

## **The boohoo group plc**

### **Report to the Board: February 2022**

#### **The Rt. Hon. Sir Brian Leveson**

1. This is my fifth (and final) Report to the Board of boohoo group plc ('boohoo' or 'the Group') and comes as the Agenda for Change Programme ('A4C') concludes and is subsumed into business as usual. As I commented in my last report, this movement does not signify the beginning of the end of the process but merely the end of the beginning. The challenge for boohoo (which it recognises and is determined to meet) is that, in the fast moving industry that is fashion, as focus moves from the A4C programme, it will be too easy (and not at all unusual) for attention to move to other pressing issues and to drift from the new ways of working which A4C has introduced backwards into a place where less attention is paid to the critical issues which the A4C programme has sought to address. The determination exhibited by the Chief Executive, John Lyttle, and his team that this should not happen is beyond doubt but continued vigilance by the Board, by all senior executives and by management generally will be of critical importance
2. I have always made it clear that, initially, I was a reluctant recruit to the world of the fashion industry. I doubted that there was much of value that a retired judge could provide particularly as it was clear that boohoo was prepared to appoint management consultants to provide advice, assistance and oversight of the reform agenda. I was persuaded by the enthusiasm for change that everyone at boohoo exhibited, by their wish to be transparent and publicly to reveal their approach and their complete willingness to embrace the conditions which I imposed. These were, first, that I was permitted to appoint independent enquiry and enforcement specialists, together with an independent legal team to assist me. Secondly, I required a commitment by boohoo to put into the public domain such regular reports as I provided to the Board. I was clear that the independent enquiry and enforcement specialists should be led by Tim Godwin OBE, formerly Deputy Commissioner of the Metropolitan Police and include two other former police officers and a retired HMRC Deputy Director. The team of independent lawyers were to be led by Louis Browne QC. Each of these teams was provided with resources to undertake the necessary oversight.
3. The Group accepted each of these conditions notwithstanding that any failure in the process would not be hidden but would be exposed in a report submitted to the Board and then publicly available. To my mind, this demonstrated the extent of their willingness to take all possible steps to improve their approach and to represent a gold standard in fair treatment and issues of ESG - as both Mahmud Kamani, the Executive Chairman, and John Lyttle, the Chief Executive always identified as their ambition. Everyone at boohoo has been entirely open about their determination in this regard; both my teams and I have been afforded whatever access we have sought and such issues as have arisen as the work has progressed have all been taken on board. I have liaised regularly with KPMG (the management consultants that were appointed): they have been assiduous in the assistance which they have provided and in their willingness to check up and validate all the progress that has been made. I have been copied into the KPMG updates (and the A4C updates provided to the Board). Additional non-executive directors (one with a particular interest in the areas of sustainability) have been appointed and my appearances at the Board (as well as the virtual meetings that I have had with the Chairman and other non-executive Directors) have shown them all to be inquisitive, lively and committed to maintaining the change in work practices that have been introduced.

