

Report to the Board: February 2022

Annex B: The Levitt Recommendations

Introduction

1. On 25 September 2020, the day after the final open report of the Independent Review conducted by Alison Levitt QC into had been received, it was published by boohoo. Although set out in the Review and in my first Report of January 2021, for the sake of completeness it is worth repeating the extensive quotation from the introduction which was in these terms:

“There is much to like and admire about Boohoo. The entrepreneurial talent which led Mahmud Kamani and Carol Kane to start this hugely successful company has been the engine for the creation of many jobs at its Manchester Headquarters and its Burnley distribution centre. Both Board members and employees have emphasised that they regard the Boohoo workforce as “family” and those to whom I have spoken all plainly felt proud of working for Boohoo. The Manchester Headquarters, which I and my team visited on 22nd July 2020, felt vibrant and energetic in spite of the social distancing restrictions imposed on workplaces as a result of the coronavirus pandemic.

“It is not without value that Boohoo has helped to democratise fashion. Whilst I am conscious of, and respect, the view that inexpensive clothes have an unacceptable environmental impact, it should be recognised that Boohoo’s business model means that young people of modest means can now afford to wear clothes that would in the past have been beyond their reach.

“Boohoo should also be congratulated for the revenue it has generated for the UK and for the fact that, unlike many of its competitors, it has continued to support UK manufacturing, particularly in Leicester.

“The question is: at what cost? ...

“The evidence I have seen has been sufficient for me to answer the questions, but it has also allowed me to reach some more general conclusions about Boohoo, which I hope the company will receive in the constructive spirit in which they are offered.

“It is my view that:

- (i) Boohoo’s extraordinary commercial growth has been so fast that its governance processes have failed to keep pace;
- (ii) It has concentrated on revenue generation sometimes at the expense of the other, equally important, obligations which large corporate entities have;
- (iii) It has not felt responsible for conditions in the Leicester factories on anything other than a superficial level; and
- (iv) On occasions it has failed to appreciate that with the enormous advantages of being a publicly-listed company come responsibilities, one of which is on all occasions to act in the best interests of all the shareholders.

“That being said, I have seen material showing that, following the publication of the Sunday Times article, Boohoo’s Chief Executive, John Lyttle, and other Board members spoke privately but with passion about the importance of leaving “no stone unturned” in this investigation and their commitment to being “a good corporate citizen”.

“The problems in Leicester are complex and of long-standing and Boohoo is not solely to blame; others too are responsible for not having gripped this over many years. It has been alleged that Boohoo’s business model is dependent on the profits which can be made from the deliberate exploitation of the Leicester supply chain, safe in the knowledge that there will be little scrutiny. I do not accept this; I am satisfied that there are sound legitimate business reasons for Boohoo using Leicester to manufacture clothing but for this to be the case going forwards it may require a change of approach, not least in terms of how Boohoo educates and trains its buyers.

“I have reached the conclusion that the true reason that Boohoo did not become more involved in monitoring conditions in Leicester was that it saw it as being a lower priority than matters which directly affected the company (such as commercial issues or their own employees). The Leicester workers are not employed by them and so they are not their responsibility in the way that their own workforce is. To some extent this is understandable, but can lead to serious issues of the kind which Boohoo is now facing.”

2. It is also worthwhile repeating her findings, expressed in summary in these terms:

“(1) There is no evidence that the company itself or its officers have committed any criminal offences;

(2) I am satisfied that the allegations about poor working conditions and low rates of pay in many Leicester factories are not merely well-founded but substantially true;

(3) Boohoo’s monitoring of its Leicester supply chain was inadequate and this was attributable to weak corporate governance;

(4) From (at the very latest) December 2019, senior Boohoo Directors knew for a fact that there were very serious issues about the treatment of factory workers in Leicester and whilst it put in place a programme intended to remedy this, it did not move quickly enough;

(5) Boohoo ought to have appreciated the serious risks created by ‘lockdown’ in relation to potential exploitation of the workforce of the Leicester factories. It capitalised on the commercial opportunities offered by lockdown and believed that it was supporting Leicester factories by not cancelling orders, but took no responsibility for the consequences for those who made the clothes they sold. However, I received no evidence that the company’s purchasing practices are responsible for an increased COVID-19 rate in Leicester.

