KARANDAAZ PAKISTAN

Case Study on

Khaadi: Sustainable Growth Through Clear Organizational Leadership

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1. INTRODUCTION

1.1 Company Background and History

Khaadi[1], a renowned name in the Pakistani retail fashion landscape, traces its roots back to a humble beginning in 1998 with a single store in at Zamzama, Karachi. The brand's journey from its inception to its current stature as the market leader in the industry exemplifies a compelling narrative of growth, innovation, and commitment to cultural heritage preservation. This case study delves into Khaadi's growth story, exploring the strategic initiatives and core governance principles that have propelled its success over the years.

In 1996, Shamoon Sultan graduated from the Indus Valley School of Art and Architecture with a degree in Textile Design, specializing in the intricate art of handloom weaving. His passion for preserving Pakistan's textile heritage was ignited during frequent visits to India, where he witnessed the vibrant traditions of handloom craftsmanship. Armed with this inspiration and expertise, Shamoon embarked on a mission to revive the fading artistry of handloom in his homeland.

After a brief stint at a textile mill, Shamoon realized his calling lay beyond the confines of traditional employment. He took up the challenge of starting his own business with an initial capital of PKR 2.5 million and a burning ambition to showcase Pakistan's craftsmanship, Shamoon embarked on a journey of entrepreneurship. Shamoon started out by placing his creations at various retailers, and despite initial setbacks in this, he remained undeterred. His signature offerings were traditional kurtas and loose garments made from handwoven fabric.

Within weeks, Khaadi garnered widespread acclaim, with customers flocking to experience the exquisite blend of tradition and innovation woven into each garment. The store was out of stock in just 2 weeks' time. Shamoon, gauging the demand in the market realized he would have to look towards the bigger picture and expansion of scale.

1.2 Expanding Horizons: From Threads to Global Presence

Khaadi's journey commenced with a vision to celebrate Pakistan's rich cultural heritage by showcasing hand-woven fabrics and traditional designs. From the outset, the brand distinguished itself through its unique aesthetic and unwavering commitment to quality, setting the stage for its remarkable trajectory of growth and expansion. These ambitions are reflected in Khaadi's vision and mission statements:

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[1] *"khadi", "khaadi" or "khaddar" is a lightweight traditional South Asian cloth woven on a handloom using hand-spun yarn.*
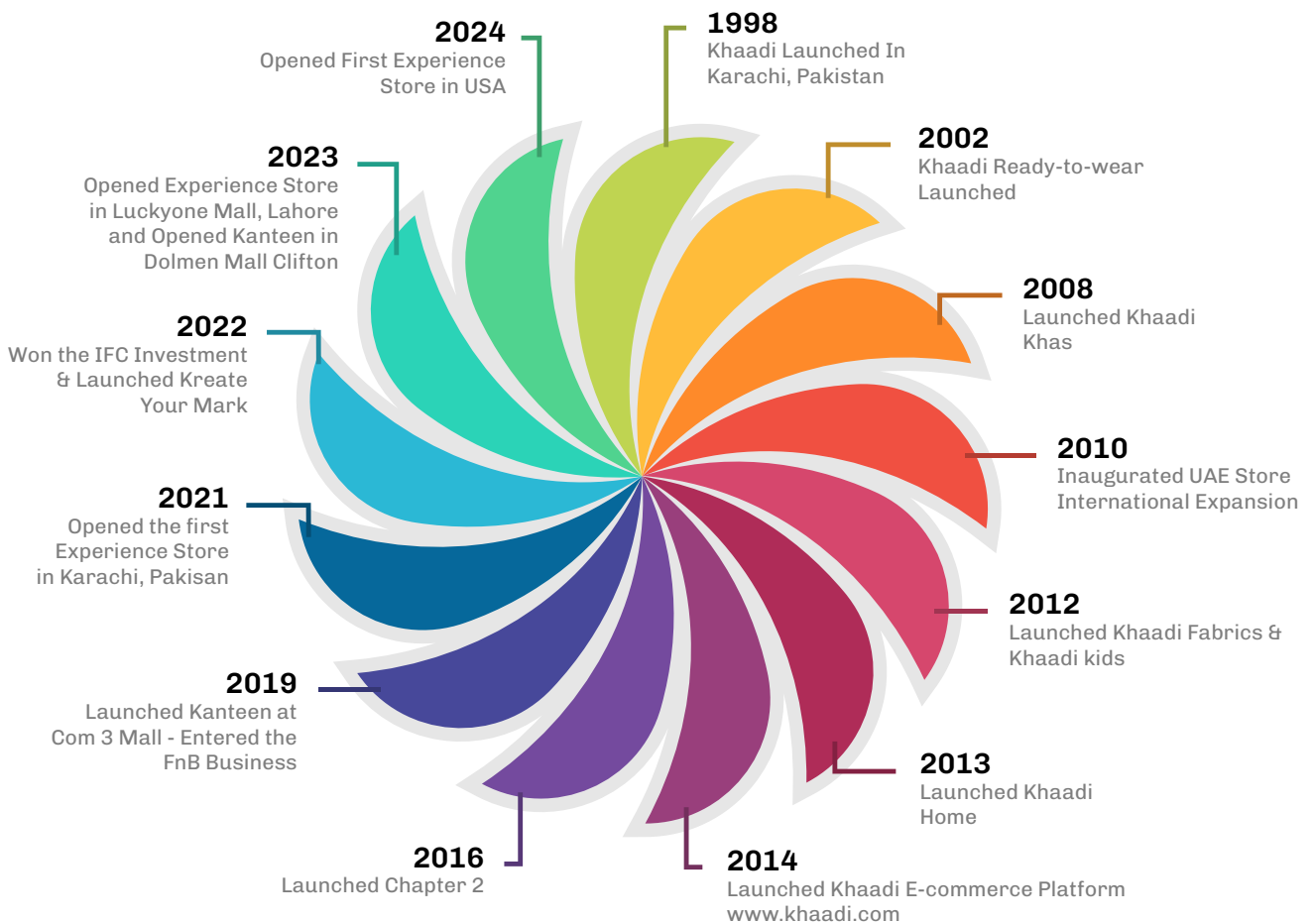
VISION

To make a global Pakistani organization creating experiences beyond fashion.

MISSION

Passionately drive growth by constantly designing and innovating products and experiences for ever evolving human needs and aspirations.

The diagram below summarizes some of the key growth and corporate governance milestones in Khaadi's journey:

2024
Opened First Experience Store in USA

1998
Khaadi Launched In Karachi, Pakistan

2023
Opened Experience Store in Luckyone Mall, Lahore and Opened Kanteen in Dolmen Mall Clifton

2002
Khaadi Ready-to-wear Launched

2022
Won the IFC Investment & Launched Kreate Your Mark

2008
Launched Khaadi Khas

2021
Opened the first Experience Store in Karachi, Pakisan

2010
Inaugurated UAE Store International Expansion

2019
Launched Kanteen at Com 3 Mall - Entered the FnB Business

2012
Launched Khaadi Fabrics & Khaadi kids

2016
Launched Chapter 2

2013
Launched Khaadi Home

2014
Launched Khaadi E-commerce Platform www.khaadi.com

A deep understanding of the market, consumers and product was the key in developing the brand and organization. By 2002, Khaadi had expanded its range to include women's unstitched, ready-to-wear clothing, captivating fashion enthusiasts with its unique blend of contemporary designs and traditional craftsmanship. Brand label retail clothing market was still in emerging stages in Pakistan during late 1990s and early 2000s. Consumers favored traditional tailoring or unbranded clothing, more so because of lack of quality alternative options.

The Pakistani fashion industry itself was also still in its early stage, with limited focus on design innovation and branding. There were a few designers and fashion houses producing brand labelled clothing. The retail infrastructure, including shopping malls, branded outlets, and online platforms, was underdeveloped, making it challenging for brands to establish a retail presence and reach a wider market. Over time, with changing consumer preferences, economic growth, and advancements in technology, the retail landscape evolved, leading to the emergence of prominent fashion brands like Khaadi, which played a pivotal role in transforming the industry and shaping consumer behavior towards branded clothing.

With the addition of Khaadi Khaas in 2008, the brand further solidified its position as a purveyor of luxury fashion, captivating audiences both locally and internationally. Although still a small market compared to unbranded clothing, by this time, Khaadi was already considered one of the fashion 'retail giants' in Pakistan with other fashion retail brands vying for their share. The year 2010 marked a significant milestone as Khaadi ventured beyond borders, opening its first international store in the UAE.

Embracing the ethos of evolution and adaptation, Khaadi transitioned into a fast-fashion retail brand in 2012, catering to the ever-changing preferences of its discerning clientele and adapting to global fashion retail trends. The introduction of colorful Khaadi fabrics, alongside the launch of its home décor line, accessories, and fragrances, further diversified the brand's offerings, catering to many more facets of a customer's lifestyle. By this time, sensing prospects of growth and diminishing returns from export markets, a few large textile manufacturing houses had also established strong presence in retail market for clothing. Khaadi launched its online store in 2014, enabling the brand to be present virtually everywhere. Customers could shop conveniently from anywhere and at any time. This move towards e-commerce reflected the brand's adaptability and commitment to enhancing customer experiences through digital channels.

In 2016, Khaadi introduced Chapter 2, as another brand and product line that showcased pure hand-woven and handcrafted textiles with a minimalist approach, further solidified its reputation for craftsmanship and innovation. This launch underscored Khaadi's ability to stay ahead of trends and offer unique design perspectives to its customers. As Khaadi continued to evolve, it ventured into the culinary realm with the launch of Kanteen at Com 3 Mall, Karachi, in 2019. Driven by a vision to transcend fashion and create immersive experiences, Khaadi unveiled 'The Experience Hub' in Karachi's Dolmen Mall Clifton in December 2021, marking a new chapter in the brand's journey of reinvention and innovation.