4. This Review continues the analysis of the work undertaken by boohoo over the months since the last Review in September 2021. As with the other Reviews, it looks at the further work that has been completed in relation to the supply chain (both in the UK and the Rest of the World) as well as the ongoing development of the new processes to help ensure that orders are only placed with approved suppliers (involving the Supplier Hub and the Order App), Responsible Purchasing Practices (including training for buyers in relation to costing), Sustainability, Ethical Compliance and the training programmes in relation to Modern Day Slavery and NVQs for garment workers employed by suppliers. I also deal with the progress made in relation to the Trust and the commencement of manufacture at Thurmaston Lane. The approach to all these issues demonstrates the extent of the journey that boohoo has undertaken since mid-2020.
5. The Levitt Review made a number of recommendations which have led to substantial changes to corporate governance, the publication of supply chains for the UK and the Rest of the World, the development of Responsible Purchasing Practices (including in relation to sustainability and other ESG issues) and Key Performance Indicators with appropriate assurance mapping by Internal Audit. In addition, the last few months have seen the embodiment of the Garment and Textile Workers Trust along with the building and opening of a new manufacturing facility at Thurmaston Lane in Leicester demonstrating the determination of boohoo to stand behind the City. Finally, the Group has looked beyond the Review and the specific recommendations that it contains to envisage what boohoo should look like in beyond 2022: it is referred to as the End State Design. This should now be followed by a further End State Design which visualises the aspirations for the Group beyond 2024. The purpose of this review, however, is to paint the picture as it now exists, underlining the success of the Agenda for Change programme and to point to the challenges that are faced for the future.
6. To the Report dated 23 March 2021, I annexed a Review of the Criminal and Regulatory Regime and the challenges facing law enforcement in this area (along with boohoo's approach). In an Annex to the Report dated 14 September 2021 ('Beyond boohoo'), I brought those challenges up to date, referencing the Apparel and General Merchandise Public and Private Protocol (AGM PPP) and suggesting a potential approach to law enforcement that could be adopted. One of the features that is clear is that local authorities have no enforcement powers in this area and that, notwithstanding the challenges that are faced addressing the criticisms of what is going on in Leicester, a multitude of other agencies are responsible for policing the various aspects of the way businesses are run in the garment industry. That is not to say that Leicester City Council have been idle: they have not and under the City Mayor, Sir Peter Soulsby and the Deputy City Mayor with responsibility for Environment and Transport, Councillor Adam Clarke, funds have been raised, dedicated staff employed and a number of initiatives undertaken. Seeking to build on that work and squaring the circle of ways in which the authorities can assist, Annex A to this Report also addresses Beyond boohoo: the Approach in Leicester.
7. The Levitt Review was published in September 2020 and a transformation programme planned to implement its recommendations. The Agenda for Change has been undertaken with energy and at real pace such that it is now moving to business as usual. Although there are a very few number of the recommendations that constitute work in progress and have not been concluded, it is appropriate to conclude my oversight of this programme by going through the recommendations of the Review (both made by Ms Levitt and also emanating from the work completed by Grant Thornton), identifying what, along with KPMG, I consider can be marked as completed and identifying where work has been started, is continuing but has not yet concluded as, indeed, the Review anticipated. This includes the few cases where (with the approval of the Board) the recommendations have

been adapted or modified to fit with boohoo's ways of working. This analysis is Annex B to this Report.

## Executive Summary

8. Over the last 17 months, boohoo has embarked enthusiastically on the Agenda for Change programme and, as the Reports that I have written demonstrate, has sought to deal with each of the recommendations of the Levitt Review. In a few respects, it continues to be work in progress, but the transformation is such that it is now at the point at which it can move into business as usual. The engagement of all at boohoo with all involved in providing independent oversight has been exemplary.
9. In summary, the list of UK manufacturers first published in March 2021 and augmented with overseas manufacturers in September 2021 has been updated periodically to reflect the onboarding of new suppliers and the outcome of financial, ethical and compliance audits completed by Bureau Veritas and Verisio. From February 2022 boohoo will launch the Supplier Hub system adding increased resilience and control to these processes. Each new supplier will require independent approval from Sourcing, Ethical Compliance, Factory Approver and Finance, and buyers will be unable to raise any purchase order from a factory or supplier outside the system.
10. The assurance processes are overseen by the Group's ethical compliance team who undertake visits to manufacturers in order to assess order management, capacity, quality, training and progress on any remediation steps that audit has previously revealed as necessary. boohoo have also employed staff in a number of foreign countries (in particular, Italy, Turkey and China) who can follow up on issues that arise and to mirror to such extent as is possible the visits that are now common in the UK. KPMG have confirmed that these measures continue to be remain effective and progress is regularly reporting through an appropriate internal governance forum providing transparency to the Board.
11. The cultural change programme has seen senior management appointments in Learning and Development and introduced mandatory training on ethical compliance, anti-bribery and modern-day slavery. 23 distinct Key Performance Indicators (KPIs) have been designed to ensure that boohoo is managing against the issues that arose during the course of the Levitt Review. Some, but not all of these are operational, with a fuller set of reporting expected to commence later this year as data from new systems becomes available.
12. Of the published Responsible Purchasing Practices the commitment to ensuring that buyers across the group "understand what a fair price is for garments" has been in focus since the last reporting period. Thurmaston Lane is being used as a template for open costings and, at the same time, the Group's Sourcing teams are actively engaging with suppliers in an open costings exercise which has the primary goal of focussing on enhanced production efficiency to ensure that suppliers remain competitive and retain a reasonable profit. A training programme to support buyers (intended to be based at Thurmaston Lane) is in plan but remains work in progress.
13. Outside of the organisation, boohoo has made a significant investment within the garment and textile sector in Leicester. The Group has helped to establish and fund the Garment and Textile Workers Trust to focus on individuals directly or indirectly connected with the garment industry. A factory at Thurmaston Lane is now open as a centre of excellence in ethical manufacturer of garments, providing employment for a team of 200. Local training providers are delivering accreditations in the manufacture of textile products and Workers

