

AUSTIN KNUDSEN



STATE OF MONTANA

August 24, 2023

Mr. Gary Gensler  
Chair  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington DC 20549

Dear Chairman Gensler:

We write to you in our capacity as the Attorneys General of 16 states to express significant concerns about the potential Initial Public Offering (IPO) by SHEIN, the China-backed “fast fashion” retailer. SHEIN’s growth has been built on nefarious business practices.

Although it recently moved its official headquarters to Singapore, SHEIN was founded in Nanjing, China in 2008 and continues to heavily rely on its vast supply chain and manufacturing network in China. Over the years, SHEIN has become the world’s largest fashion retailer with an estimated value of \$64 billion and its mobile app is currently the fourth most downloaded app in the United States. The company is also one of TikTok’s largest advertisers and pays thousands of social media “influencers” to market its wares to consumers via short and addictive videos on TikTok.

While the advertising puts a bright face on the company, there is a dark side to its rapid growth. Various government, watchdog, and media reports have alleged that its rise has been “made possible by forced labor, human rights violations, stealing other designers' work and the peddling of clothing made with potentially hazardous materials.”<sup>1</sup>

SHEIN collects an enormous quantity of data on American consumers, which it feeds into complex algorithms in near real-time to fine tune its offerings and bring new

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<sup>1</sup> See, e.g., <https://www.npr.org/2023/06/30/1184974003/shein-influencers-china-factory-trip-back-lash>; [https://www.bloomberg.com/news/articles/2023-07-12/shein-influencer-trip-is-the-latest-threat-to-its-ipo-plans?in\\_source=embedded-checkout-banner](https://www.bloomberg.com/news/articles/2023-07-12/shein-influencer-trip-is-the-latest-threat-to-its-ipo-plans?in_source=embedded-checkout-banner)

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products to market faster than its competitors. Its network of putatively independent suppliers allows it to immediately create or exploit trends —often blurring the lines of intellectual property and copyright —while simultaneously off-loading responsibility to its manufacturing partners. Additionally, SHEIN utilizes Section 321 of the Tariff Act of 1930, known as the “*de minimis* exception” which allows importers to avoid customs duties on incoming packages that are valued at less than \$800.<sup>2</sup>

Most worryingly, SHEIN has been credibly accused of exploiting forced labor and violating the *Uyghur Forced Labor Prevention Act*, Public Law No. 117-78.<sup>3</sup> Independent testing conducted last year by Bloomberg News found significant scientific evidence that cotton produced in the Xinjiang Autonomous Region was present in clothing sold by SHEIN.<sup>4</sup> The U.S. House of Representatives Select Committee on the Chinese Communist Party is currently investigating the business practices of SHEIN and other fashion companies for UFLPA violations.<sup>5</sup> The Committee’s interim findings noted that because the vast majority of products shipped from SHEIN to American consumers fall under the *de minimis* exception, the shipments are less likely to face the same customs scrutiny as other retailers.

In response, SHEIN refuses to engage with U.S. government officials and is instead touting a purported self-financed and managed certification process that it claims demonstrates compliance with U.S. law.<sup>6</sup> Such self-certification is insufficient. SHEIN has a documented history of lying about its labor practices.<sup>7</sup> Moreover, even SHEIN’s press tours with a carefully curated group of influencers meant to highlight how SHEIN claims it has brought its supply chain aboveboard, resulted in significant backlash and highlighted significant reasons for concern.<sup>8</sup> Feeling the pressure of

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<sup>2</sup> <https://selectcommitteeontheccp.house.gov/sites/evo-subsites/selectcommitteeon-theccp.house.gov/files/evo-media-document/fast-fashion-and-the-uyghur-genocide-interim-findings.pdf>

<sup>3</sup> Section 307 of the Tariff Act of 1930 also prohibits importing into the U.S. any product mined, produced, or manufactured wholly or in part by forced labor.

