use?

Carol Kane: We currently work with 94 factories and 76 cut, make and trim units.

Chair: Sorry, say again?

Carol Kane: CMT units we call them, so second-tier suppliers.

Q285 **Chair:** You work with 94 factories?

Carol Kane: Ninety-four suppliers and 76 CMT units in Leicester.

Q286 **Chair:** CMT is second-tier factories?

Carol Kane: You could refer to it as that. If we placed an order with one of our suppliers, who would have their own production capacity, if their capacities were full there is a second tier of audited units that can manufacture for those suppliers.

Q287 **Chair:** That sounds like a recipe for underpayment of wages right there.

Carol Kane: They are all audited.

Q288 **Chair:** By whom?

Carol Kane: We are members of SEDEX so we use their auditing system, but we took the initiative, three years ago, to open our own office in Leicester and have our own team on the ground, so we are also part of the audit process. It is a very collaborative approach towards our suppliers, and those suppliers who are not meeting the current standards we help them to get to those current standards.

Q289 **Chair:** That is very different from the *FT*'s investigation into how you play suppliers off against each other, which, if I can quote back to you, “Boohoo holds weekly meetings at its Manchester head office, where suppliers bring samples to the product teams in a single room with 10 to 12 large tables. ‘It’s like a cattle market’ says one person from a supplier who did not want to be named. ‘Say I’m the buyer and you’ve just given me the price of this dress for £5. I will literally hold it up to the next table and say, ‘How much for that?’ and he’ll tell you £4’”. How can you manufacture dresses in Leicester at £4 a dress when the minimum wage is £7.83?

Carol Kane: Can I answer those as two different things? The comments made on the cattle market in Manchester, we have a building that is currently going through renovation in the last two years. We have private meeting rooms upstairs as well, so suppliers who are not comfortable in a negotiation process next to other suppliers we do house in other parts of the building. That space is currently our trading floor. I do not know of any instances and I do not accept there are any instances where suppliers are played off against each other. I used to be very much a part of that supply chain for many years before I became a founder of Boohoo.com, so I do understand the sensitivity of costing from one



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supplier to another. I took that allegation on board. I have asked if that does happen. I have sat in meetings and I have not witnessed that ever happening on our buying floor.

Q290 **Chair:** When you are in there?

Carol Kane: When I am in there.

Q291 **Chair:** Unsurprisingly. Have you thought that the behaviour might change when you are there?

Carol Kane: I do not recognise that it does.

Q292 **Chair:** But you do not know because you are not there, so you cannot see how they behave when you are not there.

Carol Kane: It is impossible to be in every single buying meeting, of course.

Q293 **Chair:** What systems and processes have you put in place to stop the cattle market when you are not in the room?

Carol Kane: I do not call it a cattle market. I do not believe that happens. We do have an open floor where suppliers are welcomed and looked after. I came from the supply chain, so I have gone into many stores where the buyer is running late and you may wait several hours for that meeting. We have a process where a supplier can come in, once or twice a week, and they can see all the departments that they need to see, so it is more efficient use of their time. If they need to see the buyer who is buying tops, dresses or skirts or whatever it happens to be, they can do that in one day, without them coming back and forth from Leicester to Manchester. This is why we have established two main buying days a week.

However, I mentioned earlier the process of the building renovation. That whole space has been changed over to extra meeting rooms, because we do take it on board that some suppliers are not comfortable in that environment. I agree with that, after being a supplier for many years, I do think it is quite sensitive, but I do not believe that our buyers are playing one supplier off against another.

Q294 **Chair:** "Dispatches" sent a worker undercover into factories in 2010 and in 2017. In the most recent one they were making clothes for Boohoo and Missguided. They were subcontracted suppliers and in each case being paid well under the minimum wage. How can you sell a dress for £5 when the minimum wage is £7.83?

Carol Kane: In answer to your £5 question, we have 80 dresses across the group, which is 6,700 styles, that are £5. It is a tiny amount of our collection. We currently have across the group probably 60,000 styles for sale. It is a very small percentage of what we have done. We do not make any money. It is a loss leader and it is a marketing tool to drive visits to our website. Within the online model, not every item is always profitable. I think that is important.

What we do look at, and I am sure all of my colleagues here would agree



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with me on this, is the overall profitability on a basket. It is very much a grocer mentality. If you think about a supermarket and what is on the end of the aisle, where you have two-for-one offers, they are called loss leaders in the business and it is your overall basket that becomes more profitable as a result. We do not make profit on a £5 dress.

Q295 **Chair:** What would you be buying a £5 dress for, then?

Carol Kane: Somewhere between £2.50 and £3.

Q296 **Chair:** How can you buy a dress for £3 when the minimum wage in this country is £7.83?

Carol Kane: I think we have to go back to the type of product it is. The dresses, and there are only 80 that are £5, are very simple. There are no zips, no buttons. They generally are shorter length dresses. They are made largely from polyester elastane fabric, so it is the entry price point for us and really I would consider the making, the manufacturing skill required to make these dresses, is very simple. It is not a complicated dress that I would understand if you related the minutes spent to produce one of these dresses.

Q297 **Chair:** Okay, so you have fabric, you have heating and lighting, you have council tax and business rates and you have wages, as well as the fabric that you have just talked about, and the thread and the tax, if any is being paid. How can you buy a dress for £2.50 that is made in Leicester when the minimum wage is £7.83?

Carol Kane: I think we need to understand the costing better to understand what the fabric metreage is in that dress, and the making costs. We have open costings with our suppliers.

Q298 **Chair:** What is the making cost of that dress, then?

Carol Kane: I would not have that.

Q299 **Chair:** Okay, so we need to understand it better but you cannot give us the costings?

Carol Kane: I cannot give you the costings today.

Q300 **Chair:** If you cannot understand your costings, then can you understand why we do not understand them?

Carol Kane: I think what I would like to do is I will write to you and give you a full costing of how we get to that £5 dress, but as I say the profitability does not sit in Boohoo on that. The profitability sits with suppliers. I have lots of examples where suppliers, when they are quiet, because they want to keep their workers busy throughout their quiet periods, will work their profit model on low margin and high margin for them. They will not just cost a particular dress and say, "We are not going to do this. This is not profitable". They will say, "We have a small profit on this item". I did this when I was in the supply chain for many years. I will supply garments where I may only have a 10% or 15% profit. I will supply other garments that maybe I have a higher profit, when I was in manufacturing, but overall we are keeping the factory busy



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through times where they may have to lay people off because they do not have work.