Rights training. And a partnership with De Montfort University ('DMU') has been established that provides students with insight on design, sustainability and buying in the garment industry.

## **The Supply Chain**

### ***The United Kingdom***

14. The initial preparation of the published list of UK manufacturers depended, first, on a satisfactory ethical and compliance audit by Verisio or Bureau Veritas against the requirements of the Group's terms of contract. This included a requirement to comply with all legal and ethical requirements, ensuring not only that there is no form of labour abuse within the manufacturer but also that compliance could be evidenced: examples of how this might be achieved are biometric time cards, proof of payroll and an inspection of conditions for health and safety. Secondly, financial and corporate due diligence also had to be demonstrated for which purpose investigations through Companies House and utilising other data analytics were also important. Previous reports have described this process and there is no purpose in repetition. Suffice to say that this process appears to be holding up and KPMG have confirmed that the spot check audit process continues to remain effective along with the work undertaken by the Supply Chain Compliance Committee and the forensic work undertaken by the Supplier Due Diligence Financial Review Forum (also described in previous reports). Furthermore, boohoo continue to retain the ability to undertake financial due diligence on any manufacturer wishing to be on-boarded into the supply chain: this will include open source investigation of the type that was used during the last year to determine which manufacturers should remain in the supply chain.
15. The list of approved UK manufacturers is dynamic and over the last year has been updated as new manufacturers are approved and others drop away: this is of particular relevance following the acquisition of new brands, including heritage businesses which have previously sourced from overseas and which are now being introduced to new UK based manufacturers thereby underlining boohoo's commitment to supporting UK manufacturing. Suffice to say that the changes that have been made to the supply chain are periodically published and thus transparent. It is, however, important to underline that it would be wrong to conclude that a manufacturer that is no longer on the list has necessarily been found wanting in its approach to legal and ethical compliance. In what I have previously described as the fast-moving world of fashion, commercial considerations also play an important, if not critical, part. The Group is clear that efficiency in operation will generate more competitive pricing and seeking to help manufacturers to improve efficiency while at the same time complying with legal and ethical standards is seen as an important part of the interaction and relationship with their suppliers.
16. In my last report, I noted that the Group had now committed to adopting the Fast Forward methodology across its supply chain. As I explained, this is a labour standards improvement programme operated by an independent organisation which supports suppliers with the training, guidance and resources they need to improve, using forensic audit processes to uncover audit evasion and hidden exploitation of labour. The collaborative approach ensures that the supplier is fully aware that Fast Forward will undertake checks in relation to VAT, payroll, documentation and worker welfare: pre-audit checklists sent to the retailer ensure that significant issues can be and are addressed before the audit, making the process collaborative between retailer, manufacturer and auditor. At the end of January 2022, 25 manufacturers in boohoo's supply chain have commenced the supplier engagement process with Fast Forward, and 8 others have

completed pre-audit checks and scheduled their first Fast Forward audit to be completed by Bureau Veritas. This will be followed by all others approved in the supply chain.

