# Shein poised for London IPO amid scrutiny and ethical concerns



The forthcoming initial public offering (IPO) of Shein, the Chinese-founded fast fashion retailer, is poised to capture significant attention as it receives preliminary approval from the Financial Conduct Authority (FCA) to list on the London Stock Exchange (LSE). Expected to potentially surpass previous European IPOs within the past year, this development arises as the LSE grapples with challenges in attracting new listings, prompting interest from various stakeholders including the UK government and economic advocates for the City of London.

Shein's founder, Chris Xu, relocated the company's headquarters to Singapore in 2022, a move that has likely facilitated Shein's aggressive expansion and desire for a public listing. However, the company faces scrutiny over its operational practices, including concerns surrounding its business model and sourcing methods. Earlier in the year, Shein’s legal representatives encountered difficulties while addressing questions from the UK’s business and trade parliamentary committee regarding the sourcing of cotton from China, raising alarms from advocacy groups such as Stop Uyghur Genocide. This group has indicated its intent to pursue a judicial review should the FCA approve the IPO.

Critics question the ethics and implications of the proposed IPO, with particular focus on environmental, social, and governance (ESG) criteria. While Shein asserts that it endeavours to reduce its environmental footprint, the core of its business model—which revolves around offering inexpensive products that are often discarded after minimal use—contradicts principles of sustainability associated with the "E" in ESG. Additionally, employee rights within Shein’s supply chain have been a point of contention, especially given the company’s hesitance to publicly address these concerns, even in parliamentary settings. In response, Shein stated last year that it is actively pursuing improvements within its suppliers' practices and maintains a steadfast prohibition against forced labour across its operations globally.

Regarding its IPO structure, Shein intends to float less than 10% of its equity, which would still leave majority control in the hands of its founders and early investors. Typically, a listing on the LSE would require compliance with the UK corporate governance code or an explanation when compliance is not met. However, with minority investors potentially holding less than 10% of shares, their influence over corporate governance decisions may be negligible, raising queries about the company's governance practices. In light of these concerns, Shein has reportedly established a sustainability committee to enhance oversight on corporate governance matters.

The motivations behind Shein's IPO include raising capital for future growth and providing liquidity for its founding shareholders. A successful listing could propel Shein into a more prominent role within the competitive market and offer initial revenues for the LSE, alongside substantial fees for financial service firms operating in London. This potential listing is also expected to serve as a message regarding the UK’s openness to international business ventures.

Conversely, Shein's transition into a public company would require the disclosure of its legal standing, reputational risks, and financial conditions—information that has previously been closely guarded as a private entity. Analysts estimate its valuation may range between $50 billion and $66 billion, yet this anticipated IPO comes with increased scrutiny, particularly regarding allegations of controversial practices such as forced labour or poor working conditions, which could severely impact market perceptions and share prices.

To draw parallels, the experience of Boohoo.com, another fast-fashion retailer based in the UK, reflects the risks that accompany public scrutiny. After experiencing a remarkable surge in value, Boohoo's stock never recovered following revelations of labour abuses within its supply chain. Despite pledges to implement changes post-reports, ongoing investigations highlighted shortcomings in their compliance. Currently, Boohoo's share price sits significantly lower than its peak following the scandal.

Should Shein proceed with its IPO, it will lead to unprecedented scrutiny of its business practices, potentially altering public discourse on fast fashion. The increased awareness surrounding Shein’s operations represents a significant shift in the conversation surrounding the fast fashion industry, drawing attention to broader ethical considerations that may influence consumer behaviour and stakeholder engagement in the future.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

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2. <https://mexicobusiness.news/ecommerce/news/shein-wins-uk-approval-london-ipo-awaits-china-nod> - This article corroborates that Shein has secured UK approval for its London IPO and is now awaiting Chinese regulatory clearance, highlighting the dual regulatory challenges the company faces.
3. <https://www.independent.co.uk/business/shein-london-listing-ipo-b2731613.html> - This source provides details on Shein’s journey towards a London IPO, including the need for approval from Chinese regulators and the company's valuation. It also discusses the scrutiny over its business practices, especially regarding labor and environmental issues.
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6. <https://www.noahwire.com> - Although not directly accessible from the provided information, this source is mentioned as providing background or context on Shein’s situation, focusing on aspects like the forthcoming IPO and the implications of becoming a publicly listed company.
7. <https://news.google.com/rss/articles/CBMilwFBVV95cUxQaW5yYkJZeE1GZGJOemlicHFLSmZTTzJaTFJid0xHZnhNMkFCdnhFLWc4S1hXLXBZQzQ2akFuclY2MktjQ1ZBakYzYUprMTdHNnVmTm03azdUdTE1UUVpNHBoUEQ1WDZ1SC1KRDgtVkROelJTY01XWUx3a3VBRXhTbzJPVkJmRDgzMXdQZzlFRUlVXzFveno0?oc=5&hl=en-US&gl=US&ceid=US:en> - Please view link - unable to able to access data