Q301 **Chair:** Because you have taken your product purchasing off to Turkey and then they have to—

Carol Kane: We do not. We manufacture a lot in the UK.

Q302 **Chair:** How much in the UK?

Carol Kane: Fifty per cent of our production comes out of the UK.

Q303 **Chair:** Can you talk me through your in-house compliance team? How many people do you have?

Carol Kane: We have three people in Manchester and three in Leicester and then we have two offices in China, where we have between our two China offices about another 10 people.

Q304 **Chair:** What steps are you taking to make sure that you are not using forced or bonded labour in China?

Carol Kane: Every factory is audited and exactly all the same things we are doing in the UK, and we are using third party auditors as well.

Q305 **Chair:** Right, so you have a compliance team of three in Leicester making unannounced visits to every supplier. Does that happen every month?

Carol Kane: It does, yes.

Q306 **Chair:** Okay. Mr Smith, same question, really.

Paul Smith: In terms of UK manufacturing, 30% of our production is made in Leicester, 50% of our production is made in China and the balance is made in Pakistan. That is our third largest market and then we have small amounts in Turkey, Romania, Bulgaria and Vietnam.

Q307 **Chair:** Okay, and how many factories in Leicester do you use?

Paul Smith: We started off this year working with 35 suppliers, which represented approximately 80 manufacturing sites. Some suppliers would have more than one. As it stands now we have rationalised that down, because it was too unwieldy. We could not get our arms around it, we could not get round them all sufficiently frequently to become comfortable or confident in what was going on there, so we now work with 12 suppliers and that represents 20 factories.

Q308 **Chair:** The evidence you gave to us said 11 suppliers, so is it 11 or 12?

Paul Smith: It is 12. One is in the process of being phased out, but they are being phased out because of quality reasons, not because of ethical reasons.

Q309 **Chair:** You have gone from 80 to 12 in a year. What was wrong with the other 68?

Paul Smith: We just had too many people doing the same thing. You cannot control it, you cannot police it and we have to get round on a regular basis. A member of my team is in Leicester two days every week,



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going round constantly, but two days every week is not enough to get round 80 manufacturing sites, so the logic says that you need to be more important with fewer people, a production plan, become more meaningful.

Q310 **Chair:** You have gone down to 12. Can you give us a list of the 68 that you no longer work with?

Paul Smith: I can supply that list, certainly.

Q311 **Chair:** Okay, thank you. How do you make sure that the minimum wage is paid in those factories?

Paul Smith: Like my colleagues here, we have a robust code of conduct that is based on the ETI-based code, of which we are a member. We are also a member of the Leicester working group. Our code of conduct is also enhanced. We stipulate that no manufacturer should pay their workers in cash. They have to be paid through a bank account so that we have traceability and we can see that. There are also extra clauses in our code of conduct that cover not just workers' rights but also our own rights. Two members of the Misguided team in the past 18 months have been threatened or physically assaulted in Leicester.

Q312 **Chair:** By whom?

Paul Smith: By factory owners.

Q313 **Chair:** Why are they being assaulted?

Paul Smith: Because they did not want us to enter their premises. These I must add were people that we were not currently manufacturing with but were scoping out, and they did not like the questions that we were asking. On one occasion a former director of Misguided was chased out of the building and one of my employees was gripped by the throat and pushed out the door.

Q314 **Chair:** What is it you think they are hiding? What are they doing in there?

Paul Smith: Underpayments of workers is usual.

Q315 **Chair:** Is that why you got rid of your other 68 factories?

Paul Smith: A concern that that could be happening in people that we cannot get round, for sure. What do you do? You make sure that you—

Q316 **Chair:** How many of those 68 factories did you get round and go in and see?

Paul Smith: Over time we have been in every single one, but the reality of it is that you need to be there constantly. It is not enough to go once. You have to keep up a presence; you have to be there.

Q317 **Chair:** What steps are you taking to make sure that the workers in those factories are in a trade union or able to have freedom of association?

Paul Smith: We take it quite seriously. This year we have funded a whistle-blowing helpline, which we pay for, which is a 24-hour helpline



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advertised. We have posters printed and we give out handouts every week, this kind of thing. As members of our team go round they pass these out. These are available in six languages, eastern European languages and also Asian languages. It must be said that we have not had any calls on the whistle-blowing helpline, which is confidential; however, we have received calls directly to our own staff on various issues, some of which have just been general enquiries that we have been able to help with, others of which have been more serious and we have passed on to the GLA.

Q318 **Chair:** Serious in what way?

Paul Smith: Issues of intimidation and bullying, threatening behaviour.

Q319 **Chair:** What action have you taken as a result?

Paul Smith: We pass those enquiries on to the GLA, anonymously though.

Chair: On to the GLA?

Paul Smith: Yes.

Q320 **Chair:** What action have you taken with the factory owner?

Paul Smith: That is very difficult, because then you are faced with the question of reprisals. You have to bear in mind that we are going in with a presence and that presence is known, so we have to be very careful what we do, while at the same time protecting the workers. Our workers also need protecting and when you have had two members of staff who have been assaulted you need to tread cautiously.

Q321 **Chair:** I can see that would be extremely worrying, but it is also very worrying that the helpline that you have set up does not take calls. It is great that your colleagues are getting these phone calls, but then you are relying again on a third body to sort out those problems. What is the feedback with the GLA?

Paul Smith: We have never had any feedback from them.

Q322 **Mr Philip Dunne:** Again, sorry to put you, Mr Smith, under the cosh a bit here, but in light of the interview in the *Mail on Sunday* by your chief executive, where he was identifying that your target market were 19 year-old to 26 year-old young women active on social media, particularly Instagram, and that that is a market you were going for because they did not like to be seen wearing garments more than once, or at least posting photographs of themselves doing so, do you regard that as a socially responsible thing to be targeting?

Paul Smith: We target the 16 year-old to 29 year-old fashion conscious women. Our mission is to empower those women to look and feel confident for every occasion that they find themselves in, so that could be a social occasion, that could be work. We do sell clothing for work as well.

We do live in the Instagram generation. It has taken over from Facebook.



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We do not encourage the use of our clothing and we do not promote the use of our clothing as a one-off wear. There is a longevity and a quality built into our product that we have invested in, so I do not think we are being socially irresponsible. We are trying to promote a feel good factor with people, and mental well-being. If you look good you feel good, you feel empowered. I think that we have all been in that situation ourselves. It is not just young women who go through that.

