

SHAHI EXPORTS PVT. LTD.

To Alysha Khambay (Labour Rights Researcher) & Thulsi Narayanasamy (Head of Labour Rights),
Business and Human Rights Resource Center

Subject: Position of Shahi Exports with respect to the VDA 2020 payment in Karnataka

Dear Alysha and Thulsi,

Thank you for reaching out to Shahi to share our position on this topic of Karnataka 2020 Variable Dearness Allowance (VDA), given the current pending legal status of the case.

First and foremost, Shahi's code of conduct clearly states that all employees shall be paid wages, overtime payments, and benefits in compliance with applicable laws. Operating more than 50 factories and employing over 100,000 workers (around 60,000 in Karnataka), our intention is to always remain a fully legal and ethical employer while continuously raising the standard for workers' well-being in the apparel industry.

2021 Karnataka VDA payments

In February 2021, the Government of Karnataka (GoK) announced the annual VDA increase applicable from 1st April 2021. Shahi has been paying this VDA amounting to INR 428.40 per month per worker from April 2021 onwards.

2020 Karnataka VDA payments

In the particular case of Karnataka 2020 VDA, we stand by our legal assessment that the GoK announced a deferment of VDA 2020 amounting to INR 417.60 per worker per month to provide some financial relief to all industries amidst the disruption caused by the pandemic. The final decision on payment of 2020 VDA is pending in the Hon'ble High Court based on a legal case between Trade Unions and GoK. None of the apparel manufacturers including Shahi are part of this litigation process. We disagree with the claim that we are non-compliant or opposing the minimum wage laws.

Shahi along with the rest of the industry has been waiting for the court's decision. We, however, understand and share the concern about the remaining time that the Court proceedings may take, related to the time which has already passed in these proceedings to date.

We hope that the final decision will be made by the Court at the earliest, however rather than wait further for this judgment, we will begin paying Karnataka 2020 VDA in the form of arrears for the months of April 2021 - January 2022. Below are the details of our approach to eligible workers as we await a judgment from the Court.

- The arrears for 2020 VDA for the months of April 2021 to January 2022 will be included with the wage payment of January 2022 which will be paid by February 10th, 2022.
- From February 2022 onwards, the 2020 VDA amount will be included in the monthly wage payments.
- We will await a decision from the court to payout the 2020 VDA arrears for the months of April 2020-March 2021. However, if there is no court decision by April 2022, we commit to paying these arrears regardless of the final decision. This amount would be fully paid with the April 2022 wages.
- As always, we shall be paying out the Social Security / Statutory dues as well.

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- We will implement this fairly and unconditionally to all employees currently or previously employed with us for the full duration of their employment. Workers will be informed about these payments transparently in regional languages via notices, direct communication, and factory committees so that they are aware of their entitlements.

With Shahi's aspirations to be the global textile and apparel industry benchmark with social and environmental sustainability at its core, we take legal and ethical concerns with the utmost importance. This remains the case as we navigate the challenging impacts of the pandemic. 2020 was a year of uncertainty with nationwide lockdowns. In the summer months of 2021, India faced its second wave of COVID. At this stage, 96.7% of the 100,000+ employees at Shahi have taken the first shot of the vaccine. And more than 70.6% have now been vaccinated with the second dose after the mandatory 84-day wait period.

We continue to employ 100,000+ people across Shahi through the challenges and providing them support has only been possible with the help of our partners, brands, and public and private health services. More information on measures taken to address pandemic related challenges can be found in our Shahi Blog: <https://www.shahi.co.in/blog/>

Best Regards,

Venkat Rao
Chief Compliance Officer
Shahi Exports