YESS STANDARD FOR TEXTILE MILLS

Version 0.0
DRAFT for 2021 Pilot Project
Titles
YESS Standard for Textile Mills
YESS Workbook for Textile Mills
Version 1.0
DRAFT

Acknowledgements
The YESS Standard and YESS Workbook are authored by Liz Muller of liz muller & partners, and Patricia Jurewicz, founder and Vice President of Responsible Sourcing Network, with contributions by Jamie Fortin and Sage Pothier, edits by [NAME], and design by [NAME]. Responsible Sourcing Network is grateful to As You Sow colleagues, YESS Working Group, stakeholders who were consulted on draft versions or provided input via other means, brand regional sourcing teams, and staff at the textile mills where research and feasibility assessments were conducted. This work was made possible by generous support from [NAMES].

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I. DEFINITIONS OF TERMS AND ACRONYMS

Assessment: An evaluation of a person, organization, system, process, spinner, textile mill, project, or product.

Assessment period: The period of time covered by the assessment, typically one year.

Bill of lading: A document issued by a carrier, or its agent, to the shipper as a contract for carriage of goods. It is also a receipt for cargo accepted for transport and must be presented at the destination to accept delivery.

Business relationship: Includes relationships with business partners, entities in the textile mill’s supply chain, and any other non-state or state entity directly linked to its business operations, products, or services.

Chain of custody: Set of chronological documentation or a paper trail that records the sequence of custody, control, transfer, analysis, and disposition of physical or digital evidence.

Choke point: Critical step in the supply chain, which is identified by characteristics such as: 1) key points of transformation of a product or material, 2) relatively few actors that process the majority of a commodity, or 3) greater visibility and control over the circumstances of production and trade upstream.

Continual improvement: A set of recurring activities that are dedicated to enhancing performance. Continual improvements can be achieved by carrying out assessments, self-assessments, and management reviews. Other activities that contribute to continual improvement include collecting data, analyzing information, setting objectives, and implementing corrective and preventive actions.

Control: Identification, storage, protection, retrieval, retention, disposition, and retrieval of legible records.

Corrective action plan: A plan developed and implemented by a textile mill to prevent or mitigate future harm. The plan should include clear timelines, target outcome-oriented solutions, and match the severity of the harm.

Cotton inputs: Any type of cotton purchased, received, or processed by the textile mill. This includes but is not limited to unprocessed or recycled yarn, lint or textile, including material blended with other fibers or filaments.

Cotton outputs: Any type of cotton fabric, by-product, or waste that is produced from the textile mill’s processes.

Cotton lint origin: The country where cotton lint was grown, harvested, and ginned.

Cotton material reconciliation: The calculation used to substantiate the total cotton inputs processed by the textile facility over the course of the assessment period. The material reconciliation calculation—otherwise known as the production loss, or margin of error—checks the quantity of cotton onsite at the beginning of the assessment period (i.e., in inventory or work-in-process) plus cotton inputs received during the assessment period (total inputs) against any cotton onsite at the end of the assessment period (i.e., in inventory or work-in-process) plus the finished products (including recycled cotton or wastage) sold during the assessment period (total outputs).

Cotton yarn origin: The country where the cotton yarn was spun.

DOL: United States Department of Labor.
**Direct sourcing:** A direct, contractual agreement between a textile mill and its supplier.

**Downstream:** Once the cotton fabric or textile has been produced, downstream refers to the portion of the supply chain that brings the fabric to the end consumer (e.g., cut and sew facility, sourcing agent, distribution center, retail store).

**Due diligence:** The process through which textile mills can identify, prevent, mitigate, and account for how they address actual and potential adverse impacts. This process is ongoing and involves continuously investigating business operations to include the risks of adverse, or harmful, impacts.

**Due diligence system:** A textile mill’s management system that allows, supports, tracks, and directs due diligence activities to identify and address harm across the textile mill’s operations and its supply chain.

**Enterprise:** A business or company.

**Farm-level scheme:** Cotton, or the cotton farm, is assessed, licensed, certified, and/or tracked by another organization. Examples include, but are not limited to, Better Cotton Initiative, Cotton Made in Africa, e3, and Fairtrade.

**Forced labor:** “All work or service, which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily.”¹ Such work can include, but is not limited to, state-imposed forced labor.

**High-risk source:** High-risk country for cotton lint or cotton yarn production in accordance with the textile mill’s procedures; unconfirmed recycled material; suppliers of cotton yarn that are not conformant with YESS Standard for Spinners; or suppliers with identified red flags.

**ILO:** International Labour Organization.

**Immediate supplier:** The enterprise that supplies cotton inputs to the textile mill (e.g., spinners, traders, other textile mills, downstream users).

**Inland forwarding note:** A document or documents demonstrating transportation from spinning mill to point of export, or from point of import to textile mill.

**Internal material control systems:** These systems serve to validate the textile mill’s ability to record, control, and monitor cotton material received, stored, processed, or otherwise handled by the textile mill.

**Inventory:** Inventory includes physical cotton yarn, textile, griege, trim, wastage, finished products, work-in-process; and all other cotton materials in the textile mill’s possession.

**Know Your Supplier (KYS):** A process to identify all the suppliers from which the textile mill is purchasing and hold these suppliers accountable for responsible sourcing of cotton and conducting due diligence of their suppliers and cotton inputs.

**Low-risk source:** Low-risk sources can be qualifying suppliers or cotton inputs. Low-risk sources are: suppliers of cotton yarn or textile that are conformant with the applicable YESS Standard (all cotton inputs); low-risk country of origin (unprocessed cotton lint); physical cotton produced and transported under chain of custody of a qualifying farm-level schemes (unprocessed cotton lint) or Textile

¹ *ILO Convention C029: Forced Labour Convention, 1930.*

² A non-exhaustive, indicative, and regularly updated list of high-risk countries for cotton lint production under YESS can be found in the YESS Standard for Spinners: List 1, and determination details can be found here.
Exchange’s Recycled Claim Standard (or equivalent) (recycled cotton inputs); and farm that has been deemed low-risk for involving forced labor by a qualified assessor.

**Mitigation**: The act of minimizing or eliminating risk. Mitigation measures may be directed toward reducing the frequency or severity of an adverse impact and can be implemented at any time.

**MSI**: Multi-stakeholder initiative.

**NGO**: Non-governmental organization. Also known as a CSO, or civil society organization.

**OECD**: Organisation for Economic Co-operation and Development.

**Origin**: The initial source of cotton inputs (e.g., country (low-risk cotton lint), gin or farm (high-risk cotton lint), spinner (low-risk yarn), low-risk supplier (pre-consumer recycled cotton), product/retailer (post-consumer recycled cotton).