17. What is now apparent, however, is that it will only work with manufacturers who are sponsored by a retailer who is then responsible for checking on lapses in standards. The difficulty with this approach is that it then becomes impossible for a manufacturer to achieve recognition from Fast Forward if it is not sponsored, that is to say, it is not on an approved supplier list. It is not, of course, for boohoo to seek to check up on manufacturers that are not within its supply chain to do business but given the importance of supporting Leicester as a manufacturing centre, it may well be that there is at least some responsibility on the Group (and other garment retailers who either work in Leicester or would like to place orders in Leicester) to support the general improvement of standards throughout the City. I address this difficult issue in Annex A to this Report but I readily recognise that it will be for the Group, the City and other retailers to decide whether and if so to what extent the suggestion in the Annex is worthy of support.
18. In addition to audit, boohoo has taken training into its supply chain in Leicester. Through a local training provider, KTL, a nominated group of suppliers and a number of boohoo employees are being helped to obtain SEG Awards Level 2 Certificates in Manufacturing Textile Products. This is an NVQ qualification which educates participants in operational skills including garment sewing and manufacturing as well as covering issues such as employment rights and responsibilities, health and safety, equality and diversity and safeguarding. A further 135 individuals are to undertake this training over the next year all intended not only to provide a broader appeal to further recruitment into the garment industry but also to deliver the following benefits:
  - a. Recognised accredited qualification to enhance skillset
  - b. Awareness of key aspects of ethical compliance audit standards
  - c. Improved efficiency with an energised and skilled workforce
  - d. Improved job satisfaction and motivation, reducing staff turnover
  - e. Improved job knowledge, and skills to take on a wider range of responsibilities
19. In addition to training through KTL, boohoo has entered into a collaboration with Fashion Enter which is a not for profit, social enterprise striving to be a centre of excellence for sampling, grading, production and for learning and development of skills within the fashion and textiles industry. Thus, during 2022, Fashion Enter will deliver Workers Rights NCVQ L1 training to all employees in 10% of the boohoo group's Leicester supply chain. In addition, with the assistance of £85,000 from boohoo's apprenticeship levy, up to 10 individuals from the local area (chosen, selected and placed with apprenticeships by Fashion Enter) will have the opportunity to undertake either a level 3 fashion studio assistant course or a level 4 product technologist course. The only stipulation that boohoo has made is that the candidates must be local and, where possible, should have previously been prevented from undertaking further education qualifications due to personal financial circumstances.

### ***Thurmaston Lane***

20. The factory at Thurmaston Lane is now open. It is intended primarily to be a centre of excellence providing employment for a team of 200 working across two shift patterns, in both ethical manufacture and, in the near future, digital printing enabling the Group to print a variety of designs for use across T-shirts and sweatshirts manufactured with sustainable materials. Second, boohoo has opened a product performance and testing laboratory at the factory which, besides ensuring the highest standards for garments, provides the opportunity to educate and inform both suppliers and brand buying teams.

21. In addition, the Group's ethical compliance team now operate from Thurmaston Lane from where it exercises responsibility for daily sourcing and compliance checks. The team also undertakes visits to UK manufacturers in order to assess order management, capacity, quality, training and progress on any remediation steps that audit has previously revealed as necessary. The Product Compliance and Quality team make some six visits to suppliers per day, looking at an average of 12 garments in production and inspect end of production not only to safeguard British manufacturing standards but also to work with suppliers and help improve their skill set with focus on quality and workmanship. The team has also recently recruited a specialist in worker support, outreach and community engagement who I am told has already visited 23 suppliers, across 35 sites and has spoken to 820 workers, recording, investigating and remediating any concerns raised: issues have included worker welfare, access to education and general health and well being. A whistleblowing process has been initiated through Unseen UK which, in the last three months, has received 17 reports of which 14 have been dealt with and three remain under investigation.
22. In the September report, I referred to the intention to work with De Montfort University ('DMU') to provide first hand experience for students and others of all aspects of the garment industry. Visits and talks for students of DMU are now to be facilitated and management within boohoo (including the Head of Sustainability, Buying Director and Head of Product Compliance) have met or will meet and give presentations to final year DMU students; the Head of Design has delivered a workshop to students and provided feedback and commercial insight. Finally, in September 2021, two DMU students commenced an internship with boohoo. The Group is committed to developing this relationship further.

