



Shein's 2025 London IPO

By Saina S

What is the context?

Shein has been a long standing name in the fashion industry known for its attractive prices and trendy pieces. In the recent past, Shein has gained popularity amongst youth globally as it has made fashion more affordable, this, however, comes at a cost. The company recently decided to list in London after their New York listing faced regulatory and political scrutiny and failed. However, Shein has already been facing a lot of backlash from several activists, politicians and governmental bodies over sustainability issues and forced labour allegations.

What is happening?

After Shein released a statement that they are attempting to list in London, several human rights groups and UK politicians were outraged and asked regulators to block the IPO until Shein was able to provide evidence that their supply chain did not encourage modern slavery. The core issues the regulatory bodies were aiming to tackle were the allegations that Shein was using forced Uyghur labour in their production and that they lacked corporate transparency when it came to such issues. The



Uyghur population in China is already a minority group facing several challenges and Shein's alleged exploitation of this group can only be seen to contribute to the Uyghur genocide; an ongoing issue since 2014.

The pressure from UK officials combined with the difficulty to get approval from Chinese regulators has put Shein in a tough spot and has almost indefinitely hit pause on their London IPO.

While their representatives struggled to provide clarity about their cotton sourcing process to a UK parliamentary committee, Shein issued a statement that they have a “zero tolerance policy for forced labour.”

What are the consequences of this?

The main consequences of Shein’s stalled London IPO are that Shein will most likely have to abandon its plan to float an IPO in London and shift focus to Hong Kong where they would be more likely to succeed. Shein has already started work to pursue a listing in Hong Kong where there is a lot less political pressure and more lenient regulations that allow for approval from Chinese regulators such as the CSRC (China Securities Regulatory Commission). While the CSRC warned that disclosures about supply chains and sustainability practices from the London listing could harm brand image, Shein appears to have a diminished brand image regardless of whether or not the IPO will be listed. Shein, for a long time, has been looking to expand and be seen as a global company and this will definitely hinder their efforts by pushing them closer to their home base in China.



On the other hand, this also holds consequences for the London stock exchange (LSE) as it is looking to lose one of the largest IPO’s in years rumoured to be valued at \$50 billion. The flotation of this IPO could have had significant positive influence for the LSE such as helping restore a market that has seemingly been struggling since Brexit. An IPO of this valuation would also drastically help improve the global appeal of the LSE by drastically increasing the market size.

Impact on commercial law sphere

The potential failure of Shein’s IPO perfectly encapsulates the UK’s desire to attract foreign companies while also upholding legally imperative regulations such as the environmental, social and governance standards (ESG). The importance of ESG standards are becoming increasingly imperative in today’s world and can be the sole reason for corporate transactions to get derailed. This shifts focus for advising commercial lawyers to the importance of due diligence and how regulators will look for more than just surface level disclosures. The Modern Slavery Act 2015 requires substantive proof for such serious allegations, meaning law firms and their clients face greater pressure about transparency.



The UK’s newly reformed listing policies are designed to make London a more competitive market by significantly reducing “red tape” and Shein’s IPO just happened to be one of the first to act as a real world test for these new regulations. Shein’s IPO has not yet failed or been rejected but there is increasing pressure on politicians and the financial conduct authority (FCA) to follow through on this case in a strict manner.

Additionally, the FCA must simultaneously try to ensure that stringent conduct does not demotivate other companies from future listings while also upholding key legal and ethical values. The Shein

case will effectively act as a precedent for future companies showing that the UK's pursuit of new listings will not cause them to overlook human rights, environmental and governance issues.

Commercial word of the article

IPO— An initial public offering is the process during which a company transforms from a privately owned company (owned by founders, early investors etc.) to becoming a public company, allowing anyone to buy shares from the stock exchange. Companies may chose to do this to help raise capital in order to fund growth or to help pay off any debts. Typically, investment banks will help a company decided the price of an IPO and even manage some sales to investors. Once an IPO has been successfully floated anyone can buy, sell and trade their shares on the stock market.

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