**Plausibility**: Seeming reasonable or probable; having an appearance of truth; credible, believable.

**Prevention**: The act of stopping an adverse impact before it has occurred.

**Recycled cotton fiber**: Cotton fiber that has been produced from pre- or post-consumer cotton products (e.g., yarn, textile, griege, fabric, apparel or home textile products) through shredding or other forms of deconstruction. This does not include off-spec or unused yarn, textile, griege, fabric or other cotton products that has not been deconstructed or shredded back to a fiber form.

**Red flag**: A concern, discrepancy, or other suspicious activity in a textile mill’s supply chain. Examples include, but are not limited to, cotton input claimed to originate in a country not known to produce and/or export stated cotton input; insufficient evidence of recycled cotton fiber’s origin; insufficient, altered or misaligned documents; inconsistencies in paperwork; shipment through atypical transit routes.

**Risk**: Actual or potential exposure to harm from forced labor in cotton production as a result of an enterprise’s activities.

**Risk-based approach**: An approach to conducting due diligence that is proportional to, and reflects the level of, risk faced by an enterprise.

**Spinner**: Also known as a yarn spinning mill. A facility that opens up bales of cotton inputs and spins them into yarn (pure or blended with non-cotton fibers or filaments). The spinner could be a stand-alone entity or part of a vertically integrated operation that also manufactures textiles.

**Stakeholder**: A person, group, or organization that has an interest in an operation and is affected by its actions.

**Textile mill**: Enterprise that knits or weaves cotton yarn into fabric or textiles.

**Textile with recycled content**: Cotton textile that contains any amount of recycled cotton yarn.

**Tolling**: A transaction where cotton inputs are processed by a textile mill on behalf of a client who retains ownership of the yarn produced by said cotton inputs.

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3 Cotton textile can include non-cotton fiber or filaments but will be comprised primarily of cotton.
Traceability: Ability to track the cotton yarn and lint back to its origin.

Unprocessed cotton textile: Cotton textile (a.k.a. fabric) that contains unprocessed cotton yarn (i.e., in its first lifecycle).

Unprocessed cotton yarn: Cotton yarn that contains only unprocessed (virgin) cotton lint and has not been processed beyond spinning (i.e., in its first lifecycle).

Upstream: Upstream refers to the portion of the supply chain that includes cotton production (i.e., planting, cultivating, harvesting, and ginning) prior to its arrival at the spinning facility (e.g., farm, gin, merchant).

Yarn with recycled cotton content: Cotton yarn\(^4\) that contains any amount of recycled cotton fiber.

\(^4\) Cotton yarn can include non-cotton fiber or filaments but will be comprised primarily of cotton.
II. INTRODUCTION

Responsible Sourcing Network (RSN) established the YESS: Yarn Ethically & Sustainably Sourced (YESS) initiative to cultivate transparent and accountable supply chains and collaborative corporate engagement in the cotton sector. Unfortunately, cotton produced with forced labor of adults and children continues to make its way through global supply chains into clothing and home goods sold by major brands and retailers around the world.

YESS develops standards, trainings and assessments of supply chain actors’ due diligence efforts to identify and address supply chain risks of cotton involving forced labor entering their inputs. The YESS standards focus on two key mixing points in global cotton supply chains: the spinning mill and textile mill.

YESS Standard for Spinning was published in 2019 and applies to cotton yarn spinning mills (also referred to as spinners), where mixing of various sources of cotton or other fibers occurs. Applying the YESS Standard at spinning mills is necessary to validate the origin of all cotton lint and identify cotton lint from high-risk sources.

The YESS Standard for Textile Mills complements the YESS Standard for Spinners by providing guidance for a textile mill to develop a due diligence management system to identify and avoid sourcing cotton yarn and other inputs that have a high likelihood of containing cotton lint that poses forced labor risks. In other words, applying the YESS Standard for Textile Mills will help textile mills identify spinning mills that do, or are more likely to use cotton lint that may have been produced with forced labor. This Standard encourages textile mills to conduct additional due diligence of high-risk spinners to determine if the spinner does source from high-risk origins. If a spinner does source from high-risk countries, the YESS standards encourage both the spinning mill and textile mill to prevent, mitigate, or cease actual forced labor in these high-risk supply chains. Alternatively, the spinner could provide assurances that the yarn supplied to the textile mill does not contain cotton that poses a high risk of involving forced labor.

Both YESS Standards are intended to align with the Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector (OECD Due Diligence Guidance). The OECD Due Diligence Guidance specifies that all enterprises, regardless of size, have a responsibility to carry out due diligence in order to avoid and address the potential negative impacts of their activities and supply chains.

The OECD provides guidance on how various enterprises in the garment and footwear sector may conduct due diligence in alignment with the OECD framework. It is important to note that not all recommendations or considerations of the due diligence framework are applicable to every supply chain actor. The YESS Standard for Textile Mills is specific to implementing due diligence measures for a textile mill’s suppliers (e.g., merchants, agents, spinners, other textile mills) and cotton inputs. It also requires the textile mill to account for and reconcile all cotton inputs received, processed, or sold.

The YESS Standard for Textile Mills sets forth the textile mill’s supply chain due diligence activities and assesses their alignment with the six-step applicable framework of the OECD Due Diligence Guidance as it relates to cotton inputs, and its suppliers that may include cotton that was produced with forced labor:

1. **Embed responsible business conduct** in textile mill policy and management systems.
   1.1. Adopt a policy that articulates the textile mill’s commitment to identify and address forced labor used to produce cotton within in its supply chain.
   1.2. Strengthen management systems in order to conduct due diligence on risks of cotton produced with forced labor entering the textile mill’s supply chain.
2. **Identify potential and actual harm from forced labor** in cotton production in the textile mill’s supply chain.
   2.1. Scope the risks of harm from forced labor in cotton production in the textile mill’s supply chain.
   2.2. Assess suppliers associated with higher-risks at the site-level.
   2.3. Assess the textile mill’s relationship to impacts of forced labor in cotton production.
3. **Cease, prevent, or mitigate** forced labor in cotton production in the textile mill’s supply chain.
   3.1. Seek to prevent or mitigate harm from forced labor in cotton production in the textile mill’s supply chain.
4. **Track** (conducted through a YESS assessment)
   4.1. Verify, monitor, and validate progress on due diligence and its effectiveness in the textile mill’s supply chain.\(^5\)
5. **Communicate**
   5.1. Communicate publicly on the textile mill’s due diligence system, including how the textile mill has addressed potential and actual harm from forced labor in cotton production.
   5.2. Communicate with affected stakeholders.
6. **Provide for or cooperate in remediation** when appropriate.
   6.1. Commit to hearing complaints against the textile mill that are raised through legitimate processes.\(^6\)

A textile mill must establish management systems, conduct risk assessments based on the collection of supply chain information, undergo a third-party assessment of its due diligence system, report on due diligence, and provide a grievance mechanism, regardless of the source of its cotton inputs. Only a textile mill sourcing from a high-risk source (i.e., YESS non-conformant suppliers of cotton yarn, suppliers with identified red flags) is required to implement steps to cease, prevent, or mitigate potential or actual risks of harm (see Table 1 below).