<sup>4</sup> <https://www.bloomberg.com/news/features/2022-11-21/shein-s-cotton-clothes-tied-to-xinjiang-china-region-accused-of-forced-labor#xj4y7vzkg>

<sup>5</sup> <https://selectcommitteeontheccp.house.gov/sites/evo-subsites/selectcommitteeon-theccp.house.gov/files/evo-media-document/fast-fashion-and-the-uyghur-genocide-interim-findings.pdf>

<sup>6</sup> <https://www.politico.com/news/2023/06/05/shein-china-forced-labor-claims-lobbying-fast-fashion-00100065>

<sup>7</sup> <https://www.reuters.com/business/retail-consumer/exclusive-chinese-retailer-shein-lacks-disclosures-made-false-statements-about-2021-08-06/>

<sup>8</sup> <https://www.npr.org/2023/06/30/1184974003/shein-influencers-china-factory-trip-backlash>; [https://www.bloomberg.com/news/articles/2023-07-12/shein-influencer-trip-is-the-latest-threat-to-its-ipo-plans?in\\_source=embedded-checkout-banner](https://www.bloomberg.com/news/articles/2023-07-12/shein-influencer-trip-is-the-latest-threat-to-its-ipo-plans?in_source=embedded-checkout-banner)

this widespread scrutiny, SHEIN has turned to Washington lobbyists to whitewash its image.<sup>9</sup>

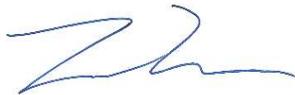
It is apparent that SHEIN is attempting to launch an IPO before the end of this calendar year. An IPO of this magnitude—involving a foreign-owned company that is facing credible concerns about its core business practices—cannot move forward on self-certification alone. We urge you to require, as a condition of being listed on a U.S. based securities exchange, that any foreign-owned company certify via a truly independent process that it is compliant with Section 307 of the Tariff Act of 1930, which prohibits the import of any product manufactured wholly or in part by forced labor. We further request that you notify the national securities exchanges registered under Section 6 of the Securities Exchange Act of this requirement.

American exchanges should have a zero-tolerance policy for foreign companies that seek access to our markets but refuse to follow our laws, especially when the implicated laws are meant to prevent serious human rights abuses. We believe in upholding the rule of law and protecting our economy. Lip service is not enough; in this case, the U.S. Securities and Exchange Commission must “trust, but verify” that every such company is complying before it receives the privilege of being listed on an American securities exchange.

Sincerely,



Austin Knudsen  
Attorney General to Montana



Treg Taylor  
Attorney General of Alaska



Tim Griffin  
Attorney General of Arkansas



Christopher M. Carr  
Attorney General of Georgia



Raúl Labrador  
Attorney General of Idaho

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<sup>9</sup> <https://www.politico.com/news/2023/06/05/shein-china-forced-labor-claims-lobbying-fast-fashion-00100065>

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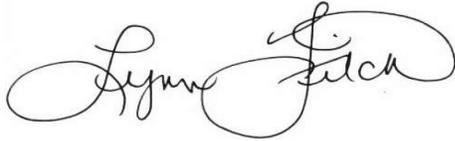
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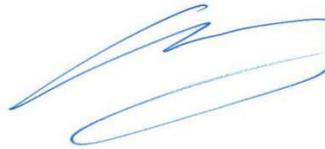
Brenna Bird  
Attorney General of Iowa



Jeff Landry  
Attorney General of Louisiana



Lynn Fitch  
Attorney General of Mississippi



Andrew Bailey  
Attorney General of Missouri



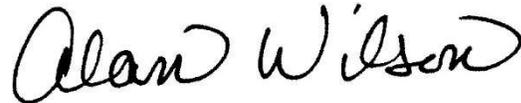
Mike Hilgers  
Attorney General of Nebraska



Drew Wrigley  
Attorney General of North Dakota



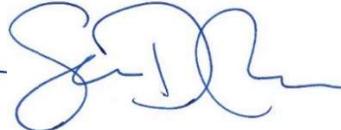
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Attorney General of Utah



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