The brand's commitment to supporting inspirational female talent was exemplified through Kreate Your Mark (KYM) in 2022, which strived to empower women entrepreneurs. It was a platform that championed creativity and innovation., which provided women entrepreneurs with resources and opportunities to showcase their products on Khaadi's platform, i.e., within the prime stores as a way of giving back to Pakistan.

With over

50

stores worldwide
at present

1,400+

employees and a diverse portfolio of offerings, Khaadi continues to captivate audiences with its rich tapestry of tradition, creativity, and craftsmanship, firmly establishing itself as a global ambassador of Pakistani culture and heritage.

1.3 International Investment and Strategic Moves

The company's strategic roadmap encompassed various initiatives, including the expansion of its retail footprint by adding stores in tier II and III cities across Pakistan, optimizing existing retail spaces to enhance operational efficiency, accelerating global online sales to tap into digital markets, and expanding its international store network. Khaadi revamped its e-commerce platform, focused on branding and virtual service offerings. These strategic imperatives were designed to propel Khaadi's growth trajectory and position the company for sustained success amidst evolving market dynamics.

In 2021, the International Finance Corporation (IFC) considering opportunities to foster economic growth and promote gender equality in Pakistan's textiles sector, recognized that the value of the unique phenomenon that Khaadi had become, finding it to be the perfect business case to invest in. Recognizing the potential synergies, growth opportunities inherent in Khaadi's expansion plan and opportunities to contribute to economic development, IFC offered a $25 million investment to Khaadi (for a minority equity stake.

By fostering a partnership with IFC in 2022, Khaadi sought to capitalize on the synergies between private enterprise and development finance to unlock new avenues for growth, innovation, and market penetration. Shamoon Sultan, expressed enthusiasm about the partnership with IFC, stating[2]:

> *We are excited to begin the next chapter of our growth transformation with IFC's first investment in the Pakistan fashion retail sector. We envisage this investment will help us set new benchmarks in organizing the retail sector in Pakistan and beyond, through strategic initiatives to drive growth, corporate governance, and diversity.*
>
> Shamoon Sultan, Dreamer

IFC's investment was strategically aligned with the development goals of Pakistan's retail and textiles sectors, which play a significant role in the country's economy. The textiles sector, in particular, accounts for a substantial portion proportion of employment and GDP. By supporting Khaadi, IFC aimed to foster formalization, sustainability, and greater economic opportunities, especially for women.

In addition to the financial investment, IFC provided advisory services to Khaadi Corporation, focusing on enhancing the existing corporate governance structures, sustainability practices, and gender diversification programs. This advisory support aimed to further strengthen Khaadi's position as a socially responsible, sustainable and an equal opportunity fashion retailer.

This investment from IFC came after a thorough due diligence of Khaadi's unique positioning in the market based on its innovative DNA, financial projections, business practices and governance structures. With a rapidly growing customer base and operations, Khaadi had implemented several initiatives to strengthen its systems and controls. Mr. Tahir Iqbal the CFO, the latest addition to Senior Management at the time, played a key role in putting in place the corporate governance and regulatory compliance practices which helped strengthen Khaadi's governance structure. It is the governance structures and corporate code of conducts like the People & Culture Committee, E-Commerce Committee and CapEx & Commercial Committee which were already in place which validated Khaadi as a contender for the IFC Investment and made Khaadi an attractive investment opportunity for an international entity like IFC. With IFC's advice and input, several more levers were added to the governance structures, ensuring resilience, growth, sustainability, and profitability of the company. The following sections detail the challenges faced by Khaadi along its journey and the corporate governance initiatives of Khaadi, which helped make it into the Company it is today.

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[2] *https://pressroom.ifc.org/all/pages/PressDetail.aspx?ID=26999*

2. ADOPTION OF CORPORATE GOVERNANCE PRACTICES TO OVERCOME BUSINESS CHALLENGES

Snags in the Weave

Khaadi's growth trajectory was not without its share of challenges, faced at each stage of the business's evolution:

- **Competing on Price:** Unbranded and smaller retailers often offered products at lower prices due to lower overhead costs. This posed a significant challenge for brands like Khaadi, which had to find ways to compete on price while maintaining product quality and brand integrity. Price-sensitive consumers were often drawn to the affordability of unbranded alternatives, making it difficult for branded retailers to justify their higher price points.

- **Quality Control and Brand Reputation:** Maintaining product quality and brand reputation was crucial in initial years for emerging fashion brands like Khaadi to gain the trust and loyalty of customers. However, ensuring consistent quality standards across vendors' production processes, supply chain operations, and retail outlets posed significant challenges. Any compromise in product quality or customer service could tarnish the brand's reputation and erode consumer confidence, undermining their growth prospects in the retail sector.

- **Changing Consumer Preferences:** Evolving fashion trends and shifting consumer preferences presented challenges in staying relevant and meeting customer expectations. Understanding and adapting to changing consumer behavior required continuous market research and product innovation.

- **Talent Acquisition and Retention:** Recruiting and retaining skilled talent in areas such as design, marketing, and retail operations were critical challenges for fashion brands. Building a competent team capable of driving innovation and delivering exceptional customer experiences was essential for long-term growth and profitability.

- **Supply Chain Challenges:** Maintaining a consistent supply chain and ensuring timely production were critical challenges, specially moving into fast fashion.

- **Covid-19 Impact and activation of Alternate Delivery Channels:** All businesses were impacted by the COVID-19 pandemic and Khaadi was no exception. However, the brand's resilience and agility shone through as it embraced digital transformation, bolstering its online presence and reimagining its operational strategies to navigate the evolving retail landscape. In the wake of the pandemic, reliance on traditional brick and mortar operations was not possible. Khaadi instead leveraged its existing e-commerce channels and invested in digitization to further improve the customer experience and channel sales via the only available option at the time.

- **Rising Costs:** In the face of rising costs, Khaadi management was forced to rethink their strategy of a widespread retail outlet network and assess the revenue earned from these versus the operational costs incurred to run them. The increasing use of E-commerce by customers also helped bring about a change in approach.

- **Economic and Political Instability:** Periods of economic volatility and political unrest in Pakistan impacted consumer spending and business operations. Fluctuations in currency exchange rates, inflation, and regulatory changes could affect profitability and long-term growth prospects.

2.1 Steering Success: The Expertise of Khaadi's Board

Khaadi bolstered its strategic capabilities by assembling a board of directors comprising of industry experts and visionary leaders. Khaadi benefited significantly from the active oversight provided by its board of directors. The Board comprises of five members, including the CEO, three independent directors, and one IFC nominated director, Ms. Arzu Aslan Kesimer. Other independent board members include Mr. Samad Dawood, Mr. Asif Peer, and Ms. Maheen Rahman, each renowned for their contributions to their respective fields.

Their collective expertise spans diverse domains, including finance, retail, and corporate governance, providing invaluable guidance to steer Khaadi towards its objectives. By tapping into the expertise of professionals and industry stalwarts, Khaadi ensures that its strategic decisions are informed by rigorous analysis and foresight, positioning the brand for sustained success in a dynamic marketplace. The addition of an International Finance Corporation (IFC) member to the board, and her experience in the fashion industry brings in global insights on market trends and consumer preferences. Appendix C describes brief profiles of the members of the board in 2024.

At Khaadi, the governance framework was characterized by structured reporting mechanisms and robust oversight by the Board of Directors (BOD), which played a pivotal role in steering the company towards sustainable growth and development. This included overseeing both financial and non-financial matters and ensuring compliance with governance standards. The BOD conducts four quarterly meetings annually, in addition to a dedicated session for budgetary review, ensuring strategic alignment and effective decision-making at the highest level of the organization.
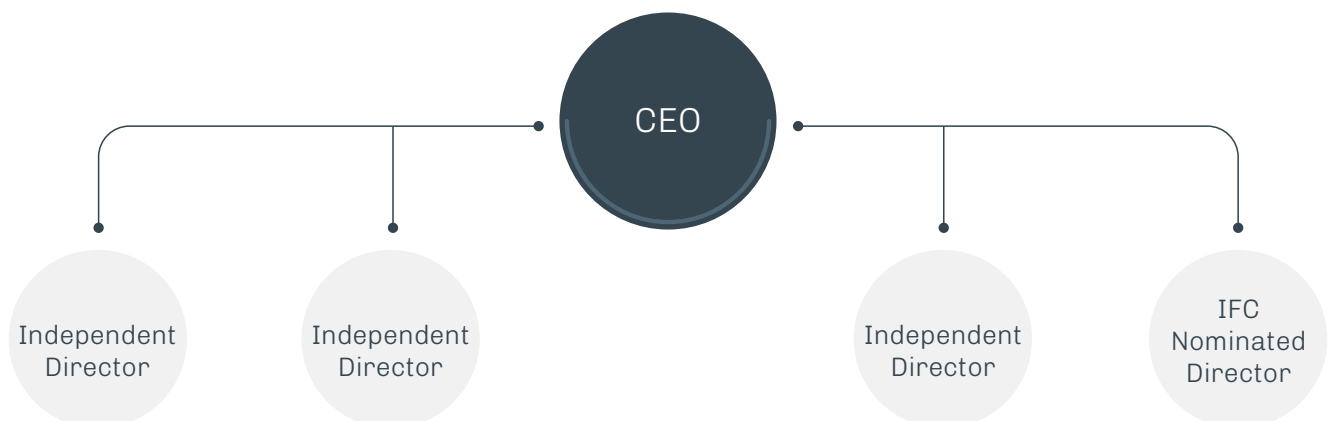
The reporting process to the Board encompasses a comprehensive review of key aspects, including financial performance and budgets, business strategy updates, mandatory statutory approvals, and the outcomes of both internal and external audits. By providing a holistic view of the company's financial health, strategic direction, and compliance status, the reporting to the BOD facilitated informed decision-making, strategic planning, and accountability within the organization.

