



YESS Annual Public Due Diligence Report 2023-24 (Year 1)

Knits Processing Division, Shahi Exports
Shivamogga, Karnataka, India

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1. Introduction

This document serves as the report for the spinning and fabric mills of Shahi Exports Pvt Lts participating in the YESS Initiative to disclose the findings from their due diligence efforts annually, in accordance with the *YESS Standard for Fabric Mills*, Section III.5.

1.1. Company Profile

Company name	Shahi Exports Private Limited
Address	Unit 12 - Knits Division Office: 37/1B, Arekere, Bannerghatta Rd. Bangalore - 560076
Process	Spinning, Knitting, Weaving, Fabric processing, and Garmenting
Time period	May 2023-May 2024

2. Company Supply Chain Policy

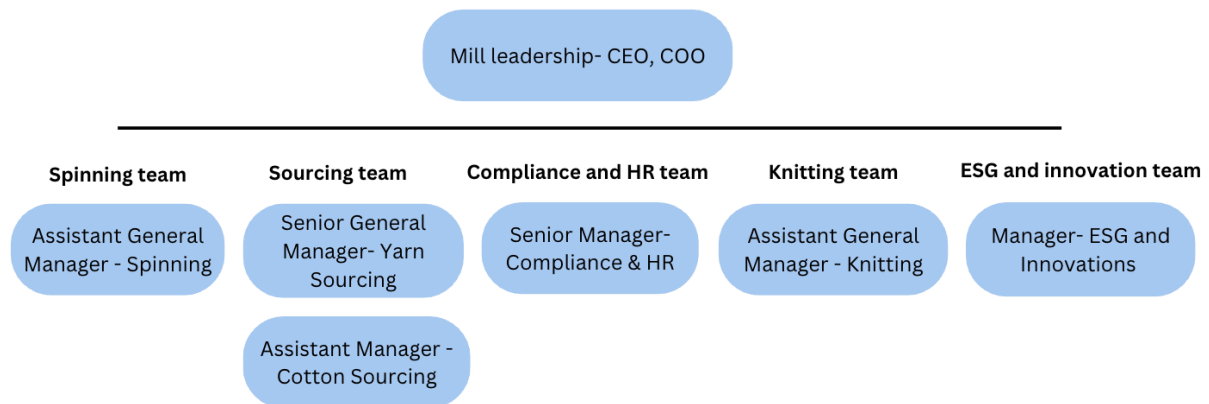
Link for the Company policy	Click Here
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3. Company Management System

3.1. Management Structure

- a. Question: Describe the senior management structure assigned to oversee due diligence, including roles and responsibilities.

There are dedicated sourcing teams, including top management such as Chief Operating Officers, sourcing heads, and operating experts, who assist in executing processes like vendor selection, due diligence, and risk assessment according to YESS standards. The following positions were officially onboarded to YESS:



- b. Question: Describe the relevant functional departments (e.g., purchasing department, quality control department, sustainability, etc.) that may be affected by the findings of actual and/or potential risks identified in the supply chain and their roles in due diligence implementation.

The relevant functional departments affected by the findings of actual and potential risks identified in the supply chain, along with their roles in due diligence implementation, include:

S.no.	Team	Role
1	Sourcing Team	This department is involved in vendor selection and procurement processes. They ensure all due diligence documents and checklists are reviewed and aligned with YESS standards, particularly concerning vendor compliance and the quality of raw materials. They play a role in ensuring the company's sourcing practices adhere to sustainable and ethical standards.
2	Spinning and Quality Control Team	The Assistant General Manager - Spinning plays a significant role in this department. They are responsible for executing risk assessments, both overall and at the quality level, to ensure the cotton received matches the quality expectations of the cotton ordered. This helps mitigate risks related to product quality and supplier consistency.
3	HR Team and Compliance	The Senior Manager - HR & Compliance manages grievance redressal channels with vendors and ensures overall employee well-being within the company. This department is crucial for maintaining a

		compliant and ethical work environment, part of the broader due diligence framework. When workers are treated fairly, it reflects a company's commitment to responsible business, influencing and motivating action toward an ethical supply chain.
4	Logistics Team	The Assistant Manager of Logistics is responsible for reviewing the checklists of goods received, ensuring they align with YESS standards. This department ensures that the logistics and handling of goods adhere to quality and compliance standards, reducing risks associated with transportation and storage.

These departments collectively contribute to identifying, assessing, and mitigating risks in the supply chain, ensuring compliance with YESS standards.

c. Question: Explain whether responsibility is linked to performance assessments or other incentive mechanisms.

The key performance indicators of these teams are linked to compliant and risk-free sourcing, and their process is reviewed centrally by the ESG team.

These teams are already experts in their fields and are further trained on the expectations and for their role in due diligence. Their job responsibilities clearly include performing thorough checks (due diligence), and these expectations are recognized by the top management.

- d. **Question: Provide the evidence for training of relevant personnel with roles and responsibilities defined in the due diligence program.**

[Presentation](#) used for training

[Attendance of attendees of training](#)

- e. **Question: Describe how actions and reporting have been maintained or improved from the previous year's activities.**

- i. The KYS forms have been updated as per YESS standards to gather maximum and relevant information during vendor onboarding.
- ii. YESS checklists and checkpoints for identifying risk have been translated into easy and accessible formats and shared with teams involved on the ground.
- iii. A formal team structure has been built for YESS due diligence, and relevant team members have been recognized and onboarded onto the project by the Chief Operating Officer.
- iv. A communication channel to address vendor grievances has been established and communicated to our vendors. The channel is managed through a defined SOP for resolving grievances that has been shared with the relevant compliance team.
- v. Cotton sourcing and due diligence policy was formed and shared on relevant communication streams- on vendor forms and the company website

3.2 Internal Systems of Control

- a. Question: Describe the company’s internal control systems over the cotton supply chain and explain how they operate and what data they have provided as part of due diligence efforts in the reporting period.