“I should make it clear that there is ample evidence that the steps which Boohoo is now taking in relation to remedying problems in its Leicester supply chain had been embarked on nearly a year ago. They were a product of processes it had itself put in place and not just a reaction to the negative publicity in July and August 2020”.

3. When publishing the report, boohoo expressed its intention to implement the recommendations contained in the Levitt Review in full. In its most comprehensive, the recommendations are to be found in Chapter 10 (‘An Agenda for Change’) which, for a reason that is not explained, start at paragraph (hereafter #) 18¹. I shall refer to these numbers throughout. Thus #28 required:

Within three months Boohoo should appoint an individual to provide independent oversight of the implementation of this change agenda. This person should not be a Director of Boohoo, rather it should be a man or woman of standing in whose independence the market and the public can have confidence. Their appointment should be announced publicly together with their Terms of Reference, which should include a regular update to the Board on progress against this agenda.

¹ See the Review page 222

I was appointed on 28 November 2020: the conditions which I required are set out in the Report. In addition, KPMG were also appointed to bring (in the words of the Group Chairman) “independent oversight, additional expertise and further transparency to a programme that will help us on our journey to lead the fashion e-commerce market globally in a transparent manner”. Thus, this recommendation was satisfied.

4. As the Agenda for Change comes to an end (moving into business as usual) and as my oversight and the advice and present input provided by KPMG also comes to an end, it is appropriate to reflect back on the recommendations: the time frame in the headings was that provided in the Review. Each recommendation has been the subject of validation by KPMG and reviewed by me; I have also been involved in the resolution of such issues as have arisen. When boohoo was looking for expert assistance, at least one management consultant believed that the programme would take 5 years. In fact, in the 17 months that have elapsed, almost all have been completed; the remaining few (identified below) are in progress and it is a real testament to all at boohoo that so much has in fact been achieved. In that regard, both throughout the entire exercise and especially in connection with this review, I must repeat the tribute to KPMG without whose perceptive input and validation work I would not have been able effectively to oversee this programme.
5. That is not to say that the end of the road is near. As I have observed more than once, this is not the beginning of the end but the end of the beginning. The challenge for boohoo will be the same as that faced by every organisation undertaking a transformation agenda: that is to maintain the impetus and determination to maintain the new processes as the programme ceases and those involved move on to new challenges. Whatever has been achieved to date will only remain in place as long as those charged with running ‘business as usual’ keep an eye on ensuring that learning continues and new standards enforced.
6. One further introductory point needs to be made. As systems were designed with an eye to some of the recommendations, it became apparent that the phraseology did not always meet boohoo’s business approach. In those cases, the recommendations have been ‘adapted’ or modified to do so: this has been done without altering the fundamental thrust or root cause of the recommendation and each adaptation has been put to the Board and has been approved.

The Recommendations

IMMEDIATE ACTION (within 6 months)

#18. Boohoo has been ‘mapping’ its supply chain for over a year. The time has come to bring this process to a conclusion. Within six months Boohoo should reduce its approved suppliers to a list which contains a manageable number of companies, ideally without reducing capacity. The methodology for the selection process should be predicated on the goal of reducing and ultimately eliminating sub-contracting. Criteria should include prioritising:

- i. The largest suppliers and sub-contractors by volume;*
- ii. Those who have passed the Verisio spot checks or which have only minor contraventions;*

iii. For Tier 1, those which have a manufacturing as well as a design capability
iv.

iv. Promoting as many Tier 2 companies to Tier 1 as is possible (in other words to ensure that there is a direct contractual relationships where this can be achieved).

7. The purpose of this recommendation was that boohoo should map its supply chain and consolidate the supplier list to a manageable number. In consequence, boohoo undertook a project to identify all of its Tier 1 and Tier 2 manufacturing suppliers in the UK with suppliers required to bring their Cut Make and Trim (CMT) facilities in house. As is clear from the UK Manufacturing Supplier list published on 25 March 2021, the supplier list was consolidated to 78 suppliers including CMT facilities brought in house.
8. A similar exercise was undertaken for the rest of the world and a further supplier list published on 27 September 2021. Both lists have been subsequently amended as new manufacturers are on-boarded and others moved off the list. This recommendation has been met.

#19. Boohoo should invite suppliers which they have not previously used but which have a track record of ethical and sustainability policies to apply to be included on the list, subject to the onboarding process set out below.

