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Shein could be a shot in the arm for the London Stock Exchange – but the fashion giant might not like the added scrutiny

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Fast fashion giant Shein's mooted flotation on the London Stock Exchange (LSE) could be larger than any stock exchange listing seen in Europe in the last year. Coming at a time when the LSE is struggling to attract new listings, with some firms migrating to other exchanges, this could be a welcome boost. So it is perhaps unsurprising that the Chinese-founded company has been courted by the UK government, the LSE and those whose role it is to champion the City of London.

Yet there are ongoing concerns about the controversial business model and practices of Shein, whose founder Chris Xu relocated himself and the company's headquarters to Singapore in 2022. These were exacerbated when Shein's lawyer struggled to tell the UK's business and trade parliamentary committee whether the company uses cotton from China.

Campaign group Stop Uyghur Genocide recently said it will seek a judicial review if the UK regulator, the Financial Conduct Authority (FCA), approves the LSE listing. And a “Say No to Shein” campaign has nearly 50,000 signatures on the activist website 38 Degrees. (Shein says it strictly prohibits forced labour in its supply chain globally.)

More idealistic observers might question whether it is really a good idea for the UK to be courting such a controversial listing. The UK, after all, is a second-choice destination after Shein’s ambition to list on the US market failed – amid concerns about forced labour, among other things.

So what are the claims against Shein? On environmental, social and governance (ESG) grounds the firm is controversial. Although Shein says it is working hard to reduce its environmental impact, its business model – supplying items cheap enough to be discarded after a single use – is at odds with a more sustainable society and thus problematic for the “E” in ESG.

Some people add an additional “E” (for ethics) to the acronym. Concerns raised about the human and employee rights of workers in Shein’s supply chain and Shein’s reluctance to talk about them, even to a parliamentary committee, highlight both the “social” and the “ethical”. For its part, the company said last year it was actively working to improve its suppliers’ practices.

If less than 10% of Shein’s equity is floated, which is the what company is proposing, it will still be controlled by its founders and majority shareholders as if it had remained a fully private company. An LSE listing would normally compel Shein to either comply with the UK corporate governance code, or explain why it did not. But dispersed minority investors with a combined ownership of less than 10% would have little or no say in the governance of a business that remained more than 90% owned and controlled by a few founding investors.

Therefore, a listing of 10% or less would also raise concerns among minority investors about the “G” for governance. This is particularly true if their holding is involuntary, for example as part of an employee pension scheme. Shein said in a social impact report, however, that it has set up a sustainability committee to provide an extra layer of corporate governance.

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Shein's lawyer struggled to answer questions on the source of its cotton.

Given these issues, who gains and who loses from the proposed flotation? Shein itself could of course be among the winners. Common motives for a stock exchange listing are raising capital to finance new investment or giving founding shareholders an opportunity to cash out. Listing can also make mergers and acquisitions more straightforward and incentivise employees to stay with the company by offering preferential terms for buying shares.

There is also no doubt that a listing would be presented as a positive sign that the UK is open and attractive for business. It would generate an initial windfall, and ongoing revenue for the LSE, plus substantial fees for financial and legal service providers based in the City of London.

Downsides

As a private company, Shein has kept details of its financial situation out of the public domain. If the LSE listing does go ahead (which is by no means certain), the company will be required to give detail on its legal and reputational risks, as well as its financial accounts.

This will let prospective investors and others involved in the listing estimate a pricing range for the flotation. Recent headlines suggest a total equity valuation between US\$50 billion and US\$66 billion (£40 billion and £52 billion), yet if the listing does not go ahead it is impossible to estimate its market value with any reliability using information that is currently in the public domain.

Shein's apparent desire for secrecy, and its reluctance to publish detailed financial data, suggests that its founders and controlling investors may not be comfortable with the increased scrutiny that a listing will require. A 2023 report from the company, however, claimed Shein was committed to "continued progress and transparency" in terms of sustainability and its social impact.

If credible revelations about controversial business practices such as forced labour or illegal working conditions emerge, this is likely to damage the stock price. No doubt outside investors would have plenty of incentive to scrutinise Shein's activities – at least, more than the consumer buying a £10 dress for a night out.

Perhaps a cautionary example can be drawn from the UK's much smaller home-grown fast-fashion contender, [Boohoo.com](https://www.boohoo.com) (now worth around £400 million after peaking at more than £5 billion in 2020). After an initial stellar performance, the firm's stock price never recovered from reports in 2020 about workers in its UK supply chain being paid £3.50 an hour.

An independent review published the same year found many failings in the company's UK supply chain – Boohoo Group responded by pledging to implement the recommendations of the review in full. However, a [BBC Panorama](https://www.bbc.com/news/health-56888888) investigation indicated that it had not fulfilled its pledges. And at under 30 pence per share, its stock price is down more than 90% since the scandal first broke. (After the programme, Boohoo insisted that it had implemented “every one” of the independent review's recommendations.)

Shein's listing – if it goes ahead – will open its inner workings to public scrutiny in a way that it has never experienced before. Already, people who have never engaged with fast fashion are discussing the business practices of the company.

If awareness is the first stage of progress, such increased scrutiny can only be a good thing for those concerned about the darker side of the fast fashion industry.