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\(^5\)The effectiveness of due diligence is measured by the extent to which actual and potential harm from forced labor in cotton production is prevented and mitigated in the enterprise’s supply chain.

Table 1: Applicability of OECD Due Diligence Guidance

<table>
<thead>
<tr>
<th>OECD Due Diligence Guidance</th>
<th>Applicability to textile mills</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Embed responsible business conduct in textile mill policy and management systems</td>
<td>All textile mills</td>
</tr>
<tr>
<td>2. Identify actual and potential forced labor in the cotton production stage of its supply chain</td>
<td>All textile mills</td>
</tr>
<tr>
<td>3. Cease, prevent, or mitigate forced labor in the cotton production stage of its supply chain</td>
<td>Textile mills sourcing from high-risk countries or suppliers</td>
</tr>
<tr>
<td>4. Track</td>
<td>All textile mills</td>
</tr>
<tr>
<td>5. Communicate</td>
<td>All textile mills</td>
</tr>
<tr>
<td>6. Provide for or cooperate in remediation when appropriate</td>
<td>All textile mills</td>
</tr>
</tbody>
</table>

**Risk-based approach**

The YESS Standard for Textile Mills requires the textile mill to implement due diligence proportional to the risk profile of their cotton inputs. The textile mill’s internal implementation of a due diligence system needs to be flexible and based on individual circumstances and factors (e.g., the size of the textile mill, the location of the textile mill, types, and locations of suppliers). For example, a simple management system may be appropriate for a textile mill located in a low-risk country for cotton production or low-risk country for yarn production that only sources domestic yarn. Whereas a textile mill that sources yarn from multiple high-risk cotton yarn producing countries may warrant a more complex system.

**III. ASSESSMENT SCOPE AND LOGISTICS**

Since YESS is focused on addressing forced labor risks in cotton production (farm level), the YESS Standard for Textile Mills does not apply the OECD Due Diligence Guidance to the textile mill’s own operations (except for operations relating to sourcing or controlling cotton inputs). Similarly, the YESS Standard for Textile Mills does not apply to spinning mills from which textile mills source cotton yarn.

The YESS Standard for Textile Mills alone cannot determine if cotton that poses a high-risk of being produced with forced labor has entered a textile mill’s supply chain. This determination is made only at spinning mills that source, mix, and spin cotton lint into yarn. The YESS Standard for Textile Mills is intended to identify spinning mills that warrant further due diligence to make such a determination as well as encourage all suppliers in a textile mill’s supply chain to develop effective due diligence management systems to avoid sourcing cotton that may involve forced labor in its production.

The textile mill shall conduct all necessary due diligence of all cotton inputs they source and any actor that processes the said cotton inputs, even under a tolling arrangement. This includes any necessary
assurance that the textile mill’s cotton inputs have been segregated and processed without introduction of high-risk cotton inputs.

Facilities and operations in scope
The YESS Standard for Textile Mills will apply to all cotton textile mills that voluntarily choose to participate. The YESS Standard for Textile Mills will apply only to the cotton textile creation operations, including receiving, sorting, and processing cotton yarn into textiles. The YESS Standard for Textile Mills will not apply to any wet processing or yarn and product manufacturing that may be present at vertical facilities. The YESS Standard only applies chain of custody requirements for wet processors or other processors that do not spin, knit, or weave cotton.

Materials in scope
All cotton inputs intended for production of textiles or by-product from the textile-making process that are received, held, and/or processed during the assessment period, regardless of origin, storage location, or cotton input type, are subject to the YESS Standard for Textile Mills.

IV. CONFORMANCE REQUIREMENTS

The following requirements set forth in the YESS Standard for Textile Mills serve to assess the textile mill’s alignment with the six steps of the OECD Due Diligence Guidance. The aim of this YESS Standard for Textile Mills is to ensure that textile mills are conducting due diligence of their suppliers and the cotton yarn they source to identify any risks of forced labor related to the cotton production stage of the supply chain.

Section 1: Embed responsible business conduct in textile mill policy, and management systems
The textile mill shall use good faith, make reasonable efforts, and integrate progressive and appropriately robust approaches in its application of the OECD Due Diligence Guidance. These efforts include monitoring emerging risks and incidents of forced labor in cotton production in its supply chain(s) (e.g., sourcing from new countries or suppliers), as well as shifts in trade flows or the textile’s sourcing strategies.

These approaches shall be supported and coordinated across relevant business units.

1.1. Adopt a sourcing policy that addresses forced labor in cotton production
The textile mill shall have a documented, effective, and publicly communicated sourcing policy that addresses forced labor in cotton production for procurement of cotton yarn or other cotton inputs (referred to as the responsible cotton sourcing policy). The policy shall be developed with and informed by relevant internal and external stakeholders and approved at the most senior level of the textile mill. The responsible cotton sourcing policy shall be implemented within the textile mill’s management systems and shall:

- Set out a clear and coherent management system to address the risk of forced labor in cotton production within its supply chain.
- Commit the textile mill to observe the OECD Guidelines on Multinational Enterprises as outlined in OECD Due Diligence Guidance for Responsible Supply Chains in the Garment & Footwear Sector.
- Commit the textile mill to the due diligence steps described in the YESS Standard for Textile Mills.
Commit the textile mill to adhere to the YESS Standard for Textile Mills and guarantee sufficient resources and support for effective execution.

State its expectations of suppliers regarding responsible cotton sourcing (including observing OECD Guidelines on Multinational Enterprises) and providing assurance that yarn they supply does not include cotton produced with forced labor or that the supplier is actively preventing, mitigating, or ceasing actual forced labor in their supply chains.

State business consequences for suppliers that do not meet the textile mill’s requirements.

Commit the textile mill to meaningful stakeholder engagement, including accepting and acting on complaints or recommendations on how to improve its due diligence program.

Be available in the local language.

Include an effective date for when the policy was established and/or adopted.

The policy shall be:

- Publicly communicated on the textile mill’s website or in other official public company communications.
- Communicated to and acknowledged by all employees and direct suppliers.
- Reviewed annually and revised as applicable, including knowledge of forced labor in cotton production increases.

Adherence to the textile mill’s responsible cotton sourcing policy shall be required as part of supplier written agreements and/or contracts that can be executed and monitored.

A senior member of the company with the appropriate competence, knowledge, and experience shall be responsible for ensuring the policy is implemented. The responsible senior manager shall be informed and has the necessary authority to address any identified potential or actual risks in the textile mill’s supply chain. Responsible senior manager shall have an adequate understanding of forced labor in cotton production (e.g., definition, root cause, the company’s role and influence) to evaluate on-the-ground assessments and efforts.