9. Until the Supplier Hub is fully operational, a process for onboarding was devised whereby the Group Director for Responsible Sourcing and Product Operations listed a number of potential suppliers based on prior experience and knowledge of the market. A short list was then drawn up with the key criteria being the existence of a valid spot check report from an independent body or a similar check from Verisio or Bureau Veritas (performing audits for boohoo). Those identified were then invited to be onboarded. This process was reported through to the Supply Chain Compliance Committee as working 'extremely well'.
10. Other manufacturers have also been onboarded over the following months again following a robust system. This recommendation has therefore been met; the process will be replaced when the Supplier Hub is in operational with effect from 21 February 2022.

#20. Boohoo should commit to publishing the refreshed list of Tier 1 suppliers and Tier 2 subcontractors as soon as possible and in any event within six months of the delivery of my report.

11. The Review was concerned with Leicester alone but the recommendation was taken as applying to the UK Manufacturing Supplier list which was published on 25 March 2021 after which, on 27 September 2021, a Manufacturing Supplier list for the Rest of the World was also published. This recommendation has therefore been met.

#21. In the interests of transparency, Boohoo should commit to publishing its list of suppliers and sub-contractors annually.

12. The Manufacturing Supplier list is dynamic, changing as manufacturing suppliers are included and others removed. The boohoo plc website has been updated and there is a

commitment to publish an updated supply chain every six months. This recommendation has been met.

#22. Those companies which do not make inclusion on the list should be written to and told what they will need to do to become eligible for consideration as a boohoo Group supplier or subcontractor in the future.

13. The concern was expressed that if the decision to exit a supplier has been made on the basis that the supplier does not meet pre-defined standards, boohoo does not feel it appropriate to advise suppliers how to become eligible or necessarily to onboard in the future: to share the information could open the process to potential abuse. The introduction of additional resources in the compliance team and the clear articulation in the Code of Conduct of the expectations of suppliers address this concern. This deviation and its reasoning was placed before the Board which approved it. As a result no further action needs to be taken in relation to it.

#23. Within six months Boohoo should contact all suppliers and sub-contractors on the refreshed list and inform them of the following.

(a) There are six essential parameters for passing spot checks and audits, namely:

i. Payment of the minimum wage

ii. Proof of working hours

iii. Right to work documentation

iv. Health and safety, with fire safety and COVID-19 risks prioritised

v. No unauthorised sub-contracting (to include both sub-contracting without Boohoo's knowledge as well as to non-approved companies)

vi. A new requirement of keeping a copy of all essential paperwork on the premises available for immediate inspection by auditors and in-house compliance team.

(b) The parameters are now clearly categorised as zero-tolerance, critical, major and minor (the compliance team should decide the categorisation within each parameter).

(c) The onus is on the supplier to show that they have complied, not on Boohoo to show that they have not. If there is insufficient evidence for a supplier to show compliance with a particular measure, this will be recorded as a 'fail' and appropriate measures taken.

(d) The letter should set out in clear and simple terms the sanctions for failing a spot check or an audit, by reference to the categories of zero-tolerance etc.

14. The purpose of this recommendation was to ensure that suppliers were made aware of the minimum standards of conduct and operations in the supply chain along with the procedure which would be followed if they did not meet these minimum standards. The supply chain process map has been enhanced to include a procedure for dealing with the

escalation of repeat findings and non-compliance which has been reviewed by KPMG. The design of this new control is thus complete and the recommendation met.

#24. All suppliers should be required to confirm within a defined timescale their agreement to adhere to the requirements. The sanction for failure to provide confirmation by the due date without reasonable excuse should be set out (I suggest suspension from the list with no further orders placed until the signed confirmation is received). The receipt of those confirmations must be monitored and recorded and any failures must have the sanctions imposed without exception.

15. The purpose of this recommendation was that boohoo obtain direct confirmation from all suppliers of their agreement to adhere to boohoo's supplier standards and Code of Conduct within defined timescales and communicate to suppliers the sanctions that would be imposed for failing without reasonable excuse by a specified date to provide confirmation of adherence. By forbidding the use of sub-contractors, boohoo has addressed the root cause of this recommendation in that there is greater visibility and understanding in the supply chain. This modification of the original recommendation was accepted.
16. The approach adopted followed the spirit of the original recommendation in that, on 25 March, boohoo published the list of UK Manufacturing Suppliers containing 78 suppliers. In line with KPMG's methodology, a sample of 25 suppliers was selected to assess whether a signed acknowledgement form of their agreement to the standards and Code had been received. All but one supplier had returned a signed acknowledgement form which recognised the contents of the boohoo documentation and agreed to take all necessary actions to ensure the legality of boohoo garments, along with a willingness to provide confirmation of compliance if requested.
17. When the Global Manufacturing Suppliers list was provided on 27 September 2021, a further sample of 25 factories was selected to confirm the return of signed acknowledgement forms; all 25 factories (representing 24 suppliers) had returned a signed and dated version of the acknowledgement form of their agreement to boohoo's supplier standards and Code of Conduct.
18. As a consequence of this validation process, it is accepted that this recommendation has been completed.