Several instances demonstrated the board's influence on strategic decision-making at Khaadi. For example, the Board, while recognizing the importance of diversification into other business, nevertheless advised Shamoon to allocate a majority of his time to building the company's core business over newer ventures like the food and beverages venture. Additionally, emphasis was placed on focusing on free cash flows to sustain long-term growth. Moreover, when considering expansion into the US market, the board recommended a cautious approach, advising Shamoon to delay the launch of a large store until market response could be assessed. This advice stood Khaadi in good stead helping efforts and resources to flow in the right direction, to grow the business in a sustainable manner.

Khaadi's corporate structure aligned with the leading international practices and principles of corporate governance, reflecting the company's commitment to transparency, accountability, and ethical conduct. By adhering to established governance norms, Khaadi reinforced stakeholder trust and confidence in its operations. The corporate structure post-IFC investment is described in Appendix B.

2.2 Employee Empowerment and Talent Development at Khaadi

At the heart of Khaadi's success story lies a deep commitment to empowering its greatest asset: its employees who are commonly known at Khaadi as "Team" or "Team Member". Shamoon prioritized the development of his workforce and emphasize the importance of upgrading, upskilling, and training his team. His transformative approach towards his employees has been such that even a security guard stands a chance to become a store manager – such real-life examples helped give Khaadi's team members an empowering vision. By fostering growth opportunities from within, Shamoon not only cultivated a sense of pride and loyalty among Khaadi's workforce but also inspired them to reach their full potential.

> " *Without my people, I cannot achieve what I want to.* "
>
> Shamoon Sultan, Dreamer

With just a handful of team members, Khaadi has grown into a global enterprise with over 1,400 employees worldwide, (1200+ employed in Pakistan and 228 in overseas branches. Shamoon's ethos of inclusivity and collaboration permeated every aspect of the organization, ensuring that all individuals' talents and contributions are valued and nurtured. The People and Culture department, under the leadership of Sharmin Raza, played a pivotal role in shaping Khaadi's organizational culture. Sharmin, who took on her role in 2016, led initiatives aimed at fostering a work environment where employees felt valued and empowered. Shamoon onboarded Mr. Tahir Iqbal as Leader Financial Success, who took charge and strengthened the company's governance structure and corporate code of conduct. His ethos aligned with Shamoon's commitment to his team.

> " *It is not about the number of hours put in, but rather the passion of the company's leadership which inspires the team members to deliver with success...* "
>
> Tahir Iqbal, Leader Financial Success

Shamoon, the Dreamer's commitment to onboarding the right fit for the company was instrumental in instilling a culture of passion and collaboration throughout the organization. His vision was translated into formal policies, values and organizational structures that guided the actions and behaviors of every Khaadi employee.

Shamoon Sultan recognized that fostering a culture of empowerment and development is essential for achieving the brand's objectives and sustaining its growth trajectory. Shamoon's innovative vision for his organization was reflected when he introduced the organizational structure for Khaadi, uniquely designed as the **"Sham Model"**. The hierarchy of employees is as follows as: Dreamer (CEO), Leader (Head of Department), Innovator (Senior Manager), Thinker (Manager), Energizer (Supervisor), Enabler, Doer (repetitive work at the Head Office) and Achiever (retail sales colleagues).

DREAMER -
SHAMOON SULTAN

LEADER

INNOVATOR

THINKER

ENERGIZER

ENABLERS

DOERS

ACHIEVER

SHAM Model

Another one of Shamoon's key initiatives is the adoption of the innovative "0 to 360" strategy, which empowered employees to take ownership of their professional development and time off. Khaadi encouraged a culture of accountability and support by allowing employees to select options for addressing absenteeism and performance issues at their own prerogative. Through open communication channels and mentorship programs, senior management actively engaged with employees to address concerns and provide guidance, fostering a conducive environment for growth and innovation.

"0 to 360" Strategy

Ownership of your professional development

Shamoon's belief in the importance of investing in talent was reflected in Khaadi's hiring practices. Qualified professionals, many hailing from multinational corporations, had been strategically onboarded to drive the brand's strategic initiatives and operational excellence. In his fervent pursuit of entrepreneurial ventures, Shamoon occasionally found himself swept away by his visionary spirit, which sometimes led to the emergence of ideas which had a measure of risk associated with them which was beyond an acceptable risk level.
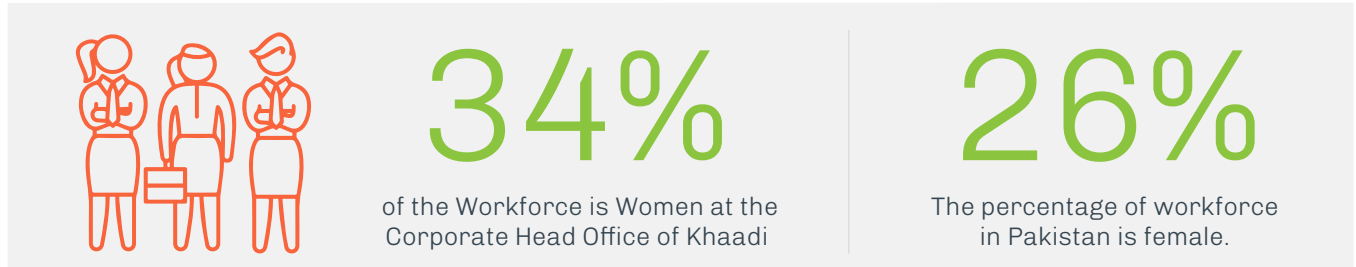
In such cases, he has empowered senior management with a "stop button", which authorizes key members of management to question Shamoon's judgement in some matters, ensuring alignment with the company's overall vision. By leveraging diverse expertise and perspectives, Khaadi ensured that its workforce was equipped to navigate complex challenges and seize opportunities in an ever-evolving marketplace.

Khaadi places great value in diversity and inclusion, with the corporate office having a 34% female workforce. Meanwhile, women form 26% of the overall workforce (including Corporate, Retail, Kafe and Kanteen).

Khaadi has women representation at all levels of the hierarchy defined in the SHAM Model, majority of which are at Achiever level (specifically designed for the retail staff), and at the corporate office, majority of them are at Energizer level.

34%
of the Workforce is Women at the Corporate Head Office of Khaadi

26%
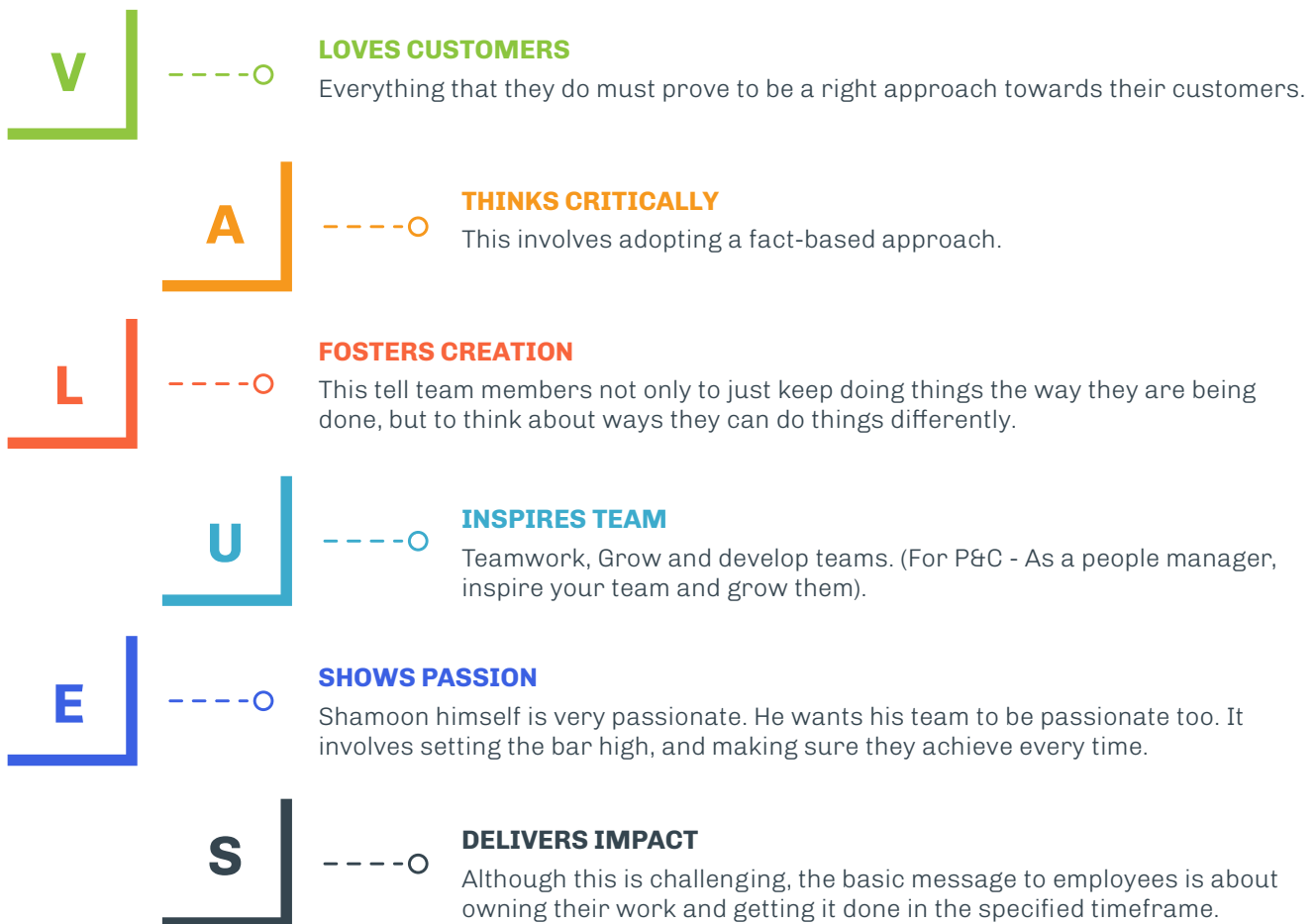The percentage of workforce in Pakistan is female.