	Stages	Systems	Process
Stage 1	Know Your Supplier (KYS Forms) Vendor Identification and YESS Mill Status	Vendor Information Collection	Vendors are required to fill in the Know Your Supplier (KYS) forms, providing comprehensive details such as the vendor's name, address, contact information, business registration, and other pertinent details. The KYS form includes a question to determine whether the vendor is a YESS (Yarn Ethically & Sustainably Sourced) compliant mill.
Stage 2	Receipt of Goods and YESS Goods Checklist Compliance	Arrival and Initial Inspection of Goods	Upon the arrival of goods, the receiving team conducts an initial inspection, using the YESS goods checklist to verify that the products and accompanying documents meet the order specifications.
		Document Verification	The team ensures that all required documents are present and accurate. This includes checking the product labels, invoices, and any certificates of compliance to confirm alignment with YESS standards and the purchase order.
		Identification of Discrepancies:	Any discrepancies between the product labels and the information on the bills are noted. This includes differences in the product description, quantity, or other details.

<p>Stage 3</p>	<p>Quality Control (QC) Inspection and Discrepancy Handling</p>	<p>Quality Assessment:</p>	<p>The QC team conducts a detailed quality inspection of the goods to ensure they meet the specified standards. This includes checking for consistency in material quality, dimensions, and overall workmanship.</p>
<p>Stage 4</p>	<p>Document Verification and Risk Assessment</p>	<p>Document Check:</p>	<p>The following documents are verified for completeness and accuracy:</p> <ul style="list-style-type: none"> ● Product labels: Ensure all items have accurate and complete labels. ● Transit documents: Confirm that all shipping and transit documents are present and correct. ● Bill from farmer to ginner/trader: Check for any missing affidavits from the spinner regarding transactions. ● Bill from ginner/trader to spinner: Verify that all bills between ginner and spinners are complete. ● Bill from spinner to fabric processor: Ensure documentation is accurate for the transaction between spinners and fabric processors. This is often a transfer document because we have in-house ● Bill from fabric processor to Shahi Exports/ Transfer bill: Confirm the final transaction documentation is complete and correct.
		<p>Identification of Missing Documents:</p>	<p>Any missing documents, such as those related to product labels, transit, or specific transactions (e.g., bills from</p>

			farmer to ginner, spinner to fabric processor), are identified and recorded.
		Risk Assessment:	Special attention is given to the involvement of high-risk countries in the supply chain, mainly China (as per UFLPA). Products originating from these regions are dealt with attention from senior leadership of the company. In case the high risk country vendor is a nominated vendor, the respective brands are informed of their nominations
		Action on Findings:	Based on the findings, appropriate actions are taken. This includes notifying the vendor of discrepancies, requesting missing documents, or conducting further investigations into the supply chain, especially when high-risk countries are involved.

- b. Question: Describe at a high level the company’s processes/procedures to control the source of material (e.g., policy to only source from low-risk countries if applicable; enforcing supplier expectations and requirements through contracts or other written agreements; reviewing material upon receipt; conducting a mass balance assessment throughout the process).**

As mentioned above, we have the below high-level processes to control the source of materials

- i. A Sourcing policy (see [Section 2](#))
- ii. An XUAR Cotton Ban policy for Shahi and Shahi’s supply chain
- iii. Processes of checklist and documentation as per YESS (see [Section 3.2.a.](#))
- iv. Grievance tools and two-way communication with vendors about expectations of due diligence (see Section 3.1 (e))

- c. **Question: Describe any engagement with suppliers to improve their due diligence performance, e.g., training, calls, meetings, or other forms of engagement. Describe any supplier improvement programs the company may deploy. This may include quantitative information such as the number or percentage of suppliers engaged.**

Below are the forms of engagement done with vendors to suggest improvements in their due diligence systems

- a. Sharing Shahi's sourcing policy with their KYS form
- b. Sharing a grievance email id
- c. Sharing the documentation expectation
- d. Communicating the need of transparency and traceability

- d. **Question: Reference the grievance mechanism(s) used by the company (e.g., company grievance mechanism; industry grievance mechanism; etc.) and explain how the information gathered from the mechanism(s) is integrated into the company's due diligence process. Also describe the process for handling complaints through the mechanism if it is a company grievance mechanism.**

To ensure a two-way communication tool with vendors, we have formalized a grievance communication channel (grievance email id) to hear, respond and resolve all grievance queries from vendors. The same has been backed by a grievance policy. There is a well defined SOP for the compliance teams at Shahi to ensure the grievances are dealt with complete care, unanimity and fairness.

3.3. Record Keeping System

- a. **Question: Confirm that appropriate documentation is maintained per a record-keeping system.**

All documents are maintained as per the YESS checklists

- b. **Question: Describe records retention time per document type (at least 5 years).**

We have formalized a policy to ensure documents are stored for a minimum 5 years.

- c. **Question: Describe the process to ensure documents/records are properly used and are safely stored.**

- i. The documents, once received, are safely transferred to company drives. These drives are protected by access gates and IT firewall protections.
- ii. The documents are reviewed and enable sourcing teams to make the right decision for the vendor and the order.
- iii. The documents are preserved to be retrieved in case of any query or to share with auditors and assessment personnel