YESS: Yarn Ethically & Sustainably Sourced

Training Module 5
Monitoring and Reporting

June 22, 23 and 24, 2021
2021 Pilot DRAFT

www.sourcingnetwork.org/yess
Today’s Agenda

1. Monitoring a Due Diligence Management System
2. Continuous Improvement
3. Annual Due Diligence Report
4. YESS Assessment Process
5. Review of the YESS Standards
6. Recommended First Steps and Available Resources
7. YESS Pilot Project and Implementation Working Group
Monitoring a Due Diligence Management System
Effective and timely communication of sourcing adjustments, risks or grievances.

Systems and processes support cotton sourcing policy.

Procedures are understood and followed.

Effective and timely communication of sourcing adjustments, risks or grievances.
### Annual Formal Review

<table>
<thead>
<tr>
<th>No.</th>
<th>Activity</th>
<th>Topic-Specific Resource(s)</th>
<th>Completed (Yes / No)</th>
<th>Cite Document / Evidence</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>We maintain documents related to our due diligence management system for five years. (YESS Standard, IV.1.2.b)</td>
<td>Due Diligence Management System Checklist</td>
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<tr>
<td>9</td>
<td>Our Know Your Supplier (KYS) process is approved and implemented prior to initial transaction and will be applied throughout the relationship. (YESS Standard, IV.2.1.a and 2.2.a)</td>
<td>KYS Checklist, KYS Form</td>
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<tr>
<td>10</td>
<td>Our procedure to inspect, validate the origin of, and assign a unique identification number to all cotton inputs is implemented. (YESS Standard, IV.2.1.c and d)</td>
<td>Cotton Receiving and Inventory Control System Checklist, Cotton Receiving Inspection Form</td>
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<td>11</td>
<td>A procedure is in place to segregate and hold any cotton material in question (e.g., missing paperwork, discrepancies in weight / quality, inability to validate origin plausibility). (YESS Standard, IV.1.2.c)</td>
<td>Cotton Receiving and Inventory Control System Checklist</td>
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**YESS Resource: YESS Standard Review Checklist**
Continuous Improvement
Effective Monitoring is Informal and Formal
Example: Supply Chain and Operational Improvements

- Onsite assessment of high-risk suppliers (2021)
- Implement risk management plan with supplier (2022)
- Establish a process to secure non-compliant shipment (Q2 2021)
- Establish a secure area of warehouse for non-compliant shipment (Q4 2021)
Annual Due Diligence Report
Due Diligence Policy and Systems

- Responsible cotton sourcing policy

- Due diligence system and integration (e.g., decision making, information systems)

- Management organization and responsible personnel
- Supplier due diligence
- Cotton input due diligence
- Internal control systems
- Grievance mechanism
- Monitoring and continuous improvement
Identify Risks and Risk Management Plans

- The most significant identified risks and processes for assessing those risks
- Components of the risk management plan
- Meaningful engagement with its stakeholders or multi-stakeholder initiatives
Future Intentions

Intent in policy engagement

Systems to provide access to remediation
# Annual Public Due Diligence Report Checklist

<table>
<thead>
<tr>
<th>No.</th>
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<th>Completed (Yes / No)</th>
<th>Document / Evidence</th>
<th>Comments</th>
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<tbody>
<tr>
<td>1</td>
<td>We publicly disclose the findings from our due diligence efforts annually.</td>
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<td>2</td>
<td>We facilitate the disclosure of the publicly reported information to any known entities that interact directly with the cotton workers and, when possible, with the cotton workers themselves.</td>
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<td>3</td>
<td>We publicly communicate the following in a clear and understandable manner:</td>
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<td></td>
<td>• Our responsible cotton sourcing policy or policies</td>
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<td></td>
<td>• Our due diligence system, including how due diligence is incorporated into decision-making processes and information management systems to support due diligence</td>
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<td></td>
<td>• The most significant identified risks of forced labor in cotton production in our supply chain,</td>
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</table>
Step-by-step guidance

- Our due diligence system, including how due diligence is incorporated into decision-making processes and information management systems to support due diligence.

- The most significant identified risks of forced labor in cotton production in our supply chain, and our processes for assessing those risks; where we have prioritized some risks of forced labor in cotton production for immediate attention, we will justify our prioritization process.
YESS Assessment Process
## YESS Assessment Process

<table>
<thead>
<tr>
<th><strong>Preparation</strong></th>
<th>Schedule onsite assessment</th>
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<tbody>
<tr>
<td></td>
<td>Due diligence management and policy review</td>
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<td>Update annual report</td>
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<td>Submit Mill Profile section of the YESS Assessment Workbook</td>
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<tr>
<td><strong>Onsite assessment</strong></td>
<td>Facility inspection</td>
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<td>Document review</td>
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<td>Employee interviews</td>
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<tr>
<td><strong>Post-assessment</strong></td>
<td>Report writing and review</td>
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<td>Corrective Action Plan</td>
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YESS Onsite Assessment Activities

- Opening meeting
- Collection and evaluation of objective evidence
- Visual observation
- Interviews
- Document review
- Closing meeting
Documents or Processes (and Evidence of Implementation)

Sourcing dashboard: countries and suppliers from which you source cotton lint

Procurement or sourcing policies: supplier due diligence, procurement policy

Cotton lint transaction due diligence procedures: classification and documentation