Day-Care Facility
For all employees of Khaadi Corporation

To facilitate women employees through life changes and retain female talent, the company also provided a day-care facility, enabling them to balance their professional and personal responsibilities. Promotion within the organization was based on performance, assessed by respective managers, with a robust succession planning system in place.
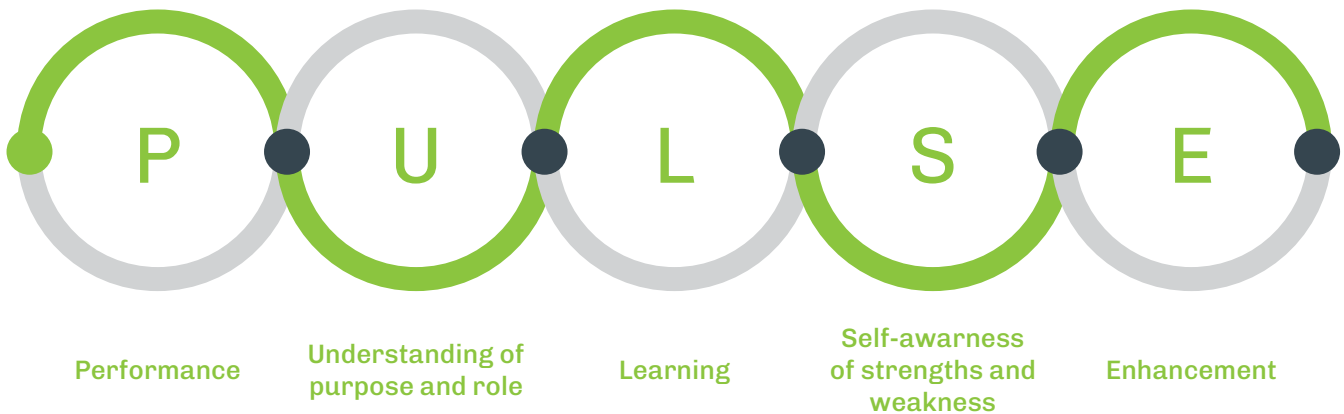
Prioritizing capabilities over academic backgrounds, Khaadi encouraged internal mobility and skill development among its employees.

Between 2017 and 2018, Khaadi underwent a comprehensive process to institutionalize its core values, which served as guiding principles or attributes expected from employees in all facets of the business:

V ----O **LOVES CUSTOMERS**
Everything that they do must prove to be a right approach towards their customers.

A ----O **THINKS CRITICALLY**
This involves adopting a fact-based approach.

L ----O **FOSTERS CREATION**
This tell team members not only to just keep doing things the way they are being done, but to think about ways they can do things differently.

U ----O **INSPIRES TEAM**
Teamwork, Grow and develop teams. (For P&C - As a people manager, inspire your team and grow them).

E ----O **SHOWS PASSION**
Shamoon himself is very passionate. He wants his team to be passionate too. It involves setting the bar high, and making sure they achieve every time.

S ----O **DELIVERS IMPACT**
Although this is challenging, the basic message to employees is about owning their work and getting it done in the specified timeframe.

Khaadi's People and Culture team also organizes team building and employee engagement activities for all team members from time to time, such as the 'Scavenger Hunt,' which also play a crucial role in strengthening communication and collaboration among teams, further reinforcing the company's culture of teamwork and camaraderie.

In terms of talent acquisition, Khaadi implemented a robust process that included role cards for every position, emphasizing agility, diversity, and role clarity. Initial interviews conducted by the People and Culture department assessed candidates' suitability, while panel interviews and case studies were utilized to evaluate their capabilities and fit for the organization.

P	**U**	**L**	**S**	**E**
Performance	Understanding of purpose and role	Learning	Self-awarness of strengths and weakness	Enhancement

Khaadi implemented a cloud-based Human Resource Management System and Oracle HCM in 2020, which streamlined many HR related operations and systems such as Talent Acquisition, maintenance of employee data, performance evaluations, payroll etc. In 2024 Khaadi introduced the PULSE system for performance evaluation, whose guiding principles were performance, understanding of purpose and role, learning, self-awareness, and enhancement. Additionally, the company implemented a feedback and performance rating mechanism, symbolized by the blue, green, and yellow belt system, to recognize exceptional performance and provide constructive feedback.

Khaadi's focus on talent retention encompassed key elements such as flexibility, accessibility to leadership, empowerment, and financial rewards. Team members were encouraged to request support tailored to their circumstances, as evidenced by instances where individuals were granted work-from-home arrangements due to personal challenges. Accessibility to senior leadership, including the Dreamer (CEO) Shamoon, was a hallmark of the company's culture, ensuring that every team member was heard and respected. Furthermore, Khaadi incentivized growth and development through financial rewards, offering increments, bonuses, and unique benefits like the Khaadi wallet for shopping at the company's stores within specified periods.

Together, empowered employees and experts form the bedrock of Khaadi's organizational DNA, driving innovation, excellence, and growth at every turn. As Khaadi continues to chart new horizons and redefine the boundaries of fashion and retail in Pakistan, its commitment to nurturing talent and leveraging strategic expertise remains unwavering, ensuring that the brand's legacy of success endures for generations to come.

2.3 Khaadi's Commitment to Transparency, Integrity, and Ethical Conduct

"Speak Freely" Platform

A cornerstone in ethical conduct

In fostering a culture of integrity and ethical practices, Khaadi implemented various initiatives that not only upheld the company's values but also contributed to its overall development. The "Speak Freely" platform, through this platform, employees could raise issues via a designated form or email address, ensuring transparency and accountability in addressing sensitive matters, without fear of any repercussions. This platform served as a cornerstone of ethical conduct, providing team members with a confidential and anonymous channel to address concerns regarding any unethical practices they came across, or unacceptable behavior.

Appraisals & Feedback

Comprehensive Appraisal & Feedback Mechanism in place

Within the belt system, a comprehensive performance appraisal and feedback mechanism was built-in, Khaadi prioritized open dialogue before formally documenting performance evaluations. This dialogue allowed employees to share their perspectives, which ensured that both the employee and line manager's points of view contributed to the appraisal process.

Favorable Credit Terms

Increased Partnerships with Suppliers

During the challenging period of the COVID-19 pandemic, despite facing financial constraints and reduced profits, Khaadi maintained its commitment to integrity by ensuring timely payments to vendors. This dedication to honoring financial commitments enhanced the company's reputation, leading to increased partnerships and favorable credit terms for product supply, a testament to Khaadi's high integrity and credibility in the industry. This was further helped by the efforts of the financial success leader in improving Khaadi's credit rating in early 2024, to A+.

Corporate Code of Governance

Rooted in transparent and ethical business practices

Emphasizing compliance with legal requirements and internal policies, Khaadi's management voluntarily adopted the Code of Corporate Governance, reinforcing its commitment to transparent and ethical business practices. Effective governance at Khaadi was ensured through its various committees overseeing talent acquisition and operational aspects. Committees such as the People and Culture committee, Store Design committee, E-commerce Committee, CapEx and Commercial committee, Sourcing and Design Committee, and the Management Committee endorse the practices which make Khaadi what it is today, and on-going monitoring ensures that the practices are implemented consistently. The committees rigorously evaluate opportunities and other operational information to ensure that a well-informed decision-making process contributes to the brand's strategic direction.

Furthermore, Khaadi has placed significant emphasis on safeguarding confidential information, of both the company and its customers, highlighting its commitment to data privacy and security. By prioritizing integrity, ethics, and adherence to legal and ethical standards, Khaadi established itself as a leader in the industry, setting the bar high for business ethics and responsible business practices.

Khaadi's People Experience team conducts an annual review to assess and reinforce ethical standards and business practices across the organization. The first such process culminated in the issuance of the Code of Conduct in 2021, By prioritizing ethical conduct and employee awareness, Khaadi demonstrated its unwavering dedication to upholding high standards of integrity and accountability. Furthering its emphasis to uphold ethical standards and promote responsible business practices, Khaadi made its Code of Conduct (COC) readily accessible on its official website. This public disclosure of ethical guidelines served as a testament to the brand's commitment to ethical conduct and integrity in all aspects of its operations. Management's emphasis on the importance of good conduct towards both employees and customers underscored its dedication to upholding ethical standards and fostering a culture of trust and respect within the organization. In matters of official communication and representation, Khaadi took a proactive approach by specifying an official spokesperson and establishing clear communication protocols. This deliberate step ensured consistency and accuracy in external communications, reinforcing the brand's commitment to transparent and authentic engagement with stakeholders.

In a significant move towards fostering trust and accountability, Khaadi engaged the services of A. F. Ferguson & Company, a member firm of Price Waterhouse Coopers (PWC), from 2015 onwards, a globally recognized firm, to conduct its external audit. The annual reports corroborated by this audit were meticulously shared with the Board, emphasizing a commitment to transparency and financial integrity. To ensure alignment and clarity on strategic matters, management regularly convened meetings with the board, providing a platform for in-depth discussions and decision-making processes conducted with utmost transparency. This practice not only facilitated effective governance but also underscored the brand's dedication to open communication channels within the organization.

