

## Written evidence submitted by Segura Systems Ltd. (FL0006)

### About Segura

Segura is a UK technology company operating exclusively in the garment retail industry. Our customers and target customers are large “High Street” and online retailers and brands, who use our platform to manage the procurement of every component, of every garment they produce. A number of customers also use the platform to manage their audit programmes and other compliance programmes in their manufacturing supply chains. We have been operating for over 8 years.

### Why are we submitting evidence?

Segura has a deep understanding of the complexity of globally distributed, multi-tiered supply chains and the immense difficulties in managing them effectively. We were born out of discussions with 4 of the UK’s largest retailers. They all expressed the similar concerns about their garment manufacturing partners. In short, they would often specify where those manufacturers should buy the components (fabric, buttons, zips etc) that go into their garments, but realised, on a macro level, on roughly 90% of occasions the manufacturers ignored their wishes and went to cheaper (unaudited and unknown) alternatives locally. This led to one situation where a media organisation confronted one of the 4 retailers, with a video of children making care labels for their company. It was established that a garment manufacturer had tried to save some money by using an unauthorised and much cheaper source.

Segura’s Order Management solution was created to solve that, and many other problems. The platform is a closed system for authorised manufacturers only and manages the procurement for every component in every garment. If a garment manufacturer tries to order components or materials outside of the platform, this creates a mismatch in the data and the retailer is informed to take appropriate action. It quickly becomes the supply chain “command and control centre.”

The specific issue of the XUAR region is complex and difficult to resolve. Any large retailer that says they are absolutely sure that there is no material from that region in their garments is being disingenuous at best, for the following reasons;

- 1) As with Uzbek cotton, unethically produced materials are often sold on the black market into countries, where they are mixed with ‘genuine’ product and sold as if they had been grown in that region.
- 2) In our experience most retailers’ due diligence on their supply chains stops at the garment manufacturer (or tier 1). This means that on the whole, they leave it to their manufacturers to source their own components.
- 3) There is little transparency beyond tier 1 and where it exists it is very patchy. In most cases, at best, a retailer will take a garment manufacturer’s word for where they have sourced components and materials to make their products. As you might imagine, this is open to all sorts of abuse. There is nothing to stop a manufacturer

telling a retailer that they sourced from a high-quality supply, but actually used a cheaper “sweat shop.”

- 4) Most audit programmes are managed internally on excel spreadsheets and generic email addresses. These kinds of manual processes mean issues identified by auditors at factories often get missed and not followed up.
- 5) Most audits are still announced in advance, allowing bad suppliers to prepare and hide anything incriminating.

Segura is not the answer to all these problems, and we wouldn't contend that we are, but in collaboration with audit companies, testing companies and other traceability products, retailers can move from 10-20% traceability to 90%+ traceability in their supply chains in a matter of a few weeks, to a few months, depending on their size. That means our customers know, for the vast majority of their products, not only where the garments were made and in what conditions, but also all of the components, packaging and other services such as finishing.

We also work with companies that can test finished products (or at other points in the supply chain) to see if materials from unwanted regions have entered a brand's garments.

The challenge of the XUAR and other similar issues will not be solved overnight. Some brands and retailers have made huge strides in the way they manage their supply chains, but so much is still left down to the discretion of individuals who can choose to line their own pockets rather than doing the right and moral things. More robust management, further digitisation of supply chains, better testing and audit programmes will help. However, the real game changer will be when retailers and brands stop acting in silos and start to collaborate with each other on these issues. When we onboard new customers, we see between 40 and 60% of their suppliers are on our platform working with our other customers. They therefore need to accept that their supply chains are not the differentiating factor they once were and increase their collaboration. If they work more closely together on this and other issues, progress would be monumentally faster.

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