Q323 Mr Philip Dunne: I am not suggesting this is a unique problem for Misguided. I think that there is a responsibility that should be shared across everybody operating in the social media space. We have seen increasing mental health challenges for teenagers and young people from social pressure. I would like to ask the other panellists perhaps to comment on why they are not trying to promote the benefits of durable garments rather than throwaway.

Nick Beighton: I will take that first. We have 18 million customers globally, of which the lion's share, 5 million, are in the UK. They purchase from us three and a half times a year. Their average item is three times. We neither promote single use, neither do we design our garments as single use, and neither do our purchasing habits of our customers demonstrate that to me. I would be naive not to say that I recognise what you have just said, but I do not see that in our customer behaviour. We certainly do not design our product for that. The average price of our products on our site today is around £26. Some may call that very cheap, but our customers would call that affordable, and that is how we aim to be.

Our target audience is very similar to what Misguided has described. We call it 20-somethings, of which 70% is sub-30 and 30% is over 30, and has been for the last 15 years of ASOS's life.

Q324 Mr Philip Dunne: Can you cite any examples where you are actively promoting durability or long life in your garment advertising online?

Nick Beighton: No, we do not.

Carol Kane: All of the things that Nick has just said, we have a very similar experience. Going back to average selling prices, ours is a little bit less than ASOS; it is about £13. I believe the industry at the moment is about £10, so if Boohoo.com is entry level of online it is still above the average selling price, still above the industry average as it stands today. That is one thing.

In terms of use of social media, we have about 4 million customers here in the UK. We have a huge social reach across all our brands, and we use that in many ways, promotion and how to look good, makeup and all that other stuff that my colleagues have just talked about.

What we have been doing, and we have been doing this since the start of Boohoo, is "how to wear" videos and we were probably a bit ahead of the curve, before the Instagram generation, doing this, demonstrating to customers how to wear things lots of times in lots of ways and building



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on your current staples within your wardrobe. We have worked with quite a lot of influencers on this topic. I can write to you and quote you. I have one called Fashion Influx, which is the one we are using now, and that is just taking a simple item, say a cardigan, and showing 10 ways of how to wear it. It is about encouraging the multiple use of anything that we are currently selling.

Q325 Mr Philip Dunne: Do any of you promote recyclability of any of your garments as one of their attributes?

Carol Kane: We do. We are doing quite a lot of new initiatives at the moment. I do not know if you have heard of a company called reGAIN, where we push the download of their app from our site. They have 20,000 drop-off points in the UK and we are encouraging our customers who have unwanted clothing to take them to one of these drop-off points. In return for that they get vouchers; it could be for clothing, it could be for holidays, household, whatever it happens to be. There are quite a few companies aligned with that.

We do have in work at the moment—it is not ready yet but it will certainly be ready for 2019—where we are looking to work with some influencers and brand ambassadors to help us, and I think that this will be a really good initiative. I think that the online space has a great social reach and lots of e-mail addresses and data to work on where we can all come together as part of an education to our customers on sustainability and how to—

Q326 Mr Philip Dunne: I think you have great potential. The risk is that each of your business models, as said earlier, is built on frequent purchasing. You say you may only have three and a half a year, but you will be trying to drive that figure up continuously, so you are motivated yourselves to encourage people to dispose of clothing more quickly than perhaps they should.

Carol Kane: It is striking a balance between commerciality, and Boohoo is two and a half times a year, roughly selling about six items per customer into that consumer that we currently have.

Nick Beighton: Sorry, I just want to go back to my earlier answer. You asked me whether we promote durability. We test durability throughout the entire life cycle of our production. We do not promote price either. We promote look and we promote fashion. You will never see an advertisement from ASOS that talks about price. What we do is we talk to our customers about care of their garments, like washing at lower temperatures and things like that. We also recognise with our scale that we have a responsibility for 20-somethings. I am commercially incentivised to get this right. Some years ago we realised what is blatantly obvious now, that unless we close the loop on sustainability and we demonstrate responsible behaviour and act upon it with our customers, they will buy less from us. We have gone through that journey already.

We do use the power of our social media to help guide and educate.



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Telling does not normally get the best response for our 20-something audience. Guiding, education and informing does and we aim to use our social media to use that channel to make people feel great about their purchases and know how to deal with it, care for the garments and also how to recycle their garments if they so choose.

Paul Smith: Could I just pick up on that as well? Missguided also works with reGAIN. We have been working with them for six months. We also contribute to the Newlife charity that was mentioned earlier this morning, I think by Primark. In terms of returned garments that we get sent to us from customers, we forward those on to Newlife for repurposing. In terms of wash care, we also promote wash at 30°C wherever possible, and we have just finalised a tie-up with GreenEarth dry-cleaning, which is a non-solvent based dry-cleaning solution, which is available up and down the country, that we will be actively promoting. We will have a landing page on their website and the page is so constructed to give instructions to our customers on how they can wash in a more eco-friendly way, full loads and so on.

Finally, we are also looking at a takeback scheme. We do have four stores in the UK, two fully owned and two concession, and we have just had signed off recycle points in those stores, so we will be able to take back clothing from any retailer and forward that on to Newlife as well.

Q327 **John McNally:** I would like to go back a wee bit to yourself, Carol, and Boohoo's standards, codes and policies. The Chair sent a letter out to you on 2 November and you replied about the Ethical Trading Initiative. I wondered if you had signed up to that standard.

Carol Kane: We have not, as yet.

Q328 **John McNally:** Why not?

Carol Kane: I think that I will refer back to our compliance team, because this is a conversation that is taking place currently and has been for quite a few months. I believe we have been struggling to see where the benefits would be to some of our suppliers. We are not closed to the idea. We are still considering it at the moment. There are a few areas where I would say within Leicester for sure we probably use the most factories and we probably use the most CMT units, all of which we have in the last couple of years successfully managed to get through our audit process without being a member of the ETI.

Q329 **John McNally:** Surely to goodness if somebody sets up a standard and the person sitting beside you is signed up to that, why would you have a problem? If you are not part of it, you can hardly improve it and that seems totally logical.

Carol Kane: That is a fair comment, which is why I am not saying no to it. I am just saying we have not done it as yet, but it is on the agenda and we are considering it.

Q330 **John McNally:** Again, if you are trying to address the issues of modern day slavery, bad working conditions, low minimum wages you would



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think you would jump at the chance to be involved in something like this. If you do not jump at that chance, that sends out the wrong message to everybody else, doesn't it?

