YESS: Yarn Ethically & Sustainably Sourced

Textile Mill Training Module 1

YESS: An Introduction

May 5 & 6, 2021

YESS Pilot DRAFT

http://www.sourcingnetwork.org/yess
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Use the Q&A Function to send us your questions, speakers will answer questions at the end
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Textile Mill Training Module 1
YESS: An Introduction
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Today’s Presenters

Patricia Jurewicz
Founder and CEO
Responsible Sourcing Network

Liz Muller
Principal
liz muller & partners
Due Diligence Consultant
Today’s Agenda

1. The YESS Initiative: Mission, Context, Approach (Patricia)
2. Implementation Working Group (Patricia)
3. Pilot Project (Liz)
4. YESS Standards Explained (Liz)
   - Policy and management system expectations
   - Supply chain mapping
   - Supplier and cotton due diligence
   - Risk identification, prevention, and mitigation
   - Material management systems
   - Monitor performance and report progress
5. Questions & Answers (All)
YESS: An Introduction
YESS Mission and Intent

To create an industry-wide due diligence program for spinners and textile mills to eliminate cotton produced with forced labor from their supply chains.
YESS Focuses on Supply Chain Control Points

- **Upstream**
  - Farm / Gin

- **Downstream**
  - Two points of mixing of global sources

**Points**

- Raw Materials
- Finished Products

**Yarn Ethically & Sustainably Sourced**
**OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector**

<table>
<thead>
<tr>
<th>Identify potential and actual harm in supply chains</th>
<th>Cease, prevent, or mitigate harm in supply chains</th>
<th>Track performance</th>
<th>Communicate activities and progress</th>
<th>Provide for or cooperate in remediation when appropriate</th>
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</thead>
<tbody>
<tr>
<td>Embed responsible business conduct in policy and management system</td>
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</table>
RSN Identified High-Risk Countries

**High-risk countries** have significant evidence of forced labor in their cotton production*

- Benin
- Burkina Faso
- China
- India
- Kazakhstan
- Pakistan
- Tajikistan
- Turkmenistan
- Uzbekistan


*It is the mill’s responsibility to identify high-risk origins. YESS’s indicative and non-exhaustive list should be considered.*
YESS As Gatekeeper

SCOPE OF YESS

- Low-risk cotton from BCI, CmiA, Fair Trade, and other initiatives

- Cotton with a high-risk of being produced with forced labor

- Conventional cotton with a low-risk of being produced with forced labor

- Cotton accepted at YESS-verified spinning mills
### Scope of YESS

<table>
<thead>
<tr>
<th>What YESS Does</th>
<th>What YESS Does Not Do</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Provide capacity building and support to implement a risk-based due diligence approach</td>
<td>• Look at all human rights issues in cotton fields</td>
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<tr>
<td>• Focus on management systems and material control systems</td>
<td>• Identify and address labor conditions inside a cotton processing facility (ginning, spinning, weaving, or knitting)</td>
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<tr>
<td>• Apply a production loss calculation of all cotton inputs within the facility</td>
<td>• Create a check-the-box audit or a code of conduct</td>
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<tr>
<td>• Annually assess if spinners and mills are conformant with the YESS Standard</td>
<td>• Certify product or facility</td>
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## YESS 2021 Workstreams

<table>
<thead>
<tr>
<th></th>
<th>YESS Pilot Project</th>
<th>YESS Initiative</th>
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<tbody>
<tr>
<td><strong>Goals</strong></td>
<td>Pilot YESS Standard for Spinners</td>
<td>Design and begin building the YESS Initiative, a multi-stakeholder initiative that will oversee the implementation and management of the YESS Standards, resources, and trainings</td>
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<tr>
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<td>Pilot YESS Standard for Textile Mills</td>
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<td>Develop and finalize all standards, assessment workbooks, resources, and trainings</td>
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<tr>
<td><strong>RSN Lead</strong></td>
<td>Liz</td>
<td>Patricia</td>
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<tr>
<td><strong>Terminology</strong></td>
<td>Pilot Project Team</td>
<td>Implementation Working Group</td>
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<tr>
<td><strong>Members</strong></td>
<td>5 brands</td>
<td>15 – 20 diverse stakeholders</td>
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<td>9 mills / spinners – 4 countries</td>
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<td>2 audit firms</td>
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</table>
Implementation Working Group (IWG)