#25. On the publication of the approved supplier list all Boohoo brand buyers must be told that orders can only be placed with those on the list and that placing orders with unapproved suppliers will be dealt with as a disciplinary matter. This will be an interim measure until the new on-line ordering tool can be brought on stream but is essential for instilling discipline.

19. An order app (which will ensure that orders can only be placed with approved suppliers) is in preparation. In relation to the present system, in the final months of 2021, an analysis of extracts of purchase orders revealed purchases a small number of orders from factories that could not be matched to the Global Manufacturing Supplier list. It has since come to light that two of the factories had been onboarded after the publication of the list in September 2021 although there were a number of reasons for the other discrepancies including incorrect mapping and data quality issues.

20. A data cleansing exercise to approve reporting and oversight of purchase orders against approved factories has since been undertaken and a more recent validation exercise found much improved data quality. Of 4547 purchase orders tested, all but 20 could be matched to the Global Manufacturing Supplier list; 19 were explicable (goods not for resale, warehouse queries and new suppliers added to the list); the final order was cancelled. This action can therefore be considered complete, with continued monitoring to be taken forward by internal audit.

#26. The current paper purchase orders should be replaced within six months by an interim paper contract for each purchase, which sets out in ordinary language the most important terms of the contract. These are, in addition to cost price and delivery date, the name of the factory which will be manufacturing the clothes and an undertaking that this will not be changed without prior consultation with Boohoo.

21. To confirm on-going effectiveness of the present system (to be replaced by the Order App), KPMG selected 10 recent purchase orders from global suppliers. All noted the continuing inclusion of full Supplier terms and conditions downloadable through a link provided on each page of the purchase order. All also included a link to the boohoo Supplier portal along with the acknowledgement of acceptance printed on the form. Significantly one of the POs did not specify the name of the manufacturing factory. Such technical issues as have arisen either have been or are in the process of being resolved.

#27. Two further in-house compliance officers should be recruited without delay to work with the existing member of staff on the less formal compliance visits. These should be on an unannounced or semi-announced basis.

22. From February 2021, a new compliance team was in place involving the appointment of a highly regarded Senior UK Compliance Manager, a Head of Product Compliance and a Sourcing Manager. The following month it was reported to the Board that only one candidate of high enough calibre was found in ethical compliance but that other high quality recruits across other areas of compliance would support ethical compliance: two sourcing managers have since been appointed.

23. The new members of the Compliance team were visible at the Suppliers' Conference of March 2021 and the job description of recent hires demonstrated how boohoo was building its compliance team. This recommendation has been completed.

Supply Chain Compliance Committee

#29. A new committee should be formed within four weeks which solely considers supply chain issues. It should include the Director of Sustainability, the Heads of compliance, buying and merchandising and the internal auditor. It should be chaired by a nominated member of the Board who is publicly acknowledged to have ownership of supply chain compliance. This committee should meet not less than six times a year and report to the Audit Committee. With immediate effect, supply chain compliance must be a standing item on every Board meeting Agenda with the

nominated Director giving a progress report and recommending actions. The update and the actions should be clearly Minuted.

24. The Supply Chain Compliance Committee is chaired by the Group Director for Responsible Sourcing and Product Operations with regular attendance by the Chief Executive, the Company Secretary and other nominated personnel. It generally meets fortnightly and KPMG have had sight of the minutes which demonstrates that the Committee is discharging its responsibilities in accordance with its terms of reference. It reports to the Board and, subject to its continuation, the recommendation is met.