Carol Kane: I agree the message is not clear, but we are using all of the same standards. We are not doing anything differently from the ETI. All our audits and all our standards are based upon their code and their conduct, so we are utilising all of that. The only difference today is one of a commercial decision. Being members we will be required to publish our whole supply chain, which is currently our engine room.

Q331 **John McNally:** As a follow-up question to that, I do not know if you are involved at the design stage of garments. I would imagine somewhere along the line that you have an input in the type of garments and where you are buying from. I was really interested in whether you encourage designers in the first place that you work with to use environmentally sound fibres and design clothing with, to follow on from Philip's point, recycling and reuse in mind. Surely if you can get that right from the very beginning, I know sometimes it goes to the luxury end of the market.

Carol Kane: We are doing a little bit of that at the moment.

Q332 **John McNally:** A bit?

Carol Kane: We do recognise the circular economy of getting those fibres, so just in recent months I have been in conversations with some of our Leicester manufacturers looking at the availability within Leicester of recycled fibres that we can use. I am currently going through developing a collection with the design and buying team, looking at the extra costs involved.

Q333 **John McNally:** Are you involved with the designers at that stage and you could express that point that you need to be absolutely sure of the products that you are buying and where they are being sourced from, that the designers know that process?

Carol Kane: Absolutely, yes. We have this language running through the organisation, not through just the designers but also the buyers, because a lot of our buyers are involved in product development. It does not just sit within the design team. It also sits within the buying team.

We have currently been looking at—and I would love to be able to show the findings when I get through this in the early part of next year—the cost difference of what the retail price will be on a 100% recycled polyester garment compared to a regular one, and then to have some initiative where we can go out through our social reach of being able to demonstrate and give the customers that level of choice, and combine this with a level of education on using recycled fibres and sustainability to see how that works.

I believe this all comes back to consumer demand. I have been in the industry for 32 years—I am showing my age—and within that time I have seen prices decline considerably and we have been part of that supply chain in that. It does come back to demand and to use sustainable fibres



within the production of our garments there will be an increased cost. What we can do, certainly within the online space, is because we do not have huge big stores that we have to fill up with huge volumes, we probably all have a similar model where we are able to produce quite small quantities and do some test marketing to see if that works for our customers.

Q334 John McNally: I did want to mention to you that last night I was at an event in the Pavilion with Newlife, the charity, which seems to be well supported now. I think that they mentioned last night River Island had been involved with them for something like 15 or 16 years. What they do is they take the label off and they allow Newlife to put the label on. Therefore, they did not have to get rid of anything; everything is getting recycled and reused. I sometimes think the public humiliation of other companies—for example Burberry, who thought it was a good idea to burn their clothes, which is beyond comprehension in this day and age—is probably one of the best things that you could ever do with clothes.

Within the context of the ETI there are some people who say that these schemes only benefit the retailers. Why would that be? Can anybody answer that?

Nick Beighton: I did not hear your question.

John McNally: Regarding the Ethical Trading Initiative, there are some people who say that these schemes only benefit the retailers. I fail to understand that, so what would your response be to that? Paul, you are involved in it.

Paul Smith: I would strongly disagree that it only benefits the retailers. It creates a moral base code of expectation that we all should aspire to live by and to conduct our businesses by. I disagree that it would only benefit the retailers. I do not understand it.

Nick Beighton: We are a member and have been for years and it has been helpful in our journey, so I do not recognise that comment.

Can I just pick up something that Carol was mentioning as well, John, which is helpful, I think? We have got to a place where the take-make-dispose society and the approach to manufacturing has to end. I recognise that. The circular economy that Carol mentioned is really interesting. It has various stages. It starts with design and it starts with how you cut the fabric, how you cut the garment, making best use of all of those, and then thinking about something creative with those off-cuts. Then it goes to sourcing sustainable materials that we have spoken about already in an earlier panel.

I will go through all of what ASOS is doing on all of these, because our approach to all of this is not competitive advantage. This ought to be something that is open source because this is not an area where competitive advantage should work. On circular design we developed a course with the London College of Fashion, and all of our designers will have gone through that within the next 12 months. That is also open to



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every other student going through the London College of Fashion and it is something that we are happy to open source.

Sustainable materials, for ASOS 80% of that cotton is from a BCI sustainable source; we will have 100% shortly. The public commitment is 2025 and certainly I want that in the next 18 months.

Q335 **Chair:** We are going to come back to the environmental footprint stuff, so we have specific questions on that.

Nick Beighton: Sure, okay.

Chair: We are trying to focus on ETI and workers.

Nick Beighton: Okay. Workers comes into responsible manufacturing and we have talked about that already. Informing and guiding customers, that is the brand's responsibility, too, and then recycling and reusing we have to go back into the top. This is a whole UK industry. I would take far more reusable fibre if I could; 5% of our garments are currently from recycled fibre. It is all right to have the takeback, but then dealing with it is quite hard. We have found two organisations that help us with it, but the scale of getting recycled fibre at the right quality is missing. That is something that I cannot influence directly. I am trying to influence, because that will help us to close that loop quicker.

Q336 **Caroline Lucas:** Can I just come back to union recognition? Can you quickly say whether all of your factories recognise unions, both here and anywhere else?

Nick Beighton: In the UK, and not just factories but warehouses, we have around 4,000 people in Barnsley, which has a recognition agreement with Community union. I believe that is an active engagement. It has been about 18 months and over 1,000 members last time I checked.

Within our manufacturing supply chain, we signed the GFA with IndustriALL sometime in the last 12 months. I do not know the take-up of that, but it is with our terms of trade. We want and encourage freedom of association for workers. As I was saying to Madam Chair earlier, it gives us extra eyes and ears to ensure that our auditing techniques are secure.

Carol Kane: On unions, we do not currently have a union in our Burnley warehouse. We do have—

Q337 **Caroline Lucas:** Why is that?

Carol Kane: There is no real reason for it, in all honesty. We have an employee forum.

Q338 **Caroline Lucas:** Would you recognise, if the workers came—

Carol Kane: If the workers would like it, yes, of course.

Q339 **Caroline Lucas:** It would be recognised?

Carol Kane: Yes, but there does not currently appear to be a demand for our workers in our Burnley warehouse to require a union.



Q340 **Caroline Lucas:** What about in other areas that you buy from?

Carol Kane: We would recognise unions in any of our supplier base. There will be multi-unions, I would imagine, across all of our suppliers, but I do not have sight of those. If they do have them, then we would recognise them.