Refer to Cotton Sourcing Policy Checklist and Sample Cotton Sourcing Policies.

1.2 Implement or strengthen effective management systems to enable due diligence on risks of forced labor in cotton production in its supply chain

The textile mill shall establish, implement, operate, and maintain a sufficiently robust management system to adequately manage risks.

The textile mill shall, at a minimum:

- Allocate adequate resources and attention to implementing a due diligence system, including ensuring that responsible staff has adequate time to conduct their related responsibilities.
- Appoint a senior manager with the necessary competence, knowledge, and experience to be responsible for the implementation of the due diligence system.
- Provide sufficient training to relevant employees covering critical information on the due diligence system and maintain training records within company records.
- Incorporate due diligence into decision-making processes.
• Implement a process to vet proposed changes to sourcing strategies, suppliers, or regions that may have forced labor risks in cotton production.
• Review the management system for consistent and effective implementation routinely.

  a) Organizational coordination
A textile mill-wide management and due diligence system shall involve several functions with interrelated and integrated operations. Internal information flows and feedback loops shall support effective and timely communication of changes to sourcing strategies, adjustments to the management system, identified risks, and complaints or concerns to all relevant personnel. The system shall ensure that:

• Findings on actual and/or potential risks identified in the supply chain are reported to the appointed senior manager.
• Functional alignment with the policy is maintained, including by:
  o Providing incentives to conform with the policy;
  o Supporting communication and learning across various business units.

  b) Information systems
Records required by the management systems (at minimum those required by the YESS Standard for Textile Mills) shall be complete, accurate, and controlled. Information systems shall be capable of storing and transmitting the data necessary to support the due diligence management system. Records generated by the due diligence system shall be maintained for a minimum of five years.

A record, regardless of format, shall include:

• Communication of information—as a tool for information transmission and communication. The type of documentation shall be appropriate for the textile mill and shall achieve clear, consistent, and replicable communication (e.g., an email, phone log, letter).
• Evidence of conformance—documentation that planned activities were completed.
• Knowledge sharing—to disseminate and preserve the textile mill’s experiences (a procedure that is used to ensure an activity is undertaken consistently by different people at different times, for example).

Refer to Management System Checklist and Verify, Monitor, and Validate Due Diligence Effectiveness Checklist.

  c) Cotton input receiving process
The textile mill shall inspect all cotton inputs and associated documentation upon receipt. Documentation shall be reviewed to determine its completeness, accuracy, and authenticity to validate the cotton supplier and origin prior to receipt into the textile mill’s inventory. A process to segregate any cotton inputs that does not align with the associated purchase order, has missing documentation, or is associated with any other concern until those concerns or discrepancies are resolved.

• Each individual transaction of cotton inputs received is inspected, identified and documented. The process shall confirm the cotton is as documented and was not manipulated; record the date the cotton inputs are physically received; and is entered in the textile mill’s internal material control system.
d) Internal material control systems

The textile mill shall establish and implement sufficient internal material control systems to account for all cotton inputs received, processed, and sold by the textile mill over the course of the assessment period, which is typically one year. This will likely include the quantity of cotton onsite at the beginning of the assessment period (i.e., inputs and product inventory or in process) plus cotton inputs received during the assessment period (total inputs) against any cotton onsite at the end of the assessment period (i.e., inputs and product inventory or in process) plus the finished products, or by-products, sold during the assessment period (total outputs).

The production loss or margin of error is calculated as a percentage of total cotton inputs processed during the assessment period as described here:

\[
\frac{[\text{total inputs}] - [\text{total outputs}]}{\text{cotton inputs received}} \times 100\%
\]

The calculated production loss or margin of error must be a positive number and less than three percent. A negative production loss or margin of error (e.g., negative three percent) indicates that more cotton inputs may have been received than were accounted for in the internal material control systems. Any production loss or margin of error outside of these parameters, and any other concern with the calculation, shall require further investigation, resolution, and documentation.

Refer to Cotton Inventory Control System Checklist.

Section 2: Identify actual and potential forced labor in the cotton production stage of its supply chain

The textile mill shall identify where there is a risk of cotton produced with forced labor entering its supply chain. To do this, the textile mill shall identify the type and location of suppliers, type of cotton inputs (unprocessed or recycled), and the origin of all cotton inputs, in accordance with the YESS Standard for Textile Mills and the supply chain risk level for cotton inputs (see Tables 2 and 3).

2.1 Scope supply chain actors and cotton input categories

The textile mill shall identify all suppliers and cotton inputs in its supply chains.

a) Identification of suppliers

The textile mill shall establish and implement basic Know Your Supplier (KYS) requirements to determine the identity, location, type of business relationship, and legality of business operations for each supplier of cotton inputs (see Annex I and Annex II for guidance on acceptable data points and documents for unprocessed and recycled cotton inputs, respectively). The textile mill is responsible for performing the KYS before initial purchase of cotton inputs and routinely during a business relationship with a direct supplier. The textile mill shall conduct additional due diligence and capacity building of suppliers, as appropriate.

In situations where the textile mill purchased cotton material that they have deconstructed and/or spun into yarn on their behalf by third parties (e.g., shredders, spinners), it is the responsibility of the textile
mill to ensure the third-party is not incorporating fibers that pose a high risk of forced labor during production. For example, the textile mill should ensure their yarn preparation providers only source low-risk cotton inputs or have segregated the textile mill's cotton material and inputs during the deconstruction or yarn spinning processes.

Refer to Know Your Supplier Checklist, Know Your Supplier (KYS) Form, and Know Your Supplier Trackers.

\[b) \text{ Identification of cotton input category}\]

The textile mill shall categorize all cotton inputs as outlined in Table 2 below.

\[
\begin{array}{|c|p{0.9\textwidth}|}
\hline
\text{Category} & \text{Definition} \\
\hline
\text{Unprocessed cotton yarn} & \text{Cotton yarn that has not been processed beyond spinning (i.e., in its first lifecycle).} \\
\hline
\text{Yarn with recycled cotton content} & \text{Cotton yarn that contains any amount of recycled cotton fiber.} \\
\hline
\text{Unprocessed cotton textile} & \text{Cotton textile (a.k.a. fabric)\(^7\) that contains unprocessed cotton yarn (i.e., in its first lifecycle).} \\
\hline
\text{Textile with recycled cotton content} & \text{Cotton textile (a.k.a. fabric) that contains any amount of recycled cotton yarn.} \\
\hline
\end{array}
\]

\[2.2 \text{ Identify supply chain risks}\]

The textile mill shall design, implement and document processes to determine if there are any high-risk cotton inputs in its supply chain. This includes establishing processes to identify high-risk cotton input origins, high-risk suppliers or any red flags associated with cotton inputs (including transportation risks) or suppliers.