Through a strategic combination of external audits, transparent governance practices, ethical guidelines, and robust compliance measures, Khaadi not only cultivated a culture of openness and transparency but also laid the foundation for sustained growth and prosperity within the organization.
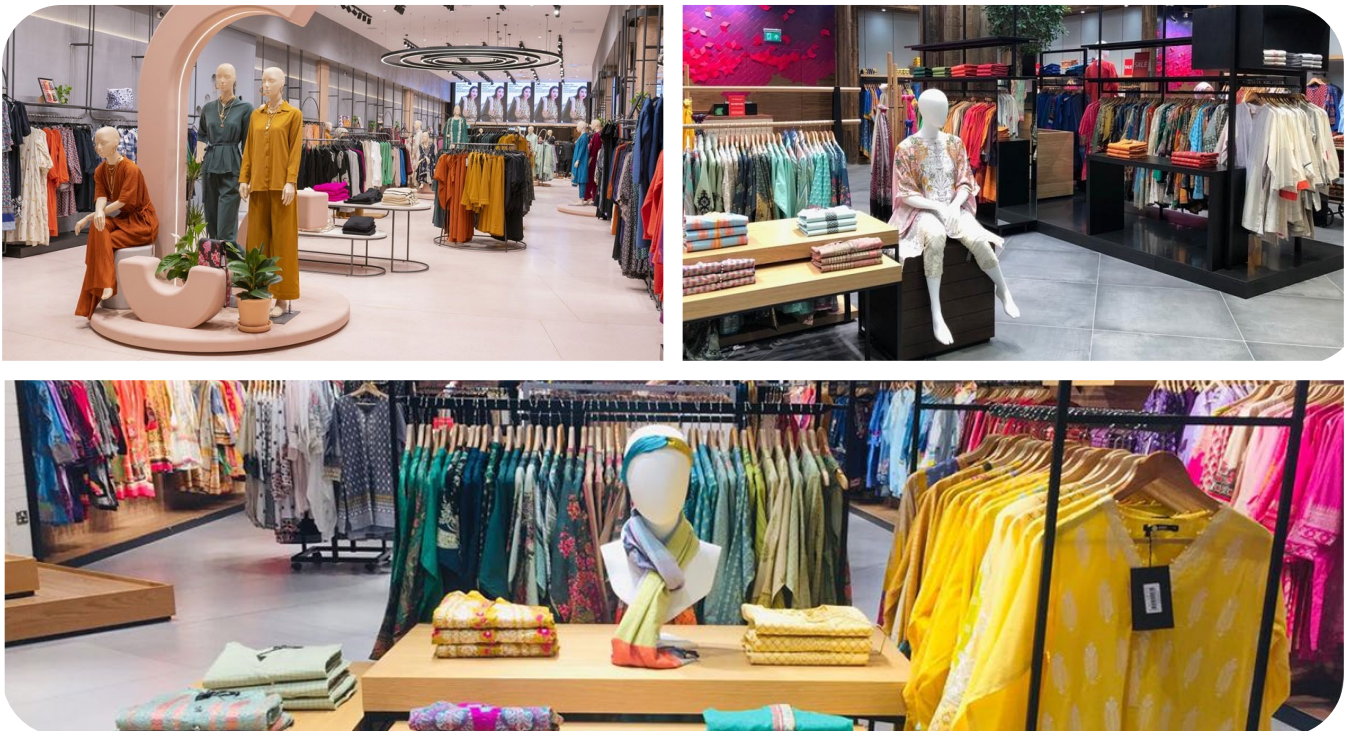
2.4 Customer Care and Engagement at Khaadi: Prioritizing Quality Standards

Since its inception, Khaadi embraced a customer-oriented approach, placing a strong emphasis on delivering exceptional customer care and engagement strategies to foster growth and development within the company.

Embracing a customer-centric approach, Khaadi's management focused on continuous improvement to meet customer demands effectively. By prioritizing the development of trust and honesty in customer relationships, the company aimed to build long-lasting connections with its clientele. To ensure the customer centric culture penetrated through all staff members, including back-office or non-customer-facing personnel, an innovative activity was introduced through which all head office staff, regardless of their positions, engaged with customers at different Karachi stores, and experienced in-person what it was like to deal with customers. This unusual but effective practice showcases the company's commitment to fostering exceptional customer relationships and reinforced to the Sales team, the importance of the role the play in the company.

To elevate its brand presence retail design and customer experience, Khaadi engaged the services of Landor & Fitch, a globally recognized brand management firm, which has worked with numerous big brands like Apple, Nike, Lego, Proctor & Gamble, M&Ms etc. This strategic partnership led to the enhancement of outlet design, with notable initiatives such as the launch of Khaadi's first experience hub in Karachi, in collaboration with the renowned firm, further enhancing customer experience and brand perception.

As part of its strategic evolution, Khaadi has developed a formal Quality Assurance (QA) unit in 2021-22, aimed at enhancing product quality and customer satisfaction. This move underscored the brand's commitment to upholding stringent quality standards and delivering exceptional product value to its discerning clientele. Within the QA unit, Khaadi also included dedicated fabric experts tasked with meticulously assessing the fabric of each material used in their garments. This meticulous evaluation ensured that only fabrics of superior quality, meeting the brand's exacting standards, were used for Khaadi's product offerings.

Khaadi conducts comprehensive assessments of coloring, stitching, and stretching aspects of their products in their commitment to excellence. This meticulous inspection process serves as a safeguard against potential defects and imperfections, guaranteeing that only standard products reach the loyal customer base of Khaadi.

By embedding a customer-centric approach into its quality assurance practices, Khaadi not only elevated the overall product quality but also reinforced its reputation as a brand synonymous with excellence and reliability. Through a systematic and thorough QA process, Khaadi not only ensured the consistency and integrity of its products but also demonstrated a steadfast commitment to meeting and exceeding customer expectations.

As part of its commitment to continuous improvement, Khaadi recruited professionals having product sourcing experience with leading brands like Levis, H&M etc. to leverage their expertise in refining and optimizing the customer experience strategy. This strategic talent acquisition aimed to infuse fresh perspectives and industry best practices into Khaadi's customer engagement initiatives, ensuring alignment with global standards of excellence in retail customer care.

Furthermore, in its pursuit of enhancing customer satisfaction and feedback mechanisms, Khaadi initiated the development of a dedicated online portal to streamline customer complaints and feedback processes. By leveraging technology to centralize and address customer concerns effectively, Khaadi demonstrated its commitment to listening to customer feedback, resolving issues promptly, and continuously improving the overall customer experience across its retail outlets.

Through a multi-faceted approach encompassing strategic partnerships, market research, and technological innovations, Khaadi's customer care and engagement initiatives played a pivotal role in driving the company's growth, expanding its customer base, and solidifying its position as a leading retail brand in the industry.

2.5 Khaadi's Digital Transformation Journey: Embracing Technology

"Go Digital or Die"

Championing Digital First Strategy

In 2017, Khaadi embarked on a transformative journey by embracing a Cloud First approach, harnessing latest technologies to foster innovation and enable agile scalability as needed. The Dreamer (CEO) Shamoon Sultan championed a Digital First strategy, epitomized by the bold declaration, "Go Digital or Die," setting the tone for the transition through careful change management and upskilling efforts crucial for the transformation's success.

Khaadi – A Global Case Study

For Microsoft Dynamics 365 Implementation

Khaadi initiated a comprehensive redesign of systems and processes in alignment with the implementation of the cloud-based ERP for Retail, Microsoft Dynamics 365. A thorough review of all processes for automation, coupled with stakeholder engagement, ensured that Khaadi's digital initiatives aligned seamlessly with its long-term vision. Microsoft recognized Khaadi's Dynamics 365 implementation as a global case study, showcasing it on its customer success portal and social channels, highlighting the company's commitment to excellence in digital transformation, as an example for its other customers. Post-project delivery, Khaadi remained dedicated to optimizing processes, ensuring that people, processes, and technology continually generated tangible business value.

Global CIO 100 Award

From the International Data Group

Through technology every facet of Khaadi's operations underwent meticulous transformation, with even Product Design transitioning from manual methods to streamlined digital processes, empowering designers to innovate and collaborate effectively. This monumental shift garnered international acclaim, culminating in Khaadi's recognition with the prestigious Global CIO 100 award by the International Data Group, affirming the company's trailblazing role in digital innovation.

Salesforce Commerce Cloud

One of the World's leading e-commerce platform

In a historic move in 2023, Khaadi partnered with global powerhouse Salesforce, becoming the first Pakistani organization to migrate its entire e-commerce portfolio to the Salesforce Commerce Cloud, one of the world's leading e-commerce platforms. This strategic alliance marked a significant milestone in Khaadi's digital evolution, further solidifying its position as an industry innovator at the forefront of technological advancement.

Noteworthy post-production projects included the implementation of a Distributed Order Management System for intelligent Omni Channel Retailing services, a comprehensive overhaul of financial processes for end-to-end automation, and the introduction of Automated Inventory Allocation to optimize operational efficiency and reduce repetitive human input. These initiatives underscored Khaadi's continued commitment to innovation, operational excellence, and driving sustainable growth through digital transformation.

2.6 Internal Controls and Efficiency

In its commitment to operational excellence and financial integrity, Khaadi implemented robust internal controls and reporting mechanisms to ensure transparency, compliance, and efficiency across all departments. Khaadi had been using SAP as its primary enterprise resource planning (ERP) tool since 2016. Microsoft Dynamics was added to the systems repertoire in 2018 with an aim to provide key information to stakeholders for decision making in real time. Management and the board regularly reviewed important indicators, which included daily sales report, inventory position, concept-wise sales, vendor liability reports, shop wise P&L reports, etc.

In response to the growing complexity of its operations in 2015, Khaadi recognized the importance of optimizing its business processes and establishing Standard Operating Procedures (SOPs) to ensure consistency and efficiency across the organization. With a focus on operational excellence, Khaadi meticulously developed well-defined SOPs for each department, serving as a comprehensive guide to standardize workflows and monitor adherence to established protocols. These SOPs encapsulated a set of rules and best practices tailored to the specific requirements of each department, laying the groundwork for streamlined operations and enhanced productivity.