Cotton lint management system: receiving processes, weighing, lot number assignment, material management system and reconciliation

Risk identification, assessment, and mitigation procedures: procedures to 1) identify high-risk supply chains, 2) assess risks of forced labor at the farm, and 3) mitigate identified risks

Grievance mechanism: procedure to hear and address legitimate complaints of contributing to forced labor
Review of YESS Standards
Step-By-Step Training Modules

01 Introduction to YESS
02 Establishing a strong management system
03 Identifying and prioritizing risks
04 Responding to identified risks
05 Monitoring of and reporting on due diligence
OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector

| Embed responsible business conduct in policy and management system | Identify potential and actual harm in supply chains | Cease, prevent, or mitigate harm in supply chains | Track performance | Communicate activities and progress | Provide for or cooperate in remediation when appropriate |

YESS Due Diligence and Management Systems
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
Due Diligence as a Pyramid

Know Your Supplier and Cotton Origin

Identify Red Flags

Identify Risk

Mitigate Harm

All Supply Chains

High-Risk Supply Chains
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
Forced Labor Assessment

Understand the political, economic, forced labor context of the origin:

Assessed qualitative information on forced labor conditions in the supply chain.

Conduct of commission on-the-ground assessment.

Review upstream assurance mechanisms.

Examples include:

- UN or NGO reports
- Upstream actor visit report(s)
- Media reports
- Incident monitoring reports
- Other credible stakeholder reports

YESS Resource: Forced Labor Assessment Checklist
Developing Risk Management Plan and Strategy

- Prioritize addressing the most severe and significant risks first
- Engage with the most impactful actors in the supply chain
- Consult with suppliers and affected stakeholders
- Consider ways to support and build capacities of suppliers
- Collaborate with or support capacity building on the ground
Recommended First Steps and Available Resources
### Recommended First Steps

- Establish Cotton Sourcing Policy
- Establish roles and responsibilities
- Implement supplier due diligence
- Enhance receiving procedures
- Demonstrate inventory management systems and processes
- Retain all documents for five years
- Identify high-risk supply chains
Download the YESS Standard and Workbook for Spinners
YESS Portal:
https://www.sourcingnetwork.org/yess-portal

YESS Participation Portal

All materials accessed through the YESS portal are available to registered YESS supporters only. By accessing this site, you have agreed to not distribute any YESS material beyond your own company.

Welcome to the YESS Portal! Here you will find the pilot webinar recordings and slide decks to support spinners and textile mills during the YESS Pilot Project. Content will be posted as trainings occur.

Changes will be made to the YESS Standards, tools, resources, and webinars as we go through the remote and onsite pilots. Since all of the Resources that have been developed for the YESS Pilot Project are in draft form, they are not available to non-pilot stakeholders. Any of the materials on the YESS Portal can be shared within your own organization, but please do not share them with outside parties.

Also located in the YESS Portal is information to support the YESS Implementation Working Group, which will be posted as it is developed.
Yarn Ethically & Sustainably Sourced

YESS Pilot and Implementation Working Group
Pilot Update: Goals and Deliverables

- Advise and assess spinners and textile mills
- Conduct textile mill research
- Identify capacity building needs
- Train auditors
- Finalize YESS standard, assessment workbook, tools and resources
Pilot Project: Activities and Timeline

Pilot Project
Draft YESS Standard for Textile Mills
Completed

Remote Training of Brands, Mills, Auditors
In Progress

Remote Assessment and Support
July – Aug 2021

Onsite Pilot Assessments / Auditor Training
Sept – Dec 2021

Public Consultation of YESS Standard for Textile Mills
Q1 2022
## IWG: Subgroups

| Low-risk Forced Labor Determination / Farm-level Initiatives | • “Low-risk” determination in a “high-risk” country  
• Development of methodology for “low-risk” cotton production rating |
|-----------------------------------------------------------|---------------------------------------------------------------|
| Scaling Facility Assessments / Approved Auditors         | • Management and expansion of approved auditors  
• Driving consistent and high-quality assessments            |
| Continuous Improvement Expectations and Continuum        | • Training (remote and in-person), risk-readiness screen, on-boarding, tools and resources, technical advice, on-site assessments |
| Governance / MSI Collaboration / Financial Sustainability | • Leadership, coordination, efficiencies, transparency  
• Revenue structure, foundational support, scaling           |
| Technology / Data / Infrastructure                       | • Data back-end, data access, e-learning, coordination with tech tools / production management |

Space is limited. Please email [info@sourcingnetwork.org](mailto:info@sourcingnetwork.org) if a representative from your sponsoring brand would like to join.
Timeline of the YESS Implementation Working Group

June - July 15, 2021
• Project Plan Distribution
• IWG participants confirmed
• 1st meeting planned

July 15 - Aug 31, 2021
• Sub-groups begin
• Program feedback
• First Survey starts

Sept – Oct 31, 2021
• First Survey results
• 1st program recommendations
• Progress Report
• Second Survey starts

November 2021
• Final Sub-group meetings
• Work Product Review
• Second survey results

December 7, 2021
• Final IWG Group Call
• Final Program Recommendations
Stay Involved with YESS

- Attend Quarterly Updates
- Contribute to YESS Implementation Working Group
- Support YESS Financially

Contact us at info@sourcingnetwork.org
Questions?

liz@lizmuller.com
+1.415.609.9040
lizmuller.com