The textile mill shall incorporate the documentation requirement on the origin and chain of custody of all cotton contents of each cotton input supplied to the textile mill into written supplier agreements and/or contracts.

The textile mill shall keep a current record of the risks identified for suppliers and transactions of cotton inputs.

\[a) \text{ Identify supplier risks}\]

All spinners and textile mills that supply cotton inputs must be YESS conformant to be considered low risk.

\(^7\) Cotton textile can include non-cotton fiber or filaments.
Using information gathered through a KYS process (Section 2.1.a), the textile mill shall identify specific risks associated with all their high-risk suppliers (e.g., agents, traders, spinning mills, textile mills, scrap dealers) and shall hold these suppliers accountable for responsibly sourcing cotton inputs and conducting due diligence of their suppliers and cotton inputs.

The textile mill should understand the business relationship with their direct suppliers and establish business conditions or other incentives for suppliers to avoid sourcing cotton from high-risk sources without due diligence, including requiring its suppliers to conduct basic KYS screenings of their own suppliers.

At its discretion, the textile mill should conduct additional due diligence and capacity building or training of its suppliers.

However, textile mills can take a risk-based approach to prioritize which high-risk spinners or textile mills should be subject to appropriate level of due diligence. With this in mind, the textile mill shall understand that sourcing model and internal material control systems of each supplier that is not conformant with a YESS standard.

Supplier red flags include unwillingness to complete the KYS process; failure to provide transaction documentation; identify or legality cannot be validated; supplier is located in or sources cotton inputs from high-risk origins; or is associated with any other red flag.

Refer to Know Your Supplier Checklist and Know Your Supplier Trackers.

b) Implement process to identify high-risk origins

Textile mills shall establish and implement a process to identify high-risk origins for each type of cotton inputs within their supply chain, including unprocessed cotton lint contained within yarn with recycled content, using information gathered and evaluated during the KYS, and cotton type identification processes along with other trade flow, country cotton production or import data, or other credible and up to date resources.

The process to identify high-risk origins shall include, at a minimum, the:

- Types of resources used to identify high-risk origins (e.g., countries);
- Criteria and threshold used by the textile mill to make a determination of high-risk;
- Frequency within which the determination is reviewed and updated.

Refer to Process to Identify High Risk Origins Checklist and Sample High-Risk Origin Identification Procedure.

c) Identify risk levels for all cotton inputs

The textile mill shall determine the source risk level, low or high risk, for each transaction of cotton inputs in accordance with Table 3. The origin evidence and chain of custody requirements for each category and risk of cotton inputs are provided in Table 3 to aid in this determination.

NOTE: If cotton yarn or textile contains unprocessed cotton inputs, in addition to recycled cotton fiber, all requirements for each unprocessed cotton input and recycled cotton fiber, as listed in Table 3, must be met.
Table 3: Cotton inputs risk level, origin evidence, and chain of custody requirements