The effectiveness of the internal controls and monitoring strategy can also be seen when Khaadi chose to reduce its number of stores operating in Pakistan in the post-pandemic era, when it was adjusting to the new world order. This involved consistent monitoring of the financials of each nationwide branch, subsequently deriving an analysis on the loss-making branches and the collective impact the losses made on the company's overall revenue. The on-going monitoring finally led to a change in customer footfall strategy from Push to Pull i.e., instead of having numerous Khaadi outlets to ensure it was in reach of its customers through convenient on-ground presence, Khaadi would focus on making its brand quality such that it would pull its customers to wherever it was located, thus also controlling costs, and increasing profitability. Without proper Cost and Revenue monitoring, identification of low profitability outlets and such critical changes to Business Strategy would not have been possible.

47	52	62	59	53	41
2018	2019	2020	2021	2022	2023

Figure 2 Store Count in Pakistan from 2018 - 2023.

For the purposes of streamlining, management also made the decision to change their reporting financial year from July-June to a January- December reporting cycle. This effort was to align the reporting cycle of Khaadi's international Business with the Pakistani business reporting onto a single reporting cycle, saving additional auditing fees and repetitive effort to close the books.

2.7 Outsourcing Expertise – Risk Management

Central to the internal controls strategy was the outsourcing of its internal audit unit, which played a pivotal role in conducting comprehensive audits for all departments, thereby ensuring adherence to operational standards and regulatory requirements. By identifying areas for enhancement and optimization, the internal audit team contributed to driving continuous improvement and operational excellence within the company.

McKinsey&Company

Strategy and Financial Optimization

EY

Internal Audit & Risk Assessment

Central to the internal controls strategy was the outsourcing of its internal audit unit, which played a pivotal role in conducting comprehensive audits for all departments, thereby ensuring adherence to operational standards and regulatory requirements. By identifying areas for enhancement and optimization, the internal audit team contributed to driving continuous improvement and operational excellence within the company.

Recognizing the value provided by the internal audit function, Khaadi acknowledged the dual role of the team in safeguarding against financial discrepancies and driving cost-saving initiatives through enhanced operational efficiency. This not only mitigated risks but also led to tangible benefits in terms of cost savings, process improvements, and overall operational effectiveness.

By entrusting the internal audit function with the responsibility of upholding internal controls, ensuring compliance, and driving operational excellence, Khaadi demonstrated its unwavering commitment to sustainable business practices, financial integrity, and long-term profitability. The collaborative efforts of the internal audit team while fostering a culture of accountability, transparency, and continuous improvement were instrumental in enhancing the company's profitability, competitiveness, and resilience in the dynamic retail landscape.

To further propel its growth and sustainability, Khaadi also sought the expertise of McKinsey in 2018, a renowned advisory firm, to conduct a comprehensive analysis of its customer base on a global scale. McKinsey's in-depth research delved into the dynamics of the modest fashion brand customer segment, meticulously examining market potential and identifying key growth opportunities. In addition to customer insights, McKinsey's project supported Khaadi in financial planning and strategic decision-making including market sizing. Moreover, McKinsey collaborated with Khaadi in formulating Capital Expenditure (CapEx) strategies, ensuring that investment decisions aligned with the brand's long-term objectives and growth trajectory.

> **Khaadi is a nimble organization, and we are always ready to adapt to changing circumstances and change our strategy, if it contributes to the success of the business.**
>
> Kashif Shah, Leader & Financial & Value Creation Success

Through a synergistic partnership with McKinsey, Khaadi not only refined its operational framework with robust SOPs but also leveraged external expertise to gain strategic insights and optimize its financial planning processes. This collaborative approach empowered Khaadi to enhance operational efficiency, capitalize on market opportunities, and chart a sustainable path towards continued growth and success. The management reporting structure at Khaadi was designed to provide timely and relevant information to departmental heads and key stakeholders, enabling effective performance monitoring and decision-making support. Monthly financial results, cash flow analysis, and Key Performance Indicator (KPI) updates were integral components of the management reporting process, offering insights into the financial health of the company and the performance of individual departments.

In a proactive stance towards safeguarding its operations and assets, Khaadi implemented a robust risk management framework that encompassed both internal and external facets of the organization. The internal audit team helped in identifying potential risks, ranging from inaccuracies and discrepancies to pilferages and fraudulent activities. By promptly addressing these risks, Khaadi was able to mitigate financial losses and fortify the protection of its assets.

Recognizing the value of external expertise in risk assessment, Khaadi engaged the services of Ernst & Young (EY) to conduct a comprehensive evaluation of the organization's risk landscape. This exercise was instrumental in pin-pointing areas of vulnerability and uncertainty within the organization, enabling Khaadi to proactively address and mitigate potential risks before they could escalate into significant challenges.

In addition to strategic partnerships with advisory firms, Khaadi implemented stringent risk management measures at its retail stores to ensure operational integrity and security. The establishment of appropriate checking mechanisms, coupled with the deployment of monitoring and theft prevention tools, fortified the company's ability to detect and deter risks at the frontline of its operations. These proactive measures not only bolstered the security and resilience of Khaadi's retail outlets but also instilled confidence among customers and stakeholders in the brand's commitment to operational excellence and risk mitigation.

By integrating internal audit vigilance, external risk assessments, and operational safeguards at its retail stores, Khaadi cultivated a culture of risk awareness and proactive risk management across the organization. This strategic approach not only helped Khaadi navigate uncertainties and challenges effectively but also positioned the company for sustained growth and resilience in the dynamic business landscape.

2.8 Environment, Social & Governance

The Kreate Your Mark (KYM) initiative introduced in 2022, is an endeavor to give back to the society and create an affirmative active in favor of the small business-women entrepreneurs in Pakistan. This will serve to accelerate economic empowerment and provide the necessary business acumen, through connecting and collaborating.

> *I believe in individuals who dream fearlessly to Kreate their own Mark.*
>
> Shamoon Sultan, Dreamer

These entrepreneurs receive 100% of the sales contribution on their products which are placed in prime location within Khaadi's Experience Hubs. These women entrepreneurs will be Kreators at Khaadi, with an option to join Khaadi's supply chain if they so wish. Kreate your Mark program is available to all Pakistani women entrepreneurs. Moreover, Khaadi onboarded an external consultant to help implement the Environment, Social and Governance Framework company wide.

In another ESG initiative to help the environment and sustainability, Khaadi has discontinued the provision of free of cost bags to its customers to carry their purchased products. In case a customer still wants a bag, the customer can purchase a paper bag (as was previously provided with purchases) or can also choose a more sustainable option in the form of a cloth bag, which can be re-used multiple times. This is an effort by Khaadi to reduce its carbon footprint and to create awareness in its customers to be environmentally conscious.
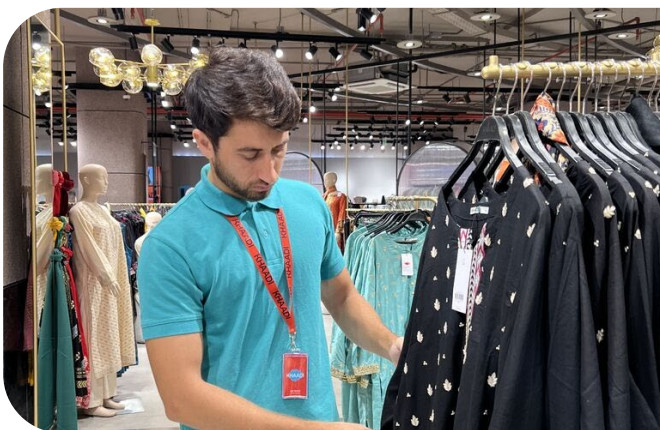
3. IMPACT OF CORPORATE GOVERNANCE ON BUSINESS GROWTH

Khaadi's adoption of leading corporate governance practices, technology innovations, risk management, focus on quality standards and, service differentiators all contributed to consistent business growth as illustrated in the diagram below:

Revenue Growth (PKR Masked*)

*Revenue — PKR**

Years

Revenue ■ YoY Growth ─
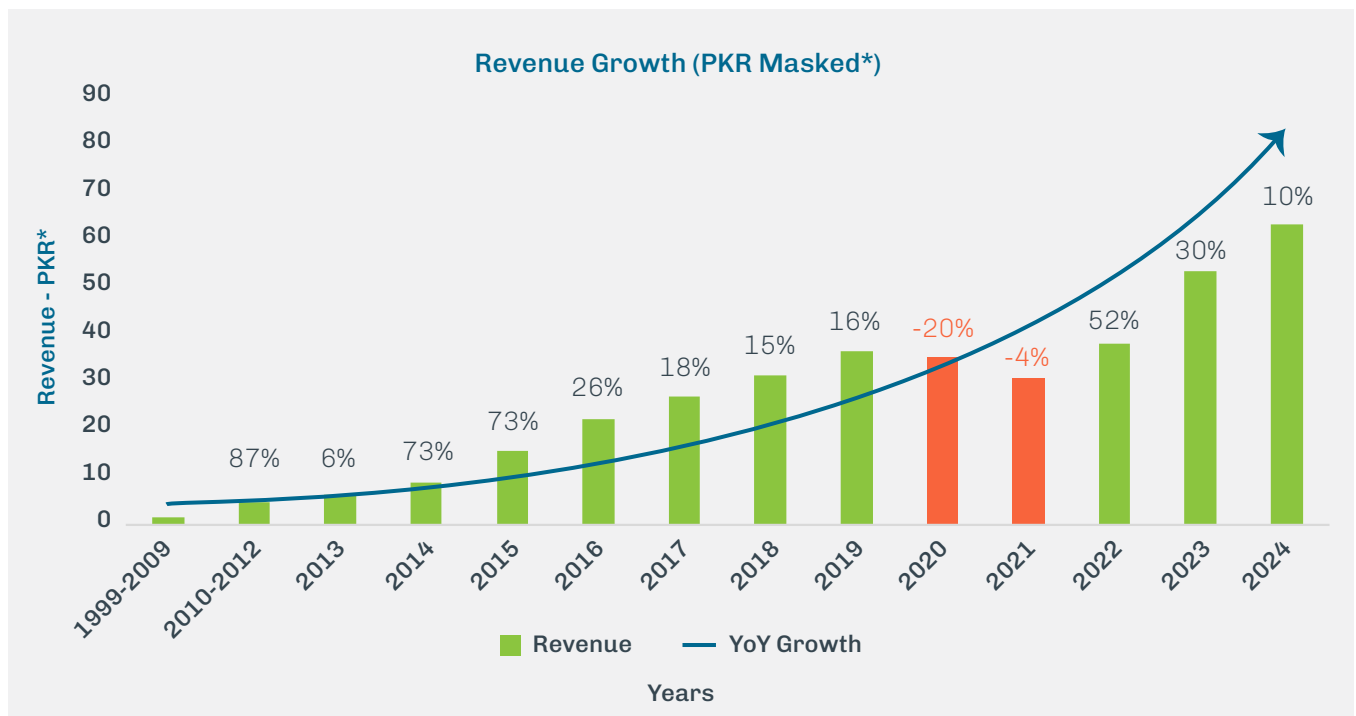
* Note: Revenue numbers have been masked for confidentiality purposes.