- **Participants**
  - Brands and retailers
  - Spinners and textile mills
  - Regional and industry experts; audit firms
  - MSIs and NGOs

- **Objectives**
  - Design an industry-wide program to empower and ensure spinners and mills identify and address cotton produced with forced labor in their supply chains
  - Build support from stakeholders to achieve a harmonized approach to spinner and textile mill engagement, assessment, and verification
  - Create a due diligence system that is sustainable, scalable, and efficient

Learn more at sourcingnetwork.org/yess/implementation-working-group
## Standards Review

<table>
<thead>
<tr>
<th></th>
<th>YESS Standard for Spinners</th>
<th>YESS Standard for Textile Mills</th>
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</thead>
<tbody>
<tr>
<td><strong>Status</strong></td>
<td>First Version Published in 2019</td>
<td>Draft for Pilot Project</td>
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<tr>
<td><strong>Scope</strong></td>
<td>Facilities purchasing virgin cotton lint (fiber) and spinning it into yarn</td>
<td>Facilities purchasing cotton yarn and producing textiles (wovens or knits)</td>
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<tr>
<td><strong>Low-Risk Sources</strong></td>
<td>Low-risk country of origin (unprocessed cotton lint)</td>
<td>Suppliers of cotton yarn that are YESS conformant</td>
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<td>Physical cotton produced and transported under chain of custody of:</td>
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<td></td>
<td>• A qualifying farm-level schemes (unprocessed cotton lint)</td>
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<td></td>
<td>• Textile Exchange’s Recycled Claim Standard (or equivalent) (recycled cotton inputs)</td>
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YESS Conformant Continuum

1. YESS Trained
2. YESS Active
3. YESS Assessed (with Improvement Plan)
4. YESS Conformant
## Pilot Project Plan

<table>
<thead>
<tr>
<th>Activity Description</th>
<th>February</th>
<th>March</th>
<th>April</th>
<th>May</th>
<th>June</th>
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<th>August</th>
<th>September</th>
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<th>November</th>
<th>December</th>
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<td><strong>Planning</strong></td>
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<td>Nominate mills, enlist audit firms</td>
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<td>Introduce YESS to Spinners / Textile Mills</td>
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<td><strong>Create YESS Elements</strong></td>
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<td>Establish auditor qualifications, application, protocol</td>
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<td>Create trainings and knowledge quizzes</td>
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<td>Develop resources and tools</td>
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<td><strong>Train Brands, Mills/Spinners, Auditors</strong></td>
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<td>Present 5-part textile mill training webinars &amp; resources</td>
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<td>Present 5-part spinner training webinars &amp; resources</td>
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<td><strong>Conduct Desktop Assessments</strong></td>
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<td>Introduce the desktop assessment to spinners and mills</td>
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<td>Support spinners / mills to establish due diligence system</td>
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<td><strong>Conduct Onsite Assessments</strong></td>
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<td>Train auditors on assessment protocol</td>
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<td>Confirm onsite assessment logistics</td>
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<td>Prepare in-person training</td>
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<td>Present half day in-person refresher training</td>
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<td>Conduct onsite assessments</td>
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<td>Report on desktop assessment findings and recommendations</td>
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Due Diligence Expectations under YESS