#30. The immediate priority for this committee should be to devise and approve an emergency plan for ensuring supply chain discipline and control in the event of further COVID-19 lockdowns in Leicester. These must include:

a. Arrangements for physical monitoring of factories (either by means of on-the - ground checks or if that is not possible, by the installation of live-streamed CCTV of the factory floor which can be spot-checked on a random and unannounced basis);

b. Appointing a Boohoo senior staff member to monitor supplier capacity and supervise buyers in the placing of orders in such a way that Boohoo has complete visibility on where its clothes are being made.

#31. This plan should be signed-off by the Board.

25. These recommendations have been considered as one action by boohoo. A document named 'Covid-19 Prevention and Monitoring Programme' which outlined measures due to take place during the third quarter of 2020. On 22 October, the Chief Executive and Deputy Chairman agreed a communication to all suppliers titled 'Covid Secure Workspaces – Protecting Your Teams' which referenced a webinar for 9 November.
26. The Supply Chain Compliance Committee was informed that guidance on Covid-19 safe work places had been issued along with notice of the webinar (which was sent to 'over 100 suppliers'). Other documentation over the months that have followed reveal that the original plan has been reconsidered as various restrictions have been imposed. Bureau Veritas documents reveal that the impact of the virus has been considered in their reports.
27. An Agenda for Change Board paper was considered in the December Board meeting when the emergency response plan was agreed. In the circumstances, these recommendations can be considered complete.

#32. The Board should ensure that the supply chain in the rest of the UK is immediately subjected to a series of spot-checks of the kind conducted in Leicester, so that any issues can be addressed in parallel with the plan for Leicester.

28. From February 2021, a programme of spot checks was carried out both by Bureau Veritas (who audited suppliers in the UK outside Leicester as well as in the rest of the world) and Verisio (who had been responsible for the Leicester audits). In the UK, spot checks were on a fortnightly basis, the original audit process in Leicester having been reported as complete to the Supply Chain Compliance Committee on 2 March 2021: it had covered 66 suppliers and 33 CMTs.

29. By the end of November 2021, KPMG had been supplied with documentation providing an overview of Verisio's Deep Dive Programme which was compulsory for Leicester suppliers and sought to ensure that all suppliers received two audit visits a year with follow up as required. In December, in addition to a set of Deep Dive audits for 33 suppliers in Leicester, a schedule of all UK visits up to February 2022 has been provided. This recommendation is being carried out as intended.

#33. With immediate effect, all Board and Audit Committee meeting Minutes, risk registers and other Board documents must be dated on the face of the documents. Company documents such as Board Minutes must be stored in such a way that a complete set can be produced at pace and in an orderly fashion.

30. By January 2021, KPMG were able to report that the minutes and other Board documents which they had seen were dated on the face of the document with actions and notes clearly captured. Screenshots were shared to demonstrate that Board documents were being stored through SmartVault. More recent Board minutes, along with minutes from the Supply Chain Compliance Committee and the Risk Committee are similarly in order. Thus, this recommendation continues to be administered effectively.

MEDIUM TERM (within twelve months)

#34. The new supply chain committee should create a robust supply chain roadmap, which:

(1) identifies and articulates the type of brand Booboo wants to be;

(2) sets out with clarity what the company needs to change or implement in order to achieve this;

(3) decides the parameters and the consequences for infractions (minor, major, critical, zero tolerance); and

(4) sets targets for:

a. articulating the characteristics of the supplier base needed to meet the future needs of the Group; 230

b. working with Leicester factories to have a new way of working designed to phase out sub-contracting;

c. devising a clear system of sanctions for suppliers which breach the supplier code, graded by the seriousness of the breach, which must be rigorously enforced;

d. implementing a new onboarding system for new suppliers;

e. implementing an online audit and capacity monitoring programme to be used by buyers when placing orders;

f. creating a clearly defined supply chain compliance governance structure, which is properly resourced;

g. devising an ongoing formal third party audit system plus a programme of lighter touch and more agile in-house compliance team spot checks;

h. ensuring the in-house compliance team have a clear understanding of when they should work with a supplier to improve conditions and when non-compliance should be reported upwards;

i. updating the supplier code and instituting a system of contracts for each order placed;

j. educating buyers; and a. joining the Ethical Trading Initiative.

31. The root cause of this recommendation concerned the supply chain and the system of sub-contracting. With the approval of the Board, it has been modified or adapted so that the cause is addressed by an alternative means. Suppliers are no longer expected to sub-contract and suppliers have been mapped (see #18 above) with oversight and governance over the supply chain greatly enhanced. The End State Design and process map evidence the strategy in relation to the supply chain and, along with the approach to sustainability address the other aspects. This recommendation can therefore also be considered as being addressed.