<table>
<thead>
<tr>
<th>Type of material</th>
<th>Sourcing risk level</th>
<th>Identification definition</th>
<th>Origin and chain of custody requirements</th>
</tr>
</thead>
</table>
| Unprocessed cotton yarn  | Low risk            | **All** the following criteria apply:  
|                          |                     | – Supplying spinning mill is in conformance with YESS Standard for Spinners at the time the cotton yarn was purchased and received by the textile mill being assessed;  
|                          |                     | OR  
|                          |                     | – There is **sufficient evidence** that the supplying spinning mill has sufficient internal material control systems and **all** cotton contents within the subject yarn are from low-risk sources; **AND**  
|                          |                     | – There are **no supply chain red flags** (e.g., discrepancies, inconsistencies, or other issues identified during the KYS process or review of cotton inputs and documentation) | – Evidence of YESS conformant spinner origin  
|                          |                     |                                                                                                                                             | – Yarn chain of custody from YESS conformant spinner to receiving textile mill  
|                          |                     |                                                                                                                                             | OR  
|                          |                     |                                                                                                                                             | Evidence of low-risk source(s) for all cotton inputs  
|                          |                     |                                                                                                                                             | Evidence that supplying spinning mill has sufficient internal material control systems  
|                          |                     |                                                                                                                                             | Chain of custody from low-risk source(s) to receiving textile mill  
| High risk                | Any (one or more)   | **Any** (one or more) of the following criteria apply:  
|                          |                     | – Supply chains include countries where cotton lint or yarn are produced in a high-risk country for cotton production and yarn production, respectively; **OR**  
|                          |                     | – Cotton inputs are claimed to have originated from a multi-country region that contains at least one high-risk country, such as Commonwealth of Independent States (CIS); **OR**  
|                          |                     | – There are **supply chain red flags** (e.g., discrepancies, inconsistencies or other issues identified during the KYS process or review of cotton inputs and documentation) | – Evidence of supplying mill and country of yarn origin  
|                          |                     |                                                                                                                                             | Evidence of system of controls through supplying spinner mill’s processes  
|                          |                     |                                                                                                                                             | Yarn chain of custody from supplying spinner to receiving textile mill  
|                          |                     |                                                                                                                                             | Evidence of low-risk country, farm or gin origin  
<p>|                          |                     |                                                                                                                                             | Chain of custody from low-risk source(s) (unprocessed lint and yarn) to receiving textile mill |</p>
<table>
<thead>
<tr>
<th>Type of material</th>
<th>Sourcing risk level</th>
<th>Identification definition</th>
<th>Origin and chain of custody requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yarn with recycled cotton content</td>
<td>Low risk</td>
<td>– Supplying spinning mill is in conformance with YESS Standard for Spinners at the time that the cotton yarn was purchased and received by textile mill being assessed</td>
<td>– Evidence of YESS conformant spinner origin</td>
</tr>
<tr>
<td></td>
<td></td>
<td>OR</td>
<td>– Yarn chain of custody from YESS conformant spinner to receiving textile mill</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– There is <strong>sufficient evidence</strong> that the majority of the cotton used to create the yarn is recycled cotton fiber, that <strong>all</strong> cotton content is from low-risk sources, and the supplying spinning mill has sufficient internal material control systems, <strong>AND</strong></td>
<td>– Evidence that supplying spinning mill has sufficient internal material control systems</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– There are <strong>no supply chain red flags</strong> (e.g., discrepancies, inconsistencies, or other issues identified during the KYS process or review of cotton inputs and documentation)</td>
<td>– Evidence of low-risk source(s) for unprocessed cotton inputs</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>– Chain of custody from low-risk source(s) for all cotton inputs</td>
</tr>
<tr>
<td>Type of material</td>
<td>Sourcing risk level</td>
<td>Identification definition</td>
<td>Origin and chain of custody requirements</td>
</tr>
<tr>
<td>------------------</td>
<td>--------------------</td>
<td>---------------------------</td>
<td>------------------------------------------</td>
</tr>
</tbody>
</table>
| Yarn with recycled cotton content | High risk | *Any* (one or more) of the following criteria apply:  
- Supplying spinning mill is not in conformance with YESS Standard for Spinners at the time the cotton yarn was purchased and received by textile mill being assessed;  
OR  
- There is insufficient evidence that all cotton contained within the yarn is from low-risk sources;  
OR  
- There are supply chain red flags (e.g., discrepancies, inconsistencies or other issues identified during the KYS process or review of cotton inputs and documentation) | – Evidence of supplying mill and country of unprocessed lint origin  
– Evidence that supplying spinning mill has sufficient internal material control systems  
– Evidence of low-risk source(s) for all cotton inputs  
– Chain of custody from low-risk source(s) for all cotton inputs |
| Unprocessed cotton textile | Low risk | *All* the following criteria apply:  
- Supplying textile mill is in conformance with YESS Standard for Textile Mills at the time the cotton textile was purchased and received by the textile mill being assessed;  
OR  
- There is sufficient evidence that the supplying spinning mill and textile mill has sufficient internal material control systems and all cotton contents within the subject textile are from low-risk sources;  
AND  
- There are no supply chain red flags (e.g., discrepancies, inconsistencies, or other issues identified during the KYS process or review of cotton inputs and documentation) | – Evidence of YESS conformant textile mill origin  
– Chain of custody from YESS conformant textile mill to receiving textile mill  
OR  
– Evidence of low-risk source(s) for all cotton inputs  
– Evidence that supplying spinning mill and textile mill has sufficient internal material control systems  
– Chain of custody from low-risk source(s) for all cotton inputs |
<table>
<thead>
<tr>
<th>Type of material</th>
<th>Sourcing risk level</th>
<th>Identification definition</th>
<th>Origin and chain of custody requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unprocessed cotton textile</td>
<td>High risk</td>
<td><strong>Any</strong> (one or more) of the following criteria apply:</td>
<td>– Evidence of supplying textile mill and country of yarn origin</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– Supply chains include countries where cotton lint or yarn are produced in a high-risk country for cotton production and yarn production, respectively;</td>
<td>– Evidence of system of controls through supplying textile mill’s and yarn spinner’s processes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>OR</td>
<td>– Evidence of low-risk source origin(s)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– Cotton inputs are claimed to have originated from a multi-country region that contains at least one high-risk country, such as Commonwealth of Independent States (CIS);</td>
<td>– Chain of custody from low-risk source(s)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>OR</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>– There are supply chain <strong>red flags</strong> (e.g., discrepancies, inconsistencies or other issues identified during the KYS process or review of cotton inputs and documentation)</td>
<td></td>
</tr>
<tr>
<td>Type of material</td>
<td>Sourcing risk level</td>
<td>Identification definition</td>
<td>Origin and chain of custody requirements</td>
</tr>
<tr>
<td>--------------------------</td>
<td>---------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Textile with recycled content</td>
<td>Low risk</td>
<td>– Supplying textile mill is in conformance with YESS Standard for Textile Mills at the time that the cotton material was purchased and received by textile mill being assessed; OR – There is <strong>sufficient evidence</strong> that the majority of the cotton used to create the textile is recycled cotton, that <strong>all</strong> cotton content is from low-risk sources, and the supplying spinning mill has sufficient internal material control systems; AND – There are <strong>no supply chain red flags</strong> (e.g., discrepancies, inconsistencies, or other issues identified during the KYS process or review of cotton inputs and documentation)</td>
<td>– Evidence of YESS conformant textile mill origin OR – Evidence of Textile Exchange’s Recycled Claim Standard certified cotton fiber – Evidence of system of controls through supplying textile mill’s and yarn spinner’s processes – Evidence of low-risk source origin(s) – Chain of custody from low-risk source(s)</td>
</tr>
</tbody>
</table>
Textile with recycled content

<table>
<thead>
<tr>
<th>Type of material</th>
<th>Sourcing risk level</th>
<th>Identification definition</th>
<th>Origin and chain of custody requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High risk</td>
<td>Any (one or more) of the following criteria apply:</td>
<td>– Evidence of supplying textile mill and country of yarn origin</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– Supplying textile mill is not in conformance with YESS Standard for Textile Mills at the time that the cotton material was purchased and received by textile mill being assessed;</td>
<td>– Evidence of system of controls through supplying textile mill’s and yarn spinner’s processes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>OR</td>
<td>– Evidence of low-risk source origin(s)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– There is insufficient evidence that all cotton contained within the yarn is from low-risk sources;</td>
<td>– Chain of custody from low-risk source(s)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>OR</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>– There are supply chain red flags (e.g., discrepancies, inconsistencies, or other issues identified during the KYS process or review of cotton inputs and documentation)</td>
<td></td>
</tr>
</tbody>
</table>

Refer to Supply Chain Risk Identification Checklist and Cotton Risk Decision Trees.

**2.3 Assess and respond to risks in the supply chain**

Once cotton inputs and their origins have been identified through the scoping exercises described above, a textile mill shall assess the likelihood of cotton inputs that pose a high risk of forced labor on the cotton farm and in its supply chain. The textile mill shall refer to Annex I (unprocessed cotton inputs) and Annex II (recycled cotton inputs) for guidance on acceptable data points and documents.

a) **Review for discrepancies**

The textile mill shall implement a procedure to investigate and address any discrepancies, inconsistencies, or other issues identified during the review of cotton inputs and documentation received. For example, the textile mill shall determine whether there are any inconsistencies or discrepancies related to the cotton inputs origin, characteristics, KYS, and/or transaction documentation submitted by the supplier. The textile mill shall validate links between documents and shall inspect cotton inputs received for conformity with documented claims of the cotton inputs’ parameters, weights, and origins.

b) **Determine cotton inputs origin plausibility**

The textile mill shall determine the origin and chain of custody of cotton inputs received as required by the YESS Standard for Textile Mills. This requires an assessment of the risks associated with the cotton inputs, including the type, composition, origin, and the manipulation of cotton inputs or associated documentation during transit, and supplier, which together comprise supply chain risk. This
determination shall include an assessment of the plausibility of cotton inputs coming from the declared sources.