With the exception of dip in sales during 2020-21 due to Covid-19, the steady linear growth in revenue suggests a stable company with a strong foundation, backed by a robust governance structure and sound internal controls and risk management mechanism implemented along with the oversight of the Board. The Dreamer (CEO), Shamoon Sultan is very clear on the benefits of adopting corporate governance practices and the impact they have had on the company's growth:

> " *If I had not corporatized this organization, if I had not had our SOP's put in place and inculcated professionalism in the organization, I would not have been able to grow beyond 12-15 million.* "
>
> Shamoon Sultan, Dreamer

4. THE WAY FORWARD (CONCLUSION)

Charting the Path Forward: Khaadi's Vision for Future Growth and Corporate Governance Evolution

With its strategic vision for the future, Khaadi embarked on initiatives aimed at fostering innovation, expanding its market presence, enhancing corporate governance practices, and cultivating a culture of diversity and inclusiveness within the organization.

To drive innovation and product development, Khaadi has established its own Research and Development (R&D) center, signaling a commitment to exploring new products and design patterns. Seasoned professionals with extensive industry experience are a part of this initiative, resulting in creative endeavors and product innovation.

In the realm of People and Culture (P&C), Khaadi laid the groundwork for enhancing corporate governance practices by implementing a comprehensive data system to centralize employee information and applicant data. This database served as a foundational resource for analyzing organizational dynamics and facilitating informed decision-making, particularly within the P&C department.

Moreover, Khaadi articulated a commitment to fostering diversity within its workforce, aiming to further promote inclusivity across gender, cultural backgrounds, and individuals with disabilities in coming years. By prioritizing diversity and inclusion initiatives, Khaadi sought to create a more dynamic and inclusive work environment that celebrated the unique perspectives and contributions of all employees.

In alignment with its strategic priorities, Khaadi also underscored a heightened focus on risk management in the future, recognizing the importance of proactively identifying and mitigating risks to safeguard its operations and assets. By emphasizing risk management practices, Khaadi positioned itself to navigate uncertainties and challenges effectively, ensuring operational resilience and sustainability in the evolving business landscape.

In pursuit of international expansion opportunities, Khaadi's management, led by Shamoon, is actively exploring avenues for market growth in global markets – having already opened a store in USA, it is scouting locations for more locations in the country. This strategic exploration underscores the brand's ambition to broaden its footprint beyond domestic borders and tap into South Asian diaspora in new market segments to drive future growth.
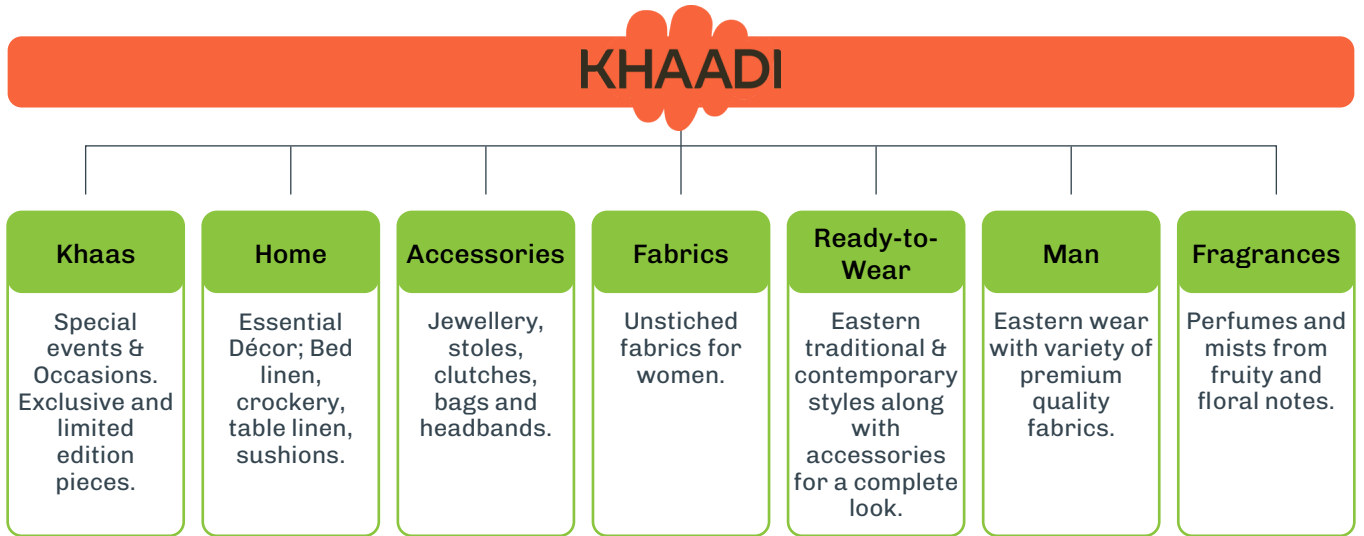
The future plans included developing larger, awe-inspiring "customer experience" locations instead of focusing on expanding number of locations[3], gaining deeper ground in fast fashion, expanding internationally, enhancing e-commerce, optimizing costs, and eventually going public with an IPO.

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[3] *See https://aurora.dawn.com/news/1141213 for issues surrounding geographic expansion in this market*

5. APPENDICES

Appendix A: Product Lines

KHAADI						
Khaas	**Home**	**Accessories**	**Fabrics**	**Ready-to-Wear**	**Man**	**Fragrances**
Special events & Occasions. Exclusive and limited edition pieces.	Essential Décor; Bed linen, crockery, table linen, sushions.	Jewellery, stoles, clutches, bags and headbands.	Unstiched fabrics for women.	Eastern traditional & contemporary styles along with accessories for a complete look.	Eastern wear with variety of premium quality fabrics.	Perfumes and mists from fruity and floral notes.

Appendix B: Business Organization/Group Structure

Shamoon Sultan

Weaves Holdings (SMC Pvt) Ltd.

IFC

Khaadi Corporation Limited

Majority Shareholder/Sponsor of 80%

Minority Investor of 20%

100%	100%	100%	100%	100%	100%
Khaadi Pakistan (SMC Pvt) Ltd.	Khaadi Sourcing (SMC Pvt) Ltd.	Weaves Properties (SMC Pvt) Ltd.	Weaves Exports (SMC Pvt) Ltd.	Kanteen (SMC Pvt) Ltd.	Weaves I Fashion & Design BVI
Retail & eCommerce	Product, Design & Sourcing	Real Estate & Retail Expansion	Export Company	Restaurant & Cafe	

Weaves III Fashion & Design BVI — 80%

Weaves USA	Weaves UK	Weaves USA
100%	100%	100%

Pakistan Based Entities

Foreign Entities

Appendix C: Board of Directors

Shamoon Sultan

Shamoon Sultan is the Founder and Dreamer of Khaadi Corporation Limited. He has been leading the company since 1998 and has over 25 years of experience in the textile and retail industry.

Asif Peer

Asif is the CEO, MD and member of the Boards of System Limited and has over 27 years of experience in the IT industry. He previously served as the COO of Visionet Systems from 2005 to 2013.

Arzu Aslan Kesimer

Arzu has served as the first female CEO of one of the Turkey's largest conglomerates, as well as her role in empowering her team and creating an innovation culture in business. She actively works in innovation, venture capital, strategy, leadership and diversity matters.

Abdul Samad Dawood

Abdul Samad is the Vice Chair of the Board of Dawood Hercules Corporation and has been a director since 2002. He has over 20 years of experience in management and governance and has developed a special interest in mergers and acquisitions.

Maheen Rahman

Maheen is the CEO of InfraZamin Pakistan, a Private Infrastructure Development Group (UK) Company. She has over 20 years of experience in investment banking, research and asset management and has previously served as the Chief Executive of Alfalah GHP Investment Management.