#35. The Board member with ownership of supply chain issues should report progress against these objectives to the Board.

#36. Some of these objectives are set out in more detail in the paragraphs below.

32. The Chief Executive (John Lyttle) is the member of the Board with ownership of supply chain issues. He is a regular attendant at the Supply Chain Compliance Committee and the Audit Committee and the Board has been frequently updated on progress both in this area and in relation to the Agenda for Change generally. This recommendation can be considered as having been met.

On-line auditing programme

#37. Boohoo should implement an electronic supply chain audit programme which captures audit status and capacity and monitors the placing of orders in real time to ensure that factories' capacities are not exceeded. We understand that Boohoo is already working on such a system. Buyers should not be permitted to place orders outside the approved list of suppliers and sanctions should be in place for any that do. There should also be a system of rewards for buyers who report concerns that suppliers are abusing the system.

33. When discussing this recommendation with the Board, it was reported that there was no system that could operate in real time in the way in which the recommendation describes. Although there was an audit approach and a future plan along with guides and tools, there was no online capacity tool. Furthermore, the spirit of boohoo was not reflected by rewarding buyers for reporting concerns but rather by positive action: as reflected in the Responsible Purchasing Practices (RPPs), concerns should be passed on as part of their work. The Board accepted this analysis and adapted or modified the recommendation accordingly.

34. KPMG confirm that the root cause of the recommendation has been sufficiently addressed with system enforced controls over orders with suppliers, RPPs, the whistleblowing hotline and the development of training for buyers which will take account of capacity and pricing. The cause of this recommendation is therefore being addressed.

New supplier onboarding system

#38. Boohoo should implement a clear and robust onboarding system for new suppliers. No new suppliers should be approved unless there is a clear business need either for greater capacity or where there is an identified skills gap. Priority should be given to those with manufacturing capability on a reasonably large scale (no more micro-factories or home workers). It must be a firm rule that no orders may be placed with a new supplier until the onboarding process is complete. The criteria for approved suppliers, together with a description of the onboarding process, should be publicised and suppliers with a proven track record of ethical and sustainability credentials invited to apply.

35. The supplier hub (due to be rolled out on 21 February) will replace manual systems and has been tested to ensure that suppliers and factories cannot be onboarded without appropriate approvals. For the purposes of onboarding throughout 2021, there has been a different approach to the extent of the exercise of due diligence between suppliers and factories in the UK and those in the rest of the world.
36. This is in part the consequence of the ability to conduct more extensive open source research and data analytics in relation to the UK and the greater scope for ethical compliance team reviews in the UK. Additionally, Bureau Veritas have an audit conversion process (when audits have been conducted by other approved ethical auditors) which requires consideration along with evidence of factory correction plans for findings of non-compliance.
37. As the supplier hub becomes live and fully operational, all new suppliers will be onboarded through it and a further stage will allow existing suppliers to be transferred in phases alongside training for users. When in place Buying and Merchandising teams will have access with key controls being that each new supplier requires four independent approvals (sourcing, ethical compliance, factory approver and finance) before being onboarded, buyers will be unable to raise any purchase orders from suppliers or factories outside the system and permission-based controls will limit users to relevant access only. The Group would not choose a supplier without business need, commercial considerations and the exercise of due diligence. The recommendation continues to progress.

Working with suppliers

#39. Boohoo should open a dialogue with its suppliers with a view to:

d. Ensuring that there is a regular flow of orders and a commitment to a certain volume of orders over the course of a year, so that suppliers can plan their workforce requirements;

e. Encouraging them to recruit skilled workers, so that they can manufacture more complicated clothes which command a higher price and also improve productivity across the board;

f. Committing to placing a 'mixed bag' of orders with each supplier (possibly across the Boohoo brands), in which the higher margin on more complicated pieces can be used to cross-subsidise basic items. This will allow Boohoo to keep the prices of simple clothing low whilst still allowing the supplier to pay proper wages and make a reasonable profit.

38. This recommendation has been presented to the Board on the basis that although boohoo is committing to a region and a compliant supplier base within that region along with a regular flow of orders over the year, it is not efficient to commit to orders per supplier and neither is asking suppliers to manufacture more complicated clothes needed to support; boohoo would not look to commit in this way given trends, unknowns and the nature of the test and repeat model. The Board accepted this explanation and agreed to adapt or modify the recommendation accordingly.