### ***The Rest of the World***

23. I have previously outlined the challenges of auditing manufacturers and factories outside the UK not only as a consequence of the difficulty identifying factories used by importers but also undertaking the types of financial checks and other due diligence that has been possible in the UK along with maintaining the ability to undertake similar compliance visits in addition to more formal audits. Having had the benefit of the international audit programme that continues to be undertaken by Bureau Veritas, last September, the list of suppliers from countries outside the UK was published. Many of these international suppliers also manufacture for other high street and online retailers and that it is common practice for retailers to share intelligence and information with each other. The Group's ethical compliance team shares with counterparts in other retailers and, in that way, hopes to remain alert to any difficulties that might arise.
24. Audits of overseas manufacturers are either conducted by Bureau Veritas or by another recognised ethical auditor and then converted so that it complies with the articulation of the standards that Bureau Veritas set. There are then follow up audits to check on developments over the preceding periods. As with the UK, however, that is not to say that an audit has to reveal faultless performance: the process is iterative and a learning tool. Clearly, any manufacturer that contravenes a red line in standards will be excluded. For those that remain, however, there is a RAG status attached to the manufacturer. Red requires urgent action to prevent potentially swift exclusion from the supply chain; Orange reveals a serious but eminently correctable issue arising out of the audit; Yellow reveals a less serious failing but one which is easily correctable. Green reveals no issues of any sort. It is not surprising that initial audits reveal challenges which will be of many different orders. What is critical for boohoo, however, is the thoroughness of these audits, how they are followed up (by the manufacturer and by the auditor) along with the seriousness of the repercussions in relation to continued failings.

25. It is almost inevitable that complexity in this area will arise because working conditions in other countries are undeniably different and it is at least plausible to consider that on-the-ground audit might well generate a snap-shot of compliance which is not always maintained. To that end, boohoo have employed staff in a number of foreign countries (in particular, Italy, Turkey and China) who can follow up on issues that arise and to mirror to such extent as is possible the visits that are now common in the UK. It must be recognised that this approach is not without its own challenges in relation to the prevention of bad practice but it is reasonable as a mechanism for reducing risk.
26. The prospect of issues arising outside the UK is not, however, to be minimised: it is an area that will require continued careful oversight. These are decisions for boohoo and the Supply Chain Compliance Committee the Supplier Due Diligence Financial Review Forum are well positioned to reach evidence based conclusions about those manufacturers that do not meet the standards that boohoo sets. These bodies also provide a demonstration of the way in which the Group is exercising due diligence in relation to those entrusted to manufacture for it.

### ***Systems Development***

27. In my September Report, I identified that the Supplier Hub was due to 'go-live' in the near future. Having resolved remaining technical issues, it is now due to come on stream in the week commencing 21 February, with a stage to allow existing suppliers to be transferred in phases: while the Supplier Hub is being refined, for the very small number of suppliers being onboarded, manual processes will be continued. Suffice to say that the Supplier Hub will replace manual processes and enable buying teams to invite new suppliers digitally to enter the process of on-boarding which will continue to involve structured approval by all teams before a new supplier and their factory or factories is accepted. Each new supplier will require independent approval from Sourcing, Ethical Compliance, Factory Approver and Finance and buyers will be unable to raise any purchase order from a factory or supplier outside the system. The challenge will be to ensure that the same rigour in relation to on-boarding and due diligence will be applied to suppliers from the Rest of the World as is applied to UK suppliers, particularly given the more detailed information and data analytics that can be made available for those operating in the UK. As I have previously observed, maintenance of standards will be more challenging outside the UK and will require particular attention from those involved in ethical compliance.
28. When this system is fully operational, it will remove the issues that have arisen when seeking to translate purchase orders being raised from factories which cannot be mapped to the Global Manufacturing Supplier List. Investigating these comparatively small number of discrepancies has revealed factories that had been on-boarded subsequent to the publication of the updated Global Manufacturing Supplier List, incorrect mapping of factories to suppliers or typographical errors, a lack of data quality and other errors. KPMG has challenged these discrepancies which are being addressed.
29. Having been approved through the Supplier Hub, the system used to require orders to be completed on a manual paper-based order pad and then keyed directly into the Sage application (which recorded and kept track of all orders). A purchase order will then be raised. The Order App replaces the paper-based system and allow buyers to raise orders from approved suppliers on their mobile device, producing a draft purchase order (which can be amended subsequently): that order can then be sent to the supplier. Orders are then committed and a purchase order will be raised in Sage via the Order App rather than requiring the details manually to be inputted. This allows for greater control and compliance not least because the Order App will not permit an order to be raised with an unapproved supplier. Although a small number of discrepancies have been identified

during validation of purchase orders, these are usually capable of explanation and in the process of being resolved if not eliminated.