Q341 **Caroline Lucas:** It would be really interesting to know. Obviously, there is a real concern across the industry about the fact that lots of workers are not unionised and there are concerns that some retailers and buyers are not recognising unions. If that is something you could follow up in a letter for us, to get a sense of how much of your buying is covered by that, that would be really helpful.

Carol Kane: Yes, I will do that for you.

Q342 **Caroline Lucas:** On the issue of the minimum wage, if we have question marks about the minimum wage here in the UK, how can we be sure that the minimum wage is being paid somewhere where you are buying from, in Asia, let us say?

Carol Kane: It is more difficult overseas because you are relying more on third party audits, although we do have two China officers' production now. It is a smaller part of our mix, but that does not mean it is any less—

Q343 **Caroline Lucas:** But for the person who is not getting paid the wage it does not matter if they are one person or—

Carol Kane: Exactly, but what I mean to say is China is obviously huge and we have our own officers in Shanghai and Guangzhou, so in those areas we can check. In the other areas, we are relying on third party audits to be able to do that for us. Obviously, when there is non-conformance in place factories are exited.

Q344 **Caroline Lucas:** How often has it been brought to your attention that in those other factories, not the ones where you have your own people, that those—

Carol Kane: It is a frequent occurrence within Asia. Anybody who does not get through an audit does not work with us.

Q345 **Caroline Lucas:** What happens if they do not get through an audit?

Carol Kane: It depends on the reasons for the audit and whether they are willing to change their working ethics. We have in place a process where there can be lots of reasons for not getting through the audit. One would be minimum wage, one could be working conditions, one could be where the fire exits are.

Q346 **Caroline Lucas:** Let us stick with minimum wage for the moment.

Carol Kane: For minimum wage we will work with them. What we have been doing—

Q347 **Caroline Lucas:** What does "work with them" mean? Does it mean, "If you do not start introducing a minimum wage in a month's time we are



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going to take our business away"? Does it mean, "Do we need to pay you more so that you can pay your staff more?" What does "working with them" mean?

Carol Kane: It is a collaborative approach.

Caroline Lucas: I am sorry, I still do not understand what that means.

Carol Kane: If you let me just finish, in many cases what we have been helping our suppliers do is to move them over to electronic payroll, so we have full visibility and traceability. I think Paul mentioned that in the UK. That also can happen overseas as well. That is just one of the things that we can find traceability on. Certainly, in the UK we are not 100% there but we are 90% in the last year or so of making that change within the factories that we use, which is really 50% of our production.

Q348 **Caroline Lucas:** Thank you, I appreciate that. Just going back to China for a second, though, you said a moment ago that it was a quite usual occurrence for an auditor to find problems in a factory. You might suggest, "Would you like to shift to electronic payroll?" That is one way of dealing with it, but do they have to pay for that? How does that work and what happens if they say no?

Carol Kane: If they cannot do it, and refuse to do it, then usually we have to make the tough decision to not work with those suppliers.

Q349 **Caroline Lucas:** Usually or always? If you find in your chain an auditor who is coming to you to say, "There is a problem here", let us say on minimum wage?

Carol Kane: The first stage is to say open costings, a great example. What is the cost of making that garment? What does the fabric cost? What are the shipping costs?

Q350 **Caroline Lucas:** Are there any examples where you have ended up paying more in order to enable a supplier to pay a minimum wage?

Carol Kane: Not directly related to the minimum wage. It does not really work that way in negotiation when you are working with the Far East. It tends to work as, "The price does not work for us" and they do not want to take the order. There is a case, "Well, what margin do you need to be able to comply to all our standards and our contracts in place?"

Q351 **Caroline Lucas:** If they are not able to meet your requirements or the minimum wage or whatever you are auditing them for, the bottom line is you will end your relationship with them?

Carol Kane: We would end the relationship with them, yes.

Q352 **Caroline Lucas:** Unions, sorry, Mr Smith?

Paul Smith: In terms of our head office, we are not unionised. In terms of our fulfilment centre, as with ASOS, our fulfilment centre is run by XPO and they are unionised.

Q353 **Caroline Lucas:** The head office is not?



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Paul Smith: No.

Q354 **Caroline Lucas:** If workers wish to, would it be recognised if they wanted to?

Paul Smith: I would not anticipate there would be any issues at all. Our people team are all about worker collaboration and engagement. We have regular forums where people can discuss issues. If there was a move towards recognising a union that head office colleagues wanted to be part of, then I cannot see that as an issue within our business.

Q355 **Chair:** Ms Kane, how many workers do you have in Burnley in the warehouse?

Carol Kane: You are asking at the time of the year when we have the most, probably about 2,500, because of the peak trading that we are going through.

Q356 **Chair:** Can I ask you about fines to suppliers for late deliveries? Do any of you issue fines to suppliers if orders are late?

Paul Smith: We do not fine, but depending on the degree of lateness there is a course of action that might follow. We allow a supplier plus or minus five days' tolerance to the date stated on the purchase order for delivery. After that, there is a course of action. If it was a sea freight shipment that started to slip, then we would ask them to air freight in a portion at their cost to get us into a stock situation while the balance of the stock came by sea.

Q357 **Chair:** At their expense?

Paul Smith: At their expense, while the balance came by sea, which we would pay for. If it got to I think it is 21 days late, we reserve the right to cancel the purchase order.

Q358 **Chair:** At their expense?

Paul Smith: At their expense.

Q359 **Chair:** Ms Kane?

Carol Kane: I am not aware of any fines that we have in place. I am going to check that and write to you if I can think of any, but as far as I am concerned no. Going back to a lot of our supply coming out of the UK, we are very flexible because we understand sometimes lateness on an order may be because of something that we have done or got wrong at our end. That can happen, or we may have asked a supplier to prioritise a different style over another, which indirectly may cause some lateness. It has been very collaborative to date certainly without a fine.

Nick Beighton: We do not fine suppliers.

Q360 **Chair:** Okay, so the person who anonymously told me that one company is making up to £2 million a year from fines to suppliers is potentially misguided, then?

Paul Smith: It is absolutely not us. We do not use supplier charges as



any form of income stream whatsoever.

Q361 **Chair:** Do you know who does, then?

Paul Smith: I do not. That is certainly not our business practice. I will qualify that when we were talking about supplier lateness that is about lateness that is directly attributable to a supplier. If we were to rephrase that stock, push it back, bring it forward, then that would be at our cost. We do not fine suppliers.