If applicable, the textile mill shall have a process to notify a farm-level or recycled cotton scheme administrator of any discrepancies in the cotton inputs received that is affiliated with their scheme. The textile mill shall cooperate with the scheme administrator to resolve the issue, should the need arise.

c) **Assess risks in cotton yarn inputs**

The textile mill shall conduct due diligence of prioritized, high-risk spinners to determine if the spinner sources cotton lint from high-risk countries for cotton production. If a spinner does source from high-risk countries for cotton production, the YESS Standard for Textile Mills encourage both the spinning mill and textile mill to prevent, mitigate, or cease actual forced labor in these high-risk supply chains. In addition, the textile mill should conduct sufficient due diligence of the high-risk spinning mill to ensure the spinning mill has implemented a system of controls to ensure the yarn supplied by the spinner does not contain any high-risk cotton lint or fiber.

For cotton yarn produced in high-risk countries, the textile mill shall work with the supplying spinner to identify the origin of all cotton lint contained with the supplied yarn. The supplying spinner shall demonstrate sufficient due diligence to validate the cotton lint origins and risk level.

d) **Assess forced labor risks in seed cotton production**

The textile mill shall work with their suppliers to assess the occurrence of forced labor risks related to unprocessed cotton lint origins, including unprocessed cotton lint contained within textile or yarn with recycled cotton content, in high-risk supply chains. It shall also assess the severity and scale of each identified risk of harm from forced labor in cotton production. The assessment shall be up to date, consider the local context, and meet professional standards. The spinning mill and textile mill can reference or leverage the work of farm-level schemes, recycled cotton schemes (recycled material provenance), industry initiatives, suppliers, or other parties’ activities. However, the textile mill remains the one responsible for its own due diligence.

For cotton lint originating from high-risk countries for lint production, the textile mill shall map the factual circumstances of its supply chain based on information gathered from appropriate sources, including assessing:

- The severity and scale of forced labor in the country of origin;
- Local or national initiatives addressing forced labor;
- Chain of custody requirements (including farm-level scheme requirements, if applicable);
- The activities and relationships of upstream suppliers (e.g., ginners, traders, agents); and
- Findings from on-the-ground assessments of forced labor on the farm\(^8\) by qualified experts.

The textile mill shall review gathered information to identify actual and potential forced labor in the cotton production stage of its supply chains.

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\(^8\) Assessments may be done through a representative sample of farms or cooperatives, but sampling should be risk-based.
As of the YESS Standard’s effective date, no farm-level schemes have been evaluated by YESS to determine if they are identifying and addressing forced labor sufficiently. Refer to the YESS website for future updates.

e) *Respond to identified risks of harm from forced labor in cotton production*

The textile mill shall have a process to respond to identified risks that includes:

- Reporting findings to senior management and outlining the information gathered, as well as the actual and potential risks of harm from forced labor in cotton production identified in the supply chain risk assessment.
- Prioritize risks based on an established and justified process and criteria.
- Devising and adopting a risk management plan, as part of an effective risk management strategy (Section 3.0).

A textile mill may carry out the recommendations in sections 2.3 d) and e) through joint multi-stakeholder initiatives or supplier partnerships. Each textile mill shall retain individual responsibility for its due diligence and shall ensure that all joint work duly takes into consideration circumstances specific to the individual company.

Refer to Risk Assessment and Response Checklist.

2.4 *Assess relationship to impacts*

The textile mill shall make good faith efforts to understand its relationship to identified risks of forced labor in cotton production. This assessment should be ongoing and include whether the textile mill has caused, contributed to, or is linked to the impacts that it has identified. Some factors that could affect a textile mill’s relationship to impacts include, but are not limited to:

- Textile mill owns or operates a spinning mill located in a high-risk country for yarn production.
- Textile mill sources cotton yarn from a spinner that is not YESS-conformant.
- Textile mill consistently sources cotton yarn from a high-risk country for yarn production.
- Textile mill sources recycled cotton inputs from high-risk sources.
- Textile mill’s supplier conducts due diligence aimed at identifying risks of harm from forced labor in cotton production in high-risk countries.
- Textile mill’s supplier has control systems to ensure all cotton products sold to textile mill contains low-risk cotton inputs only.
- Textile mill’s supplier purchases cotton lint originating in a high-risk country for cotton production.
- Textile mill’s supplier addresses or denies the existence of risks of harm from forced labor in cotton production in high-risk countries.
- Textile mill and supplier have a long-standing and cooperative relationship.

Refer to Relationship to Identified Risks Assessment Checklist.
Section 3: Cease, prevent, or mitigate harm from forced labor in cotton production in the textile mill’s supply chain

A textile mill actively sourcing from high-risk supply chains shall implement its own plan to cease, prevent, or mitigate forced labor in cotton production. This plan shall be appropriate for the textile mill’s sourcing model and influence, and shall detail the actions the textile mill will take, along with clear timelines for follow-up. The plan shall include any necessary adjustments to the mill’s policy, procedures, management systems, and training.

The textile mill should only place orders for cotton inputs from high-risk sources (i.e., high-risk countries, non-conformant suppliers of processed cotton, suppliers with identified red flags) if it can reasonably determine that the risk of forced labor in cotton production is low. Or, if the textile mill is willing to engage adequately with the supplier in the prevention of forced labor in cotton production (e.g., through capacity building, etc.) in the high-risk country from which it sources.

A textile mill can take measures to prevent purchasing cotton from high-risk sources by:

- **Prequalifying suppliers of cotton inputs** - A textile mill can identify low-risk suppliers of cotton yarn (i.e., YESS conformant spinner) or recycled cotton fiber.
- **Prequalifying origins of unprocessed cotton lint** - A textile mill can identify low-risk countries for cotton production or sources in high-risk countries from which a supplier can source cotton lint.
- **Prequalifying farm-level cotton lint schemes** - A textile mill can identify schemes that have been assessed by YESS and determined to be low-risk or working to prevent/mitigate forced labor in cotton lint production.\(^9\)

The textile mill is responsible for taking immediate action and identifying appropriate mitigation measures while it conducts its business relationships with high-risk suppliers in one of three ways:

- Continue to do business with high-risk suppliers throughout the course of measurable risk mitigation efforts in accordance with a mutually agreed upon mitigation plan.
- Temporarily suspend trade while pursuing ongoing mitigation efforts.
- Disengage with a supplier in cases where mitigation appears unfeasible, is unacceptable, or fails after it is attempted. Disengagement should be done in a manner that minimizes unintended negative impacts.

Textile mill shall provide incentives to encourage cooperation of suppliers. It should consider consolidating its supplier bases to avoid risks associated with, increase influence over, and apply resources to suppliers that are most likely to avoid sourcing cotton associated with forced labor in production.

In the design and implementation of a risk management plan that is proportional to identified risks, the textile mill shall:

- Prioritize addressing the most severe and significant risks first, followed by addressing the less significant risks over time.
- Engage with the actors in the supply chain that can most effectively and most directly prevent and mitigate the risks of adverse impacts.