## **Business and Cultural Change**

### ***Training and Development***

30. I set out the Responsible Purchasing Practices in the September Report. These aspirations have been translated into positive actions which continue to be developed and rolled out. The Group has made senior management appointments in learning and development and continues to invest in these areas. The current probation process includes mandatory training on ethical compliance, anti-bribery and modern-day slavery with sign off required by the Learning and Development team as a requirement to pass through probation review. I am informed that the following statistics represent the position in relation to current staff whose work impacts in these areas. Of 572 who require training in ethical compliance, 461 (81%) have completed the relevant course; of 51 who require enhanced anti-bribery training, 45 (88%) have completed the training; and of 721 whose work requires them to have modern slavery training 619 (86%) have completed the course. It is boohoo's intention that all those who require this training should receive it and there is a follow-up process to capture those who have not done so. Each of the mandatory courses will be available digitally with a digital library for on-demand access on the boohoo intranet with prompt reminders for those who need to complete training. It is also intended that the training themes from the Agenda for Change programme will be embedded into the new talent development offer 'Learning Lab'. In this way, it is hoped to embed the lessons learnt and ensure continued relevance to the work of the Group.

### ***Buying***

31. The first of the Responsible Purchasing Practices is "We are fair" and the first of those is that "We understand what a fair price is for garments and commit to paying this". It is worth repeating what I said in the September Report (at para. 44) about the training of buyers as to the true cost of manufacture:

It is complex because costs ethically incurred in different countries will be different and the cost of making each garment will be different and will require an understanding and appreciation of the cost of the fabric and any trim, the time required to make each garment (which reflects into labour costs, electricity usage, rent or return on investment and rates or other overhead), logistics and, of course, profit. Cost is the critical element in order to demonstrate that what boohoo has ordered from a supplier can be delivered in an ethically compliant manner and is not simply dependent on ethical audits, spot checks and whistle-blowers. Furthermore, the value of this cost information is that it provides an independent check on ethical compliance and, also, can generate evidence which can be used to assist manufacturers to improve efficiency. Thus, if it is taking longer in one factory as contrasted with another to produce the same garment, boohoo will be able to advise and assist the less well performing factory in an effort to improve the efficiency of the process by adopting best industry practices.

32. Thurmaston Lane is being used as a template for open costings with allowances for all factory outgoings (including 'rent' on the premises): this will form the basis of essential training for buyers. At the same time, the Group's sourcing teams are actively engaging with suppliers in undertaking an open costings exercise with them. Thus, a number of suppliers have been prepared confidentially to share detailed wages and fabric costings along with production information, wage slips and employer bank records all to demonstrate that costs have been covered and legal and ethical compliance achieved.



The focus for boohoo has been on operational efficiency to support those suppliers that have participate in the exercise to develop their business in a sustainable manner. The value for boohoo is that the work provides evidence that the price paid enables the suppliers to meet the ethical requirements of the Code of Conduct in relation to their workforce. It is boohoo's intention to use this template with all of its UK manufacturer's suppliers

33. The importance of an independent check on ethical compliance cannot be underestimated. Given what has been learnt from the behaviour of some manufacturers (no longer in the supply chain), it is not beyond the realms of possibility that, while ostensibly complying with ethical requirements and the Code of Conduct, the owner of a business may cut corners and expose boohoo to the type of adverse publicity that it received in 2020. Through audits and spot checks, boohoo is doing what can reasonably be expected to check up on its supply chain but, in addition, should there be a challenge to the operation of a manufacturer in the supply chain, boohoo need to be able to demonstrate that it has exercised due diligence not only through the checks but also through the ethical costing model which it has created.
34. As I made clear, for different garments manufactured with different fabrics requiring different machining (taking different time to make and using different trims), this will be a complex exercise. Complexity will increase when account is taken of different countries of manufacture with differing outgoings (including logistics and freight) and overheads. Having said that, the exercise need not be exact. All the calculation must demonstrate is that the buyer has taken account of the various parameters of costing and garment manufacture making allowance for all the elements that go into the manufacture and, allowing for profit, can reasonably be made ethically and in accordance with the Code of Conduct. Using Thurmaston Lane as a model is a good start (and was always one of the work streams to be undertaken when the factory started) but boohoo is also well aware of the variables and the need to build them into any costing model. This is work in progress.

### ***UK Sustainability: UP FRONT***

35. In the September Report, I referred to a pilot or trial in relation to waste management. It involved eleven UK based manufacturers working with a waste management partner to find recycling opportunities with the objective of ensuring that manufacturing units are not sending textile waste to landfill. The waste management programme that has been devised as a result is due to be rolled out across its UK manufacturing units with the aspiration to embed it within the UK supply chain such that there should be no waste to landfill from the supply chain by 2025. The programme's core aims are to:
  - a. ensure full compliance with environmental waste regulations;
  - b. consolidate supplier's waste management to one contractor;
  - c. provide suppliers with a zero waste to landfill option to help ensure they are able to drive sustainable improvement at no additional cost;
  - d. provide training to suppliers to reduce waste volume and improve waste management practices; and
  - e. develop the infrastructure across the UK supply chain to ensure that suppliers and manufacturers are able to implement further improvements as and when there are innovative technology improvements to textile recycling.
36. Parallel to this project, boohoo is working with an industry leader to advise upon and review the textile recycling landscape with the aim of identifying new solutions using the latest technology to improve the recycling of synthetic fibres for re-use. Second, as part of its membership of the Sustainable Apparel Coalition, a facilities environment module is being deployed to the UK and top 50 global suppliers to help assess energy usage, waste

management and the broader environmental impact with a view to creating a benchmark from which to drive improvement. Using the data collected, not only will suppliers gain a better understanding of environmental impact (including energy efficiency, renewable energy and waste) and also identify where efficiency improvements can also save costs. Third, the Group is also a member of the Microfiber Consortium. Using the test developed by the consortium, some of the key recycled fabrics used by manufacturers to make garments will be tested and fed into the consortium's database.

37. In the context of sustainability, it is also worth mentioning that at its now operational distribution centre in Burnley, the Group has installed 5,818 solar panels which will provide 2.7 MW of power to the facility. I am informed that it is the largest SolarEdge project ever carried out in the UK and in its first year of operation, it is anticipated that it will save 552 tonnes of carbon which is the equivalent to the impact of planting 24,231 trees.

### ***Key Performance Indicators***

38. The September Report identified the principles behind the Key Performance Indicators based on the four pillars identified by the World Economic Forum. They involve issues of ethics and sustainability as well as commercial considerations including growth and profit. They are inevitably forward facing and, as I then made clear, although they represent a first rate start at looking for mechanisms which can be used as appropriate and reachable targets, many (but not all) have been launched but will be developed with time.
39. In the period which has elapsed, two of the KPIs have been merged with others leaving 23 of which six have been reported on; the data sources for a further four have been identified and quality review work commenced to ensure that they can soon be reported. Of the remaining 13, eight are dependent on the launch of the Supplier Hub with sufficient reporting expected later this year. The following five correspond to programmes that are not yet live.
40. It is unfortunate that the technical issues surrounding the Supplier Hub had not been resolved in sufficient time for data to be extracted for assessment against the relevant KPI but I recognise that the development of the Hub was never an entirely straightforward exercise. Although there may be delays in extracting information to satisfy the KPIs, the underlying processes and structures have been put into place to ensure that boohoo is approaching the issues that arose during the course of the Levitt Review. As devised, the KPIs are intended to go further than those required by the Review and address what has previously been described as the End State Design – what the Group should look like in mid 2022 which, as I have suggested, needs to be replaced by an aspiration for the Group in mid 2024. As it is, however, the KPI Tree remains work in progress.

### ***The Garment and Textile Workers Trust***

41. The Group has funded the Trust to the tune of £1.1 million. It is a recognised charitable institution intended to focus on individuals directly or indirectly connected with the garment industry. In order to determine how best to allocate resources, the Trustees (entirely independent of the Board and senior management of boohoo although with one boohoo employee) instructed The University of Nottingham's Rights Lab (home to some of the world's leading modern slavery experts) to conduct research from the perspective of people those employed or closely connected with the sector. The questions posed were as follows:
- a. What pre-existing factors may be impacting on vulnerability to exploitation in Leicester?

- b. What can major retailers and government agencies do to encourage / enforce garment factory owners to provide the best possible working environment for their staff?
  - c. What other actions can business, government agencies, NGOs and communities undertake to improve the lives of garment workers?
  - d. Are people actively choosing to work in garment manufacturing or are they being forced, either through coercion, a lack of alternative employment opportunities, or other factors?
  - e. What is the most effective way to ensure garment workers are aware of and able to exercise their workplace rights?
  - f. To what extent are factory owners listening to garment workers and responding with appropriate changes to working practices (i.e. training, flexible shift patterns, wages, health and safety concerns)
  - g. How would garment workers themselves like to be represented and by whom?
42. Over a period of five months, the research has been conducted with a series of in-depth interviews, focus groups and questionnaires gathering insight from those with first hand knowledge of the challenges. The final draft of the research is expected next month at which time the Trust will determine the purpose and scope of the Trust and embark on a grant awarding process. I would hope that the challenge set out in Annex A to this Report will be one to which the Trust will give consideration, but I readily recognise that it will be a matter for the Trustees.

## **Conclusion**

43. I do not pretend that the conclusion of the Agenda for Change programme and its transfer into business as usual represents the completion of each aspect of each recommendation made in the Review. Many have been completed; others are in progress but still require continued effort to bring to fruition: this is not the least true in respect of the ambitious IT programmes that have been undertaken and are in the process of implementation and in relation to the Group's ambition for Thurmaston Lane as a centre of excellence for garment manufacture in Leicester. Furthermore, even if all the recommendations had been completed (or when they are), it cannot be said that it would represent the end of the process. I have no doubt that there will continue to be challenges and difficulties along the way and boohoo must be prepared to demonstrate that, in relation to each aspect of its business, it has exercised due diligence to ensure that legal and ethical standards have been maintained by all both in the business itself or, just as important, in its supply chain. In particular, continued and continual attention to the way in which those in the supply chain are manufacturing garments will be essential and, should lapses become apparent, necessary steps taken to enforce its Code of Conduct.
44. In the last 17 months, boohoo has travelled a considerable distance in relation to most (if not all) aspects of corporate governance and its business model while, at the same time, addressing the same issues concerned with the pandemic as have been faced by society in general. It has also continued to manufacture and supply clothing, adjusting its offer and style to the new reality of working from home. At the same time, boohoo has had to deal with the oversight which it put in place at the start of the process. That has involved regular interaction with KPMG offering advice and validation of the work done, with me and with my team of enforcement specialists (led by Tim Godwin OBE) and lawyers (led by Louis Browne QC).

45. All this has required both energy and agility and I must express my thanks for the assistance I have been given from all corners of the business, from KPMG (without whose assistance I do not believe I would have been able effectively to discharge the oversight responsibilities that I accepted) and from the teams that worked to me. A very real tribute must also be paid both to the senior management and all those involved in visualising, articulating, promoting and implementing the Agenda for Change while, at the same time, running the business. That so much has been achieved is a testament to them and to the original determination and support expressed and reinforced by the Chairman, Mahmud Kamani, the Chief Executive, John Lyttle and the Board.
46. Running through the Levitt Review is the observation that boohoo had failed to appreciate that running a great company required social responsibility as well as growth. That message has been heard, understood and is in the course of being remedied, with very substantial steps already taken to recognise the wider picture beyond commercial success. As this transformation programme moves into business as usual, I trust that the dynamism which has been demonstrated throughout Agenda for Change will continue and wish the Group success.

21 February 2022