We have just rewritten—and it is here—our supplier directory, which is a full A to Z of everything that a supplier needs to know to supply Missguided. We state in this document that we do not use punitive charges as an income stream for our business. It is categorically not our practice. That is not us.

Q362 **Dr Matthew Offord:** I have heard a couple of buzzwords this morning. I have heard the issue of sustainability and the circular economy. We certainly know what they are, but I have not heard a great deal of evidence of their existence. I would just refer to one issue. In the *Mail on Sunday* I understand, Mr Smith, that your chief executive said that half of the products are flown into the UK from south-east Asia rather than shipped.

In addition to that, we have heard evidence from Nottingham Trent University that describes the fast fashion industry as one that generates excessive waste and produces plastic pollution and carbon emissions. It demands a high throughput of garments and implies a linear economy. That is certainly what I have heard this morning. Indeed, I recall in the 1990s when Gerald Ratner described some of his products. I would say things like £5 dresses satisfies that category within the fashion market.

I have heard a lot about what you are doing working with designers, but I particularly want to know what you are looking at in terms of preconsumer textiles. Phoebe English, who came to speak to us, said she had been unable to find anyone who could take any of her offcuts and she said that every article that can be found on Oxford Street would have produced offcuts. No one has spoken about that. I have heard it mentioned by Mr Beighton, but I have not heard any evidence of what happens.

Secondly, Ms Kane, you said there are drop-off points for your goods, but where are they? How much do they collect? Where does that go to? Is it recycled? Is it retraded? I have not heard any evidence so far.

Carol Kane: It is all upcycled, recycled, put into charity shops and the third world with ReGAIN.

Q363 **Dr Matthew Offord:** By whom?

Carol Kane: By ReGAIN.

Q364 **Dr Matthew Offord:** By ReGAIN, and they know it is all your product?



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Carol Kane: It is encouraging consumers to drop any product, not just our brand but any product, with them. In return, the consumer will receive vouchers. It is encouraging consumers to dispose of unwanted goods ethically.

Q365 **Dr Matthew Offord:** What I am asking is how much of that percentage is your product.

Carol Kane: I really could not say. It is very new. It is very new for us.

Q366 **Dr Matthew Offord:** You do not know?

Carol Kane: I don't know.

Q367 **Dr Matthew Offord:** It could be Paul Smith—sorry, Mr Smith—in Nottingham. It could be Ralph Lauren. You do not know it is your product?

Carol Kane: That is being dropped at these?

Dr Matthew Offord: Yes.

Carol Kane: That would be impossible for me to answer.

Q368 **Dr Matthew Offord:** That is fine. If you say "no", okay.

Carol Kane: I think it is impossible for any brand to answer that because we do not know how long any of our garments stay in anybody's wardrobe, be it years or months or whatever. That is not visible to us today.

Dr Matthew Offord: That would be my understanding.

Nick Beighton: Can I go back to one of the things you said earlier? You said you had no evidence of buzzwords like circular economy. Let me finish off what I was saying and give you some evidence as well. Circular design I already told you about, and you particularly talked about offcuts. We do not have a scalable solution globally for offcuts yet, but this starts with how you cut the panel to minimise the wastage. That is in everyone's interest.

We have a factory in Kenya that is part of the ASOS Foundation and it currently has just under 80 single mothers making garments for that region. They have come up with a neat solution where the offcuts there can be used for toys for children in the area and for sanitary wear for young women in that area. We call that the Kujuwa initiative. We have found an interesting way through the ASOS factory to use offcuts, but there is more we can do on all of that. It starts with minimising waste first.

On sourcing sustainable materials, I started to go through this. We are 80% and we will be 100% shortly. Response to manufacture we have talked about. This is the circular loop for us. Informing and guiding customers, I need to do a hell of a lot more and I know I can. I have 23



million followers on social media. We started doing that and there is a lot more that I can do and will do. Why? Because it is business critical to us.

Fashion with Integrity, as I said earlier, is not optional. The consumer today holds brands accountable for taking care of these things for them. I think that it is really important that we lead on that and that is part of the ASOS Fashion with Integrity programme. That is something I need to get better at.

Recycling and reusing; interestingly, 18% of ASOS denim right now is recycled, so the fabric of the denim is recycled. Denim is one of the highest users of cotton and water, average 2,500 litres per pair of jeans, and 18% takes away just under 1,000 litres of water per pair. That is where we are right now. By next year we will have 100% of the ASOS denim range is through recycled or more sustainable material. You can do this with the right fibres.

Interestingly, we have a range of lingerie that we have just developed, ASOS-branded lingerie, which is from plastic bottles. We have found someone to take plastic bottles and create fibre for us. We also have an ASOS swimwear range that is recycling fishing nets and using that to get back into prime material that we can do something with.

In total, that represents 5% of the garments I make. It is not enough and, as I was saying earlier, the availability of those fibres is hard. We are trying to find more people and incentivising them with demand, but that is something that is a problem.

On getting garments back to the UK, the takeback schemes I think are a good idea, but to incentivise consumers it also needs many options and convenience to give people a choice. There is a model in Germany that we are currently looking at that I think is useful, where the local authorities do a combination of kerbside collection and separate garment bags to capture garments at people's homes, which is more friction free for them. Anything that is friction free has a better chance of consumers adopting it.

Someone mentioned earlier about online taking back garments. That is quite tricky because the model requires shipping things around. We do not have a physical presence. I am trialling it in London. I have committed to trial it in the UK and Germany. I suspect the findings might be disproportionate, carbon consumption versus what I will be able to recover, but we will find out. Those other options are a better way of closing that loop and making the circular economy work.

Q369 Dr Matthew Offord: I will cut you off because I presume there will not be too much difference. That is useful but it is not as tangible as I want it to be. My next question I want to ask is: we know currently about the number of plastic particles going into the ocean, but there are industry initiatives to reduce that, particularly through washing and whatever. Have your respective organisations signed up to any of those initiatives?



We will start with Mr Smith.

Paul Smith: We have not as yet. For us this is a very new thing. It is particularly applicable to us because 70% of the products we sell are made of polyester. Cotton features far less heavily in our ranges. However, just touching on that point but also some of these other points that have been addressed, we do also have a slightly different business model in terms of the volumes we sell and the quantities.

For us the majority of products we sell we buy 300 units of. There is an awful lot of our range where we are only commissioning 150 pieces of anything at any one time. That means in terms of materials we buy from stock markets, so we buy end of rolls. In China there are well-established stock markets, also in Leicester, where our manufacturers will go. They will select prints and plain fabrics that they think they will like. We can over-dye, we can change the look and feel of them, but essentially we are using up end-of-roll products. That is already there. That is not quite the same thing as your question about what you do with the waste and the offcuts, but we are definitely not always commissioning new stuff to be made. It is fabric and materials that are already in existence, similarly with trims.

Of course, the whole micro-plastics and laundry thing is an issue. The one thing that we do know is washing at high temperatures has a propensity to increase the issue. We state on our wash labels to wash at 30° if you possibly can. That message will be reinforced with the work that we are doing with Green Earth, but it is definitely something that we need to look at further.

Carol Kane: Very similar to Paul, we are not signed up to anything as yet. We would love to do more and take those ideas away. Our model is very similar, and it goes back to the value proposition we have and some of the loss leaders we have, where we have used end-of-roll fabric lines. That goes into manufacturing where they have fabric they want to utilise for a price point. In some ways we are using things that may have ended up in landfill or given away.

Offcuts is a very interesting conversation and a very new one I started having a couple of weeks ago with some manufacturers. Currently, within Leicester they have to take all those offcuts. There is not a collection service for them, so they take those and they end up in landfill.

I was working on some costings with some manufacturers to say, "What would it cost you to be able to recycle those offcuts?" They are largely polyester out of Leicester. They were quoting some not huge amounts of money for some machinery that would be shredding those for a secondary purpose. That is something that is currently under investigation. I am in Leicester next week to pick up that conversation with that particular supplier as to what we can do to help in terms of all of those offcuts not going to landfill and how they can be recycled.



Q370 **Dr Matthew Offord:** Mr Beighton, can I keep you on the oceans?

Nick Beighton: Sure, 100% of our plastic bags, of which 60 million were shipped last week, are recyclable and 25% are recycled. We are currently working on improving the rate of recycled element in that. At ASOS head office we have banned plastic so you will never find any of these in ASOS. They are all encouraged to have their own water bottles. There is also plastic lurking in places you do not expect them such as inside coffee cups because that is a plastic. Everyone gets their own KeepCup and is incentivised to do so within ASOS. It is something we are very proud of and something the ASOS team is very passionate about.

Within our other packaging, boxes, 8 million were shipped last year. All of those are recycled and all of those are made from recyclable material as well.

Q371 **Dr Matthew Offord:** Can I ask you, then, within the next year if you would subsequently write to this Committee and can you confirm that you will sign up to an industry initiative that will reduce the amount of plastics going into the oceans?

Nick Beighton: I would be delighted to, but let me tell you the progress we have made is nothing to do with signing up to an initiative. It is something we felt was important, but I would be delighted to commit to an industry initiative.

Carol Kane: I concur. I would be delighted to.

Q372 **Dr Matthew Offord:** Mr Smith, I would not expect you to, but I am sure that Mr Passi is watching and he can make that commitment to us later.

Paul Smith: I am quite sure on behalf of Nitin I can make that commitment now. We will sign up to something.

Q373 **Mr Goodwill:** I think that I detected a degree of enthusiasm from Mr Beighton about green things, which is very encouraging indeed. It is no surprise that ASOS is the only member of today's panel who have signed up to the Sustainable Clothing Action Plan initiative, and you have slipped into your evidence how well you are doing in terms of sustainable cotton, 80% moving to 100%. Could you give us a heads-up as to where you are on water use reduction and CO₂ reduction?

Nick Beighton: We have reduced CO₂ by 12% in the last 12 months. I cannot recall the actual target for that, but we reduced it by 12%. Waste we reduced by 1.5%. Water we reduced by 5%. We have a target on water to get to 15% by 2020. I cannot recall the other targets, but I can confirm them later.

Chair: Twenty per cent on carbon.

Nick Beighton: There we go, thank you. The targets are what we have submitted to SCAP. Our role in these is to go far further because this is just the right thing to do.



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Q374 **Mr Goodwill:** I suspect that Mr Smith and Ms Kane have worked out the next question. Why have you not signed up to the SCAP process?

Carol Kane: I believe we are in the process of and we are waiting to hear back, so hopefully in the coming weeks we will be. On all those other targets, we also have targets in place. I could not tell you what they all are or where the savings are. They are in the annual report and I can write to you with that report and give you that information.

Paul Smith: For Missguided, I would say that purely due to our size we can only do so many initiatives in one go and it has not been a focus in this financial year. It is something that we have pledged to look at towards the latter end of next financial year. It is on the radar, but we need to finish off and get under our belt some of our previous initiatives.

At the moment we have a big initiative on plastics ourselves in terms of the polybags that our products are packed in, the dispatch sacks that we use, bringing in a global standard. We are working with Manetti on that. It is a programme that I have had in place with other retailers I have worked at and it is very successful. At the moment, that is the top of our agenda and then we can move on. Once we have landed that we can move on to other things.

Q375 **Mr Goodwill:** That is encouraging. As well as the big operators there are a lot of start-up companies in this area because it is so accessible via the internet. In fact, there is one in my constituency called Sik Silk whose t-shirts are £30 each, quite expensive t-shirts, but I shall certainly go and see them and ask them if they are aware of this. They probably are not because they are such a new business.

What has occurred to me, and you might be able to help me, is in terms of the consumer who wants to be green, is it better to go to a shop like Marks and Spencer, where you have the heating and distribution and also a lot of surplus stock at the end of a range, or to go to an online retailer where you have the delivery cost, flying stuff from the Far East? Has anyone ever worked out which is greener to do? I think that consumers might be interested to know if they are helping the planet by going to their local store or going online.

Carol Kane: If I could chip in there, going back to 50% of our production being in the UK, 80% of that fabrication is knitted in the UK, so it is really the yarn for the fabric that is coming in from Asia. With 50% of the sales being in the UK, the carbon footprint of the garment of how it is travelling is probably a lot lower than some of the very large bricks and mortar stores.

Q376 **Mr Goodwill:** Do you air freight stuff in your company?

Carol Kane: A very small amount because a small amount of our production is Asia now.

Q377 **Mr Goodwill:** Mr Smith, you air freight some of your—



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Paul Smith: We do. I think that the figure quoted in *The Mail* has been embroidered upon somewhat because it is not that much. It is part of our costing model and it depends very much on the product type. With air freight you pay by weight, whereas with shipping it is by volume. You would not be able to afford in any case to air freight in on a regular basis denim product or heavyweight coats and so on. It is not sustainable either ecologically or from a cost perspective. It is part of our model, but we would argue that given that 30% of our production is in the UK that is offset by the fact, as Carol said, that the fabrics are largely from the UK, they are not imported, and it is a two-hour road journey to our fulfilment centre up in Manchester.

Q378 **Mr Goodwill:** Finally, turning to what our recommendations may be, is there more the Government could do to assist you as you try to improve your environmental footprint and improve your use of sustainable materials? Are the Government doing enough in terms of information? Do we need legislation or more promotion of voluntary initiatives?

Paul Smith: On the whole fabric issue, that is quite complex. There have been a number of different trains of thought over the years. Cotton was seen to be a more environmentally friendly way to go, but then we know that there is use of heavy pesticides and it takes a lot of water. Then we have moved to synthetics and manmade and now there is an issue coming to light with those in terms of micro-plastics. There is also a moral issue. This week we have been approached by PETA to ask us if we would sign up to not using wool, period, in any of our products because of inherent cruelty within the wool producing industry.

Mr Goodwill: That would be popular in my constituency.

Paul Smith: Then if we do not use wool the alternative is a synthetic, so it is back to acrylics. It is quite complex. The Chair spoke earlier about shoddy. That was a well-known industry. It is a lot easier to repurpose and recycle single fabrics from a natural origin. When you move to synthetics and you start moving into blends and throw some elastane in there, it becomes more complex. Definitely more research needs to be done into that area and that cannot be done by any one body. I think that is a collaborative approach.

Q379 **Mr Goodwill:** I hope you point out to your customers that the best thing you can do for a sheep is to shear it in the summertime and the worst thing you can do is have cheap wool so that nobody can afford to shear them, particularly in the developing world. It seems rather a strange development, but I suppose we are going to have vegan clothes as well. What about the other two in terms of Government intervention or help or assistance?

Nick Beighton: These are my perspectives. Often I look around for silver bullets to solve business problems for me. They never exist and often when I look around I find comparable models and solutions that just need greater traction. This is my observation. I heard the Modern Slavery Act



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called out earlier, so I will not repeat that. I think that is a great thing and taking it further is good. Greater enforcement is great.

Transparency is one of those things that helps hold people to account. The Better Cotton Initiative I think is brilliant and it is something we are very passionate about at ASOS, so I think something to encourage transparency around initiatives like that is really important.

SCAP, Sustainable Clothing Action Plan, is aiming at most of the subject matter we have been talking about today. It has been useful for us. It has given us a benchmark. I think that is something that needs a bit more traction.

Incentives rather than penalties and options normally work better to shape behaviour. I would say that but that is my experience. I would look to what I said earlier about the German model. They have culturally a much higher adaptation to recycling and there are greater options with business and local authorities to make it a bit easier for the consumer. It is inconsistent in the UK now so that is something I think would help.

Once you get to accountability and transparency, brands can and should start talking more responsibly to our consumers about what we are doing, where we are, what the next stage is, and what our journey should look like.

Carol Kane: Adding on to that final point, I see it from two ways, education and research. Educating, and where the Government can play a part in it, within campaigns of educating the consumer to be more sustainable, I think we have a responsibility as brands but we all have a responsibility to do this.

The other area is the availability of new fibres and new development at research level. Post-war I do not know of many new fibres that have come into the market. I am not that old, by the way. I was born in the 1960s, not in the 1940s. Has there been development? I would say initiatives for us to go back to the research labs and develop new fibres that are more sustainable for the future.

Q380 **Mr Goodwill:** Do we need biodegradable clothes that after five years just disappear?

Carol Kane: We have a joke in the office that we should all be wearing leaves.

Nick Beighton: I wish banana cotton could be developed so you can eat your shirt at the end of it.

Q381 **Chair:** It would certainly make for an interesting Select Committee hearing. Can I go back on the environmental and social impact of your tier 2 suppliers? Are all your garment factories audited at least once a year by an independent auditor?

Carol Kane: Yes.



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Paul Smith: At the moment we are only on tier 1, so tier 2 is the next stage for us.

Nick Beighton: We have got down to tier 3, and the answer is yes, we are currently mapping tier 4, which is farms.

Carol Kane: We are tier 1, tier 2.

Q382 **Chair:** You map tier 2 as well. That is the hangers, the tickets, the labels?

Carol Kane: Yes.

Nick Beighton: The machinery, yes.

Q383 **Chair:** How do you ensure that your nominated suppliers are being used and are not being subcontracted out?

Carol Kane: We do give all our nominated suppliers and obviously that is within the audit. They are checked that they are coming from the source and the invoicing of our supply chain throughout.

Nick Beighton: We had a subcontracting amnesty, sort of like Declare, so it was not hide and seek.

Q384 **Chair:** When was that?

Nick Beighton: That was about 18 months to two years ago. We really needed to know and so declared an amnesty and then we started to make sure we go and audit all of those, too. It is unauthorised in our terms and conditions. If people do not comply with that, we have a conversation and an improvement plan, an education plan, and then if they do not comply and show no aptitude to change we end up having to have a conversation about their future tenure with the business.

Q385 **Chair:** You say it is a conversation. It is an e-mail conversation, phone?

Nick Beighton: No, it is voice.

Q386 **Chair:** In country?

Nick Beighton: I have had some of those conversations, yes.

Q387 **Chair:** What about you, Mr Smith?

Paul Smith: We are about to go through a systemic change. We recently brought in a new purchase ordering system. No contracts will be brought into our business without an official purchase order because it links up to our warehouse receipting.

Q388 **Chair:** Were you not using official purchase orders before?

Paul Smith: We have always used electronic purchase orders, yes, but the point I was about to go on to make is the new system we have moved to now facilitates listing the manufacturer as well as the supplier. Suppliers do have multiple manufacturing sites that we have visibility of.



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Those sites going forward will be listed on the purchase order, so that will then help us, particularly overseas when our freight forwarder goes to collect products. If he is directed to an address that he does not recognise, that can be flagged back up to us to say there is something amiss here. The first line on the purchase order will be the supplier and the second line will be the manufacturer's address.

Q389 **Chair:** To be clear, you are at tier 1 audit and you are rolling out to tier 2 by when?

Paul Smith: We will be looking at tier 2 in the next financial year.

Q390 **Chair:** April 2019. Ms Kane, you are at tier 1 and tier 2?

Carol Kane: Yes.

Nick Beighton: We are at 3 going to mapping 4.

Chair: You are going to the farms, okay. We are going to have to draw it to a close. It is coming up to 1.00 pm. Thank you all very much indeed for your attendance today.