\(^9\) As of this Standard’s effective date, YESS has yet to assess and make a determination of low-risk for any farm-level cotton scheme. Refer to the [YESS website](#) for future updates.
• Consult with suppliers and affected stakeholders to agree on the strategy for measurable prevention and mitigation in the risk management plan.
• Consider ways to support and build capacities of suppliers, both direct and indirect, to improve due diligence of its cotton inputs and suppliers, and conform to the textile mill’s responsible sourcing policy.
• Encourage supplying spinners to undergo a YESS assessment.
• Collaborate with or support capacity building directly, through farm-level schemes, recycled cotton schemes, multi-stakeholder initiatives, public-private partnerships, or industry efforts, where they exist. Where such efforts do not exist, textile mill shall share knowledge and work toward a common approach to engage suppliers as well as other industry members and civil society stakeholders in an effort to scale up effective measures.
• Establish timelines for action and follow up.

The textile mill shall maintain ongoing monitoring, evaluate the effectiveness of risk prevention and mitigation efforts, and undertake additional fact and risk assessments, as needed for risks requiring mitigation, or after changing circumstances (e.g., new sourcing country, new supplier).

Over the long-term, the textile mill shall support efforts to address forced labor in cotton production in high-risk countries.

Refer to Risk Mitigation Checklist and Risk Mitigation Plan Form.

Section 4: Track
The textile mill shall implement due diligence as a continuous, ongoing process and is expected to demonstrate sustained improvement over time. In other words, a textile mill shall address specific risks and incidents identified by the system progressively. The textile mill’s risk management system shall guarantee that the textile mill is tracking and monitoring progress.

4.1 Verify, monitor, and validate progress on due diligence and its effectiveness
The textile mill shall develop a mechanism to assess its due diligence efforts to ensure they are implemented as intended and are effective. When the system is found to be ineffective, the textile mill shall understand why and respond appropriately.

a) Verify and validate due diligence effectiveness
The textile mill shall prepare, facilitate, and undergo a YESS assessment annually. Participation in the assessment requires that the textile mill allocate sufficient resources; share all required information and documentation; provide access to all areas of its textile production operations and cotton storage facilities; and ensure that relevant personnel are available during the assessment. The textile mill should adhere to YESS processes and timelines, as applicable, and strive for continuous improvement of its own due diligence system and the processes of its suppliers.

b) Monitoring of performance
The textile mill shall review its responsible cotton sourcing policy and due diligence system annually and make any adjustments necessary to improve the textile mill’s performance and minimize adverse impacts.
Monitoring shall include, at a minimum, the textile mill’s management review of the due diligence system that identifies both proactive and reactive measures and make certain the effectiveness of the system. Findings of such management reviews are reported to the senior management team. The textile mill shall establish a formalized action/improvement plan, if warranted.

Proactive measures shall be implemented to assure that potential problems are identified and prevented before they occur. If the textile mill detects that a possible harmful situation may develop, a preventive action plan shall be implemented to avert/eliminate the potential harmful situation.

Reactive measures shall also be implemented to mitigate harm. They could be a result of immediate corrective actions taken as a result of a management review, the triggering of a grievance and complaints mechanism, or feedback from any third-party assessment of the YESS Standard for Textile Mills. The textile mill’s corrective action process shall include the following steps:

- Review and document the issue and related corrective action.
- Contain or temporarily fix the issue.
- Investigate the root cause of the issue.
- Propose an appropriate solution that will prevent the problem from happening again; this solution will often mean a process change.
- Report on the actions actually taken, internally and to the assessment team, in accordance with the corrective action process.
- After an appropriate period of time, assess whether the actions taken were successful in preventing recurrence, and document the evidence to support this assessment.

Refer to YESS Standard Review Checklist and Verify, Monitor, and Validate Due Diligence Effectiveness Checklist.

**Section 5: Communicate**

The textile mill shall publicly disclose the findings from its due diligence efforts annually. Information shall be published directly by the textile mill, by posting on a textile mill’s website or on an industry association’s website, for example. Publication of such information shall honor business confidentiality and other competitive concerns.

The textile mill shall share all the information that is publicly reported to any known entities that interact directly with the cotton workers and, when possible, with the cotton workers themselves.

**5.1 Communicate publicly and with affected stakeholders on the textile mill’s due diligence system**

The textile mill shall publicly communicate the following in a clear and understandable manner:

- The textile mill’s responsible cotton sourcing policy or policies.
- The textile mill’s 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 its supply chain, and the textile mill’s processes for assessing those risks. Where the textile mill has prioritized some risks of forced labor in cotton production for immediate attention, it shall justify its prioritization process.
- The components of the textile mill’s risk management plan to prevent or mitigate forced labor in cotton production in its supply chain, and the effectiveness of those measures.
- Where relevant, the textile mill’s intent in policy engagement as well as the outcomes of the engagement itself.
- The textile mill’s systems to provide access to remediation in its supply chain. The textile mill may also choose to disclose cases that are brought against the textile mill and how they were resolved.
- How the textile mill engages meaningfully with its stakeholders or multi-stakeholder initiatives.

Refer to Annual Public Due Diligence Report Checklist and Annual Public Due Diligence Report Template.

Section 6: Provide for or cooperate in remediation when appropriate
Remediation is focused on hearing and addressing complaints through a legitimate process where the textile mill has caused or contributed to forced labor in cotton production in its supply chain, not just where the textile mill is linked to forced labor. It is important to provide an avenue for complaints to be heard, and to collaborate with other linked, or contributing parties, to address the harm caused from forced labor in cotton production where the textile mill is linked to it.

6.1 Provide a grievance mechanism
The textile mill shall have in place, or refer to, a mechanism allowing any interested party (affected persons or whistleblowers) to voice concerns or complaints regarding the circumstances of cotton production, trade, handling, and export.

A grievance mechanism could be established internally or externally.

The mechanism shall, at a minimum, include a process to investigate the concern or grievance received and, if applicable, determine appropriate corrective and preventive actions, to remedy the situation in accordance with the OECD Due Diligence Guidance.

The grievance mechanism shall:
- Be accessible, legitimate, transparent, equitable, and predictable.
- Identify who can file a grievance, making sure that it does not limit who can file a grievance.
- Allow a grievance to be filed by a representative of an impacted stakeholder.
- Provide the options by which someone can file a grievance (e.g., telephone number, email address, online forum, etc.).
- State that employees can file a grievance without fear of retaliation.
- Identify on which issues individuals can file grievances (e.g., violations of policy, instances of forced labor).
- Describe the process by which grievances are investigated, addressed, and resolved, including reference to which departments and staff are responsible for each of these actions, as well as any collaboration with other contributing parties to address the harm caused from forced labor in cotton production.
- Assess the level of satisfaction with the process and the outcome of those who raised the grievance(s).

Refer to Grievance Mechanism Checklist.

6.2 Cooperