



Environmental Audit Committee

House of Commons, London SW1A 0AA

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Mahmud Kamani,
Executive Chairman,
Boohoo Group.

By email.

4th March 2021

Dear Mr Kamani,

Thank you for taking the time to appear before my Committee in December with your colleagues Kelly Byrne and Andrew Reaney. We are writing to follow up on some of the commitments made at that session.

It is now two years since the Committee's *Fixing Fashion* inquiry shone a light on ethical and sustainability issues within the industry. We are encouraged that Boohoo Group is now taking steps to improve its future governance and transparency and has appointed directors to address concerns about labour conditions and sustainability. Boohoo Group's rapid expansion and recent acquisition of additional UK brands makes it even more crucial that it takes a strong position against abuse in these areas. The consolidation of high street fashion brands into larger groups concentrates considerable buying power in the hands of companies like Boohoo Group. We will continue to monitor this.

UK garment factories

We welcome Boohoo Group's stated commitment to UK manufacturing and commend its 14 day payment terms. We also thank you for the invitation to visit the company's new factory on Thurmaston Lane once it is completed.ⁱ We were grateful for Mr Reaney's explanation of how the business calculates an efficiency rating for suppliers.ⁱⁱ In our original inquiry we heard that aggressive cost pressures placed on suppliers can put them in a position where corners are cut on labour costs.ⁱⁱⁱ Boohoo Group has called for the licensing of factories to improve compliance, but responsibility for compliance must also be shouldered by the powerful retailers and brands that place the orders. We are interested to learn how you intend to factor minimum wage costs into your price negotiation with suppliers to prevent them from being put in a position where illegally low wages are paid.

We look forward to Boohoo Group publishing its lists of Tier One and Tier Two suppliers this month, as Mr Reaney pledged at the hearing.^{iv} This is a positive step towards transparency. The relationship between Boohoo Group and suppliers alleged to be paying illegally low wages remains opaque.^v Mr Reaney confirmed at the hearing that Boohoo Group was ceasing to trade with 64 separate garment factories and suppliers in Leicester because of violations of the Boohoo code of conduct.^{vi} We request that Boohoo Group publishes the list of 64 factories it has exited at the same time as it publishes its current Tier One and Tier Two suppliers.

Environmental impact

Boohoo Group was identified during the Committee's original *Fixing Fashion* inquiry as one of the fashion retailers least engaged with sustainability concerns.^{vii} Since the publication of the two reports from that inquiry, the company has signed up to a number of initiatives including the Sustainable Apparel Coalition and the Microfiber Consortium.^{viii} The fashion industry's impact on the climate and biodiversity is considerable, not least through its encouragement of a throwaway culture for cheap garments. This is currently unsustainable if the world is to meet the goals of the Paris Agreement to limit global temperature rises to well below 2 degrees Celsius.

We were pleased to hear that Boohoo Group is in discussions with the waste charity WRAP about participating in the forthcoming Textiles 2030 sustainability initiative, which will require carbon emission cuts of between 40-50% across the industry, including through encouraging textile recycling initiatives. We wish you every success in this venture and will be interested to monitor the industry's progress on aligning UK fashion with the goals of the Paris Agreement.

Governance at Boohoo Group

We welcome the appointment of Sir Brian Leveson and KPMG respectively to oversee and implement Boohoo Group's Agenda for Change programme. Despite the positive steps taken since media allegations last year, your answers to our questions did little to dispel the impression that the company has been focused on rapid growth regardless of the social or environmental costs. We were surprised that as Chairman and Executive Chairman of Boohoo Group you were unable to list any actions that Boohoo Group had already taken to comply with the Levitt review, despite your assertion that this was a priority for the business.^{ix}

We appreciate that you have brought in Mr Reaney and others to address these issues, but as Chairman of the Board of Directors it is reasonable to expect you to have a grasp of the key governance issues facing the business and to have full oversight of actions being taken to address reputational risks to the company. It surprised us that you were apparently not in a position to answer a number of pertinent questions, including in relation to the potential licensing of factories, which Boohoo has itself called for.^x We did not find your answer to the request to meet with the union USDAW satisfactory.^{xi}

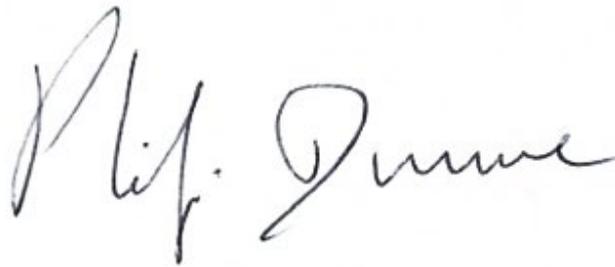
The Committee did not receive a clear answer to the question of when you first become aware that VAT fraud was taking place within the UK garment industry, and what action you took to address this. We would appreciate it if you could put this on the record in your response to this letter.^{xii}

You acknowledged at the hearing that 'things have gone wrong because of the fast-growing nature of this business.'^{xiii} You went on to state that 'our business has been growing between 50% and 100% year-on-year and we have been growing the top line, and processes do fall away.'^{xiv} Yet Boohoo Group's bonus scheme, announced in June 2020, ties very generous bonuses for yourself and other executives to continued breakneck growth, with bonuses of between £50 million and £150 million to be paid out if the company's market value grows by two-thirds over three years.^{xv}

We asked at the hearing in December whether you would be prepared to link your and other senior executive remuneration incentives to Environmental, Social, and Governance (ESG) improvements.^{xvi} We believe that such a move to link growth incentives to measurable ESG criteria—such as the environmental sustainability of your products and the welfare of workers—would demonstrate genuine commitment to environmental and social responsibility. You pledged to discuss this at the next board meeting.^{xvii} We would welcome an update when the Board has considered this matter; its decision; and the rationale behind the decision made.

Thank you again for your and your colleagues' appearance before the Committee in December and your continued engagement with us and other stakeholders.

Yours sincerely,

A handwritten signature in black ink that reads "Philip Dunne". The signature is written in a cursive, flowing style.

Philip Dunne MP
Chairman of the Environmental Audit Committee

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- ⁱ [Q102](#) (Andrew Reaney, 16 December 2020)
- ⁱⁱ [Q79](#) (Andrew Reaney, 16 December 2020)
- ⁱⁱⁱ Environmental Audit Committee, [Fixing Fashion: Clothing Consumption and Sustainability](#), Feb 2019
- ^{iv} [Q90](#) (Andrew Reaney, 16 December 2020)
- ^v [Q68-70](#) (Mahmud Kamani, 16 December 2020)
- ^{vi} [Q80-85](#) (Andrew Reaney, 16 December 2020)
- ^{vii} Environmental Audit Committee, [Interim Report on the Sustainability of the Fashion Industry](#), Jan 2019; Environmental Audit Committee, [Fixing Fashion: Clothing Consumption and Sustainability](#), Feb 2019
- ^{viii} Boohoo Group submission ([FFFU0035](#))
- ^{ix} [Q90](#) (Mahmud Kamani, 16 December 2020)
- ^x [Q88, Q90, Q91, Q93, Q94, Q98, Q113, Q115](#)
- ^{xi} [Q110-115](#) (Mahmud Kamani, 16 December 2020)
- ^{xii} [Q88](#) (16 December 2020)
- ^{xiii} [Q62](#) (Mahmud Kamani, 16 December 2020)
- ^{xiv} [Q65](#) (Mahmud Kamani, 16 December 2020)
- ^{xv} Financial Times, [Boohoo plans £150m executive bonus scheme](#), 26 June 2020
- ^{xvi} [Q127-132](#) (16 December 2020)
- ^{xvii} [Q131](#) (Mahmud Kamani, 16 December 2020)