Appendix D - Mapping of key Corporate Governance practices adopted by Khaadi with the leading Corporate Governance Frameworks

Corporate Governance Principles	Key initiatives	How it helped Khaadi
Pillar: Culture and Commitment to good Corporate Governance		
Principle: Vision, mission and core values of the company are developed and communicated to all stakeholders and updated from time to time.	Khaadi's vision *"to make a global Pakistani organization creating experiences beyond fashion,"* and mission statement *"Passionately drive growth by constantly designing and innovating products and experiences for the ever-evolving human needs and aspirations,"* reflects its commitment to celebrating Pakistan's cultural heritage and showcasing hand-woven fabrics.	• The articulation of Khaadi's vision and mission has been instrumental in forging a distinct brand identity that resonates with cultural authenticity and a commitment to quality, propelling the brand to a leadership position in the fashion industry.
Principle: A well-defined organizational structure is in place with clear reporting lines.	Khaadi's organizational structure, known as the "Sham Model," categorizes employees into roles such as Dreamer (CEO), Leader (Head of Department), Innovator, Thinker, Energizer, Enabler, Doer, and Achiever.	• The implementation of the "Sham Model" has cultivated a structured and empowering work environment, fostering a sense of belonging and motivation among employees, which has been pivotal in driving organizational success.
Principle: Responsibilities and authorities for key management positions are documented in the form of clear job descriptions.	Responsibilities and authorities for key management positions are documented, with the hiring of qualified professionals to drive strategic initiatives.	• The establishment of clear job descriptions has ensured strategic alignment of talent with the company's overarching goals, enhancing the efficacy of the workforce in executing Khaadi's vision.
Principle: Key policy and procedures are in place and formally documented.	Khaadi has developed Standard Operating Procedures (SOPs) and a Code of Conduct to standardize workflows and ethical practices.	• The codification of SOPs and a Code of Conduct has streamlined operations and entrenched a culture of ethical conduct, yielding increased productivity and reinforcing the company's moral compass.
Principle: A system for communicating relevant internal and external information is clearly established. This includes providing clear policies and procedures to employees, ensuring that everyone understands their roles and responsibilities, and fostering effective communication channels withing the organization.	Khaadi has implemented a robust communication system, including a "Speak Freely" platform for employees to raise issues.	• The deployment of a robust communication framework, including the "Speak Freely" platform, has fortified the principles of transparency and accountability, fostering an environment where sensitive issues are addressed with candor and discretion.

Corporate Governance Principles	Key initiatives	How it helped Khaadi
Principle: Owner/Leader provides entrepreneurial strategic leadership and delegates work to managers/specialists empowering people and mentoring, coaching them to develop human resource.	Shamoon Sultan, as the Dreamer (CEO), provides strategic leadership and empowers managers and specialists.	• Under the visionary leadership of Shamoon Sultan, Khaadi has flourished, with a focus on empowering managers and specialists that has been essential in nurturing talent and driving the brand's global expansion.
Principle: A code of ethics and conduct is in place and is communicated regularly that serves as the foundation for basic conduct, shaping the organizational climate and culture.	Khaadi has in place a Code of Conduct circulated to employees, emphasizing good conduct towards both internally and towards customers.	• The establishing and dissemination of Khaadi's Code of Conduct has underscored the brand's dedication to ethical practices, shaping an organizational climate where integrity and respect are paramount.
Pillar: Decision Making and Strategic Oversight		
Principle: A collaborative approach to decision making is followed in the form of management committees and external experts (advisors or advisory board) that may meet on a periodic basis to discuss operational and strategic matters.	Khaadi's management committees and the involvement of external experts like McKinsey and Ernst & Young (EY) for strategic insights.	• • The formation of management committees and engagement with external experts has refined Khaadi's strategic decision-making process, resulting in optimized financial planning and heightened operational efficiency.
Principle: The role of the Board of Directors is clearly documented.	The Board, with members like the CEO and independent directors, provides active oversight.	• The active oversight of a knowledgeable Board of Directors has been a cornerstone in guiding Khaadi's strategic direction, ensuring decisions are made with foresight and due diligence.
Principle: The BOD/CEO appraises the performance of senior management on a periodic basis.	The PULSE system for performance evaluation and the belt system for feedback.	• The introduction of the PULSE system and the belt system for feedback has revolutionized performance evaluation, fostering a culture where excellence is recognized, and constructive feedback is valued.
Principle: Effective and efficient Board procedures are established (enough time for discussion, focused agendas, prior circulation of briefing papers and approval of meeting minutes).	Regular board meetings and comprehensive reporting to the Board.	• The establishment of rigorous board procedures has enhanced the governance process, enabling informed and strategic decision-making that aligns with Khaadi's long-term objectives.
Principle: Active processes are in place for succession planning of ownership, management, and specialized expertise. The HR function is a strategic partner developing effective sourcing and retention strategies, compensation plans, performance management systems and professional development programs.	Khaadi has a robust succession planning system in place.	• A robust succession planning system has ensured that promotions within Khaadi are merit-based, securing leadership continuity and fostering a culture of performance-driven growth.

Corporate Governance Principles	Key initiatives	How it helped Khaadi
Principle: The BOD (or CEO where there is no BOD) assures that the status of organizational strength and manpower is aligned with long-term goals.	The BOD assures alignment of organizational strength with long-term goals.	• The Board's commitment to aligning organizational strength with long-term goals has been pivotal in charting a sustainable course for Khaadi's development.
Principle: Key performance indicators are used as an effective performance evaluation and motivation tool for key management and technical staff.	Khaadi uses KPIs for performance evaluation.	• The utilization of KPIs as a tool for performance evaluation has been instrumental in driving motivation and accountability among key staff, enhancing the brand's competitive edge.
Principle: The company's strategy, results and long-term goals are reviewed on an annual basis.	The company's strategy and goals are reviewed annually.	• The annual reassessment of Khaadi's strategy and goals has ensured that the brand remains agile and responsive to market dynamics, reinforcing its position as an industry innovator.
Pillar: Risk Governance and Control		
Principle: An appropriate internal controls system is in place to identify and manage risks to company's operational, reporting and compliance objectives e.g., authorization controls, segregation of duties, physical controls, monitoring reports etc.	Khaadi has implemented SAP and Microsoft Dynamics for real-time decision-making information.	• The adoption of advanced ERP systems has fortified Khaadi's internal controls, providing a foundation for transparent and compliant operations across the brand's expansive network.
Pillar: Disclosure and Transparency		
Principle: Prepare financial statements in accordance with recognized accounting standards.	Khaadi prepares financial statements in accordance with recognized accounting standards.	• The meticulous preparation of financial statements in line with recognized standards has cemented stakeholder confidence and underscored Khaadi's financial probity.
Principle: The same financial information and data is used for all purposed.	Khaadi has a standardized GL and accounting system which records the details of all financial transactions based on which financial statements are prepared and all financial information of Khaadi is reported.	• The consistency in financial data usage has ensured the integrity of Khaadi's financial reporting, fostering a relationship of trust and transparency among stakeholders and building the company's reputation.

Corporate Governance Principles	Key initiatives	How it helped Khaadi
Principle: A process is in place to determine key non-financial information to be disclosed to stakeholders.	Khaadi discloses key non-financial information to stakeholders and the general public through its official website, such as its growth journey, key milestones achieved, its culture and values e.g. D&I and Code of Conduct.	• The disclosure of non-financial information has bolstered Khaadi's transparency, enhancing stakeholder engagement and reinforcing the brand's commitment to open communication. The public disclosure of Khaadi's internal values and Code of Conduct has underscored the brand's dedication to ethical practices, shaping an organizational climate where integrity and respect are paramount.
Principle: A process is in place to determine key non-financial information to be disclosed to stakeholders.	Khaadi discloses key non-financial information to stakeholders.	• The strategic determination of non-financial disclosures has bolstered Khaadi's transparency, enhancing stakeholder engagement and reinforcing the brand's commitment to open communication.
Principle: Disclose information related to environmental-impact hazards, health and safety, social and labor issues and impact on local communities, and their regulatory compliance and liability.	Initiatives like Kreate Your Mark (KYM) and discontinuation of free bags demonstrate Khaadi's commitment to social and environmental responsibility.	• Khaadi's initiatives, such as Kreate Your Mark and the shift towards sustainable packaging, have highlighted the brand's dedication to environmental stewardship and social responsibility, amplifying its impact on local communities and the environment.
Pillar: Ownership		
Principle: Procedures have been defined to regularly update all shareholders on company policies, strategy, and results.	Khaadi regularly updates its investors / shareholders on company strategy, policies and results.	• Regular updates to shareholders have been a testament to Khaadi's commitment to stakeholder inclusivity, ensuring that shareholders are well-informed and engaged in the brand's journey.

About Karandaaz

Karandaaz Pakistan is a not-for-profit public company limited by guarantee set up under Section 42 of the Companies Act, 2017. Karandaaz was established in 2014 with seed funding from UK Government's Foreign Commonwealth and Development Office and the Bill & Melinda Gates Foundation. Karandaaz Pakistan is an impact investment platform that drives sustainable economic growth and strengthens financial and social protection systems for inclusion. Its main area of focus is to address challenges faced by SMEs and unbanked individuals1 in Pakistan with respect to access to finance to foster economic growth and prosperity for Pakistan.

Karandaaz Capital

This vertical provides wholesale structured credit and equity-linked direct growth capital investments in micro, small and mid-size enterprises that have the potential to contribute to sustainable growth. and employment generation in Pakistan.

Karandaaz Digital

This vertical focuses on expanding the access to digital financial services in Pakistan by working across the ecosystem with all stakeholders in the following work areas: digital public infrastructure, payment systems, policy and regulation, seeding innovation, experimentation and solutions development, and scale and outreach.

Karandaaz Innovation

This vertical provides risk capital and technical assistance to support innovative solutions aimed at financial inclusion and entrepreneurship especially in marginalized sectors. A key component of the work includes providing business development support and growth capital to women led businesses and green ventures to facilitate their expansion and scale up.

Karandaaz Research & Insights

This vertical supports the company's core financial inclusion goal by developing and disseminating evidence-based insights and solutions to influence markets and the financial ecosystem.

For more information, contact us at: info@karandaaz.com.pk

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