39. KPMG identify the root cause of the recommendation as having been addressed as it focusses specifically on sub-contracting which is now being managed and monitored through the Supply Chain Compliance Committee; education is also being addressed through the funding and promotion of skill based activities. This recommendation is being met.

#40. Boohoo should hypothecate some of its charitable donations to Leicester-based community organisations and in particular those which have direct or indirect connections with the garment industry, such as those which work with sections of the population known to be particularly vulnerable to exploitation.

40. The Garment and Textile Workers Trust with independent Trustees has now been established and funded with £1.1 million and the recommendation has therefore been met.

#41. Boohoo should develop a set of KPIs which capture ethical and sustainability issues as well as purely commercial issues such as growth and profit. Bonuses for buyers should be restructured to reflect this. There should be well-published sanctions for failing to place orders in a way which is sympathetic to Boohoo's ethical and sustainability goals.

41. A series of 23 Key Performance Indicators have been agreed involve measuring and analysing ethical, sustainability and commercial issues; eight include people focused metrics. Six have been set up and reported upon since October 2021; four are within immediate focus with data sources identified and quality reviews commenced. Of the remaining 13, eight are dependent on the launch of the Supplier Hub which will generate data and thereafter can be measured. The remaining five are not yet live; a number of these are linked to UP FRONT and sustainability initiatives which could not be delivered within the time frame of 12 months. Suffice to say that the KPIs as agreed continue to be work in progress.

#42. Boohoo should outline an Assurance Map, capturing all sources of assurance across the three-lines model for the supplier base. This should include a risk-based supplier assurance plan capturing individual risk assessments for each approved supplier and sub-contractor. The in-house compliance programme should include a robust system to test suppliers' claims about capacity. There should be a programme of unannounced spot checks to ensure that Boohoo brands' clothing is actually being made in the factory named in the purchase contract.

42. An Assurance Map has been produced identifying sources (and defined levels) of assurance across a three line model for the supplier base. A validation exercise has been completed.

#43. There should be a clearly defined and understood process for ongoing monitoring and due diligence of suppliers. There should also be a system of recognised triggers which require completion of a due diligence exercise, such as a change of ownership.

43. It is clear that boohoo has established an audit process flowchart for the ongoing monitoring and review of suppliers which includes a substantive review process for repeat audit findings including the removal of a supplier facility in the event of a failure by that supplier to remediate an initial 'red' report grading following initial audit.

#44. Two additional Non-Executive Directors should be appointed without delay. Consideration should be given to household names with a history of public service as well as a track record in corporate governance.

44. Over the course of the last year, three new Non-Executive Directors have been appointed with one existing Non-Executive Director stepping down after nearly four years on the Board. Although there have not been two additional Non-Executive Directors, the expertise and experienced of the new Directors satisfies this recommendation.

#45. There needs to be a clearly defined risk management system within the governance structure of Boohoo. There should be a Risk Committee which owns the subject, chaired by a Board member and reporting to the Audit Committee. The Head of Compliance should be a member.

45. At an early stage, a target operating model for boohoo's risk management system was defined and a Risk Committee is in place with responsibility to 'advise the Board on the company's overall risk appetite, tolerance and strategy and the principal and emerging risks the company is willing to take in order to achieve its long-term strategic objectives'. Significant progress has been made in implementing a risk management system. The KPMG expressed itself satisfied by May 2021 that demonstrable action had been taken to confirm an effective system thereby satisfying this recommendation.

#46. The Risk Committee should produce an updated RAG-rated risk register following every meeting, which should then be provided to the Board. That risk register should articulate Boohoo's risk-appetite for each identified risk and a clear

explanation as to how risks which have competing mitigating actions are to be reconciled.

46. The latest strategic Risk Register has been reviewed. It continues to capture inherent risk, residual risk and risk appetite and is the subject of review by the Risk Committee. This recommendation has been met.

#47. Risk management should be a standing item on the Board agenda with the report and the Actions clearly Minuted.

47. Risk Management updates continue to be provided to the Board which also receives the minutes of the Risk Committee, fully in line with this recommendation.

#48. All committees should have agreed Terms of Reference, to be updated annually. The Audit Committee's Terms of Reference need to be updated (the copy we have is dated 2014).