Establish and implement a sourcing policy

Conduct supplier due diligence

Validate the plausibility of cotton origins

Identify, account for, and reconcile all cotton materials

Identify, prevent, and mitigate risks of forced labor in cotton production

Undergo an annual third-party assessment

Monitor performance

Report progress
## Terminology

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tr>
<td><strong>Due diligence</strong></td>
<td>• Acting with reasonable care and investigating an issue before making a decision.</td>
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<tr>
<td><strong>Risk-based approach</strong></td>
<td>• Applying different levels of due diligence proportionate to the risk faced by the company.</td>
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<td><strong>Red flag</strong></td>
<td>• A concern, discrepancy, or other suspicious activities in a spinner’s supply chain.</td>
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<tr>
<td><strong>Risk</strong></td>
<td>• Actual or potential exposure to harm of individuals or groups (i.e., forced labor).</td>
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<tr>
<td><strong>Mitigation</strong></td>
<td>• The act of minimizing or eliminating risk.</td>
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</table>
Due Diligence is a Dynamic Process

**Proactive**
A responsible sourcing program should be designed and implemented to identify risks—and mitigate them—in order to prevent harm or other negative outcomes.

**Ongoing**
A responsible sourcing program and its components should be integrated into its management systems and daily processes seamlessly and effectively.

**Responsive**
A responsible sourcing program should demonstrate that once gaps, discrepancies, or risk—both real and potential—are identified, the response will be prompt.
Due Diligence as a Pyramid

Know Your Supplier and Cotton Origin

Identify Red Flags

Identify Risk

Mitigate Harm
Continuous Improvement and Flexibility are Important

Continuous Improvement

Diagram of continuous improvement cycle.
Management System

The YESS Standard management system expectations align with ISO Management System Principles

- Management responsibility
- Control of documents/records
- Monitoring of performance
Cotton Inventory Control System

Received materials are expected to be

- Identified
- Weighed
- Documented
- Reviewed
- Assessed

- Mill maintains control over all of its inventory, including receipts, cotton stocks, work in process, shipments, or sales
- Production losses are within industry norms
- Any discrepancies are investigated and root causes identified
A Strong Policy is Essential to an Effective Management System

1. **Intent**
   - The basis of the policy is stated in procedures and communicated to suppliers

2. **Implementation**
   - The procedures that support the policy are implemented consistently and employees are trained on the procedures

3. **Impact**
   - The system works as intended and the desired outcomes are achieved
Due Diligence: Material and Supplier

Two Risk Categories

Risks associated with the cotton
- Risk category of origin
- Plausibility of origin
- Transit risks

Risks associated with the supplier
- Legal and legitimate operations
- Type of operations
- Procurement practices
Supplier Due Diligence and Expectations

- Know Your Supplier (KYS) process
- Communicate responsible sourcing policy
- Require transaction documents
- Integrate supplier due diligence into purchasing function
Cotton Origin Verification: “Gates, Weights and Dates”
A supply chain is considered high-risk if any of these situations are identified:

- Cotton lint is produced in a high-risk country
- Cotton lint originates in a country with limited or no cotton production
- There are discrepancies, inconsistencies or other issues identified during the review of cotton (including lint qualities and characteristics) and documentation that have not been addressed
- Supplier risks have been identified
Risk Decision Tree: Cotton Yarn

- All Cotton Inputs Identified
  - Yes → Low-Risk Country for ALL Cotton Lint
    - Yes → Lint CoC from Low-Risk Country Validated
      - Yes → Low-Risk Yarn
      - No → High-Risk Yarn
  - No → High-Risk Yarn

- CoC to Low-Risk Source for All Lint from High-Risk Origin
  - Yes → Low-Risk Yarn
  - No → High-Risk Yarn
High-Risk Supply Chains: Additional Due Diligence

**Step 1**
- Map the factual circumstances of the supply chains

**Step 2**
- Assess whether those circumstances present risks of forced labor

**Step 3**
- Design and implement a strategy to respond to identified risks
Risk Prevention and Mitigation

- Avoid and/or engage high-risk suppliers
- Support farm-level programs in the high-risk regions
Step-By-Step Training Modules

01
Introduction to YESS

02
Establishing a strong enterprise management system

03
Identifying and prioritizing risks

04
Responding to identified risks

05
Monitoring of and reporting on due diligence
YESS Resources

Trainings  Checklists  Flowcharts  Forms  Technical Advice

http://www.sourcingnetwork.org/yessportal
Questions?

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