



Cotton Product Sourcing Policy

for Knits Processing Division

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Purpose

Shahi is a vertically integrated fabric and garment manufacturing company. Established in 1974, today Shahi is India's largest apparel manufacturer and exporter. We source cotton and cotton products as raw materials. This policy covers the values, motivation, and ethics we hold behind our sourcing strategy for cotton. It is crucial to note that the global cotton supply chain is a complex web involving many layers of processing, which often cross international borders.

We realize that responsibly sourcing cotton and cotton products is a step-by-step approach. It is important that the scope of this policy is realistic and achievable. Therefore, this policy is focused on our direct suppliers and importers. The intention of this top-down approach is to work closely with our broad network of suppliers in the hope that our collective influence can feed down the supply chain to the primary production level

We are aware of and actively support international efforts to investigate, monitor, and mitigate forced labor in cotton production. We strive to only purchase cotton materials from sources verified as not involving or contributing to forced labor in cotton production.

Scope

The company is moving towards creating due diligence systems for cotton purchases which:

- Aims to establish long-term relationships with our immediate suppliers by building a strong partnership based on ethics and compliance.
- Considers ways to support and build capacities of cotton-supplying counterparties to improve performance and conform to this responsible cotton sourcing policy.
- Exercises due diligence with relevant suppliers consistent with the Organisation for Economic Co-operation and Development (OECD) [Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector](#) and the YESS: Yarn Ethically & Sustainably Sourced (YESS) initiative, and encourages our suppliers to do the same.
- Includes an annual YESS assessment to verify our conformance status as well as identify opportunities to improve our responsible cotton due diligence management system continually.
- Commits to transparency in implementing this policy by making reports on our progress available to our customers, relevant stakeholders, and the public (as required).
- Where risks of forced labor in cotton production are identified, the policy commits us to develop a risk management plan that engages internal and external actors in the supply chain who can collectively mitigate the risks of adverse impacts.

- Considers ways to support and build capacities of suppliers, both direct and indirect, to improve due diligence of our cotton inputs and suppliers and conform to the spinner's responsible sourcing policy.

We encourage our suppliers to support in establishing the complete due diligence requirements.

Statement of procedure

1. Under the power of the sourcing policy, the sourcing teams in KPD are responsible for conducting due diligence on the cotton and yarn suppliers against the checklist given by the YESS standard. The risk identification should be done as per the Risk Identification SOP
2. The information must be collected from the suppliers as per the 'Know Your Supplier' form developed in line with YESS standards.
3. The sourcing teams are responsible for monitoring and managing all documents related to cotton and yarn sourcing
4. The sourcing teams are responsible for addressing and resolving all grievances associated with suppliers and creating relevant channels of communication for the same, as per the grievance redressal policy
5. The sourcing teams must store documents as per the Data storage policy

Guiding Principles

1. Policy commitment: We are committed to sourcing cotton and cotton products in a responsible and sustainable manner.
2. Risk assessment: We will conduct a risk assessment of our supply chain to identify potential risks related to human rights like forced labor presence
3. Due diligence: We will implement due diligence procedures to identify, prevent, mitigate, and account for how we address these risks.
4. Transparency: We will be transparent about our policies, procedures, and performance related to cotton and cotton product sourcing.
5. Storage: We will store all our digital records of sourcing documents for a minimum of 5 years
6. Continuous improvement: We will continuously improve our policies, procedures, and performance related to cotton sourcing.

Ownership and Management

The Cotton sourcing team, Cotton committee, and other relevant workforce members are engaged in creating a robust sourcing mechanism.

1. Sourcing team: The sourcing team is responsible for sustaining existing procurement systems, vendor agreements, and logistical arrangements in line with the YESS standards. They will work closely to conduct due diligence of vendors so that only risk-free suppliers are added to Shahi's supply chain.
2. Sourcing Manager: The sustainability manager is responsible for ensuring that our cotton sourcing policy is implemented effectively. They work closely with our suppliers to ensure that they comply with our policy commitments. They also monitor the progress of our sourcing strategy.

Amendment

This policy will undergo an annual review and work in sync with our existing company policies on various fronts.

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