48. The Terms of Reference for the Supply Chain Compliance, Risk, Audit and Remuneration Committees have been presented to the Board and approved, satisfying this recommendation.

LONG TERM (within three years)

Training of Buyers

#49. Boohoo should devise and institute a programme to educate all its buyers in the actual cost of fabricating garments in order to ensure that they do not drive cost prices below what is reasonable. Recruitment of new buyers should prioritise those with training in or experience of garment technology. Buyers should be encouraged to understand how designs can be adapted to reduce prices without compromising ethical and sustainability standards. There should be an internal audit programme to monitor compliance. Good performance against an ethical metric should be publicly recognised and celebrated within the company

49. As identified in the Report, training has been undertaken in relation to anti-bribery, modern-day slavery and ethical trading. A new learning and development programme for buying and product teams is in progress. Creation of a costings model and the training associated with costings is due to be based around the factory in Thurmaston Lane. This will shortly commence and it is anticipated will be concluded within the long term time frame identified by the Review.

The 'Boohoo Academy'

#50. Boohoo should fund and promote a skills-based education programme to upskill Leicester's garment manufacturers, with the twin objectives of a. improving productivity and b. developing the skills to manufacture more sophisticated clothing which is capable of competing with that produced in overseas factories.

50. As identified in the Report, boohoo has engaged with KTL to provide training to 135 workers employed by businesses within the supply chain in addition to 62 other workers trained during 2021 who, as a result, have achieved SEG Awards Level 2 Certificate in Manufacturing Textile Produces (NVQ). In addition funding from boohoo's Apprenticeship Levy will provide for level 3 (fashion studio assistant) and level 4 (product technologists) apprenticeships intended to be directed to under-represented communities in Leicester. It will be administered by Fashion Enter. In relation to the manufacture of more sophisticated clothing, boohoo consider that this may not be the right approach or possible not least because not all categories of garment are manufactured in Leicester: that aspect of the recommendation has been modified but, otherwise, it is being met.

Branding

#51. Boohoo should consider slightly repositioning the narrative of its branding. They should aim to be "the first choice for the fashionable and thrifty young woman with a social conscience and who cares about the environment". They should work with a public relations company to inform their customers (including via the website) about their sincere commitment to maintaining UK jobs which have ethical and environmentally sustainable standards and why this is consistent with the Boohoo brands. They should consider having a 'Leicester champion' whose name could be publicised.

51. This recommendation has been adapted or modified with the approval of the Board on the basis that internal branding has shifted with Building for the Future, 'a supplier conference and a series of 'Town Hall' events for staff on many subjects (well attended) all together with increased communication both on the intranet site for employees and the public facing website. In addition, boohoo has launched a sustainability strategy and publicised its Agenda for Change programme all of which meets the root cause of this recommendation.

Recognising Leicester workers as Boohoo 'cousins'

#52. The factory workers who make the clothes upon which Boohoo's success is founded, whilst not becoming employees, should be celebrated as (and made to feel) part of the Boohoo family. Thought should be given to events which include not just the factory owners but their workers. The aim should be to create a greater feeling of partnership between these two business-critical components. Examples might include:

i. Regular visits by factory workers to Boohoo brand headquarters and reciprocal visits to the factories, particularly by buyers;

ii. Joint conferences and educational programmes;

iii. Work experience programmes and apprenticeships at Headquarters for some children of factory workers who are interested in a career in retail;

iv. Having at least one social event a year to which the factory workers are also invited.

52. It is apparent from the documentation inspected that many seps have been taken in the direction of social responsibility and inclusion. Thurmaston Lane has been opened as a centre of operational excellence recruiting staff from Leicester; product compliance

initiatives have been launched through training modules specifically UK centric. Local sourcing and compliance offices have been opened in Turkey, Italy and China with others to follow. Sourcing teams engage in dynamic conversations in support of suppliers' growth. Education outreach in Leicester and the formation of the Garment and Textile Workers Trust all demonstrate social commitment as does the work with de Montfort University in relation to student education. These steps clearly address the root cause of this action and appropriate governance forum has approved this modification of approach.

Governance

#53. Board training should be strengthened by a series of 'awaydays' devoted to developing governance skills

53. Board training has been undertaken (attended by all Executive and Non-Executive Directors) covering governance and compliance with a commitment to annual training in the future. To date, this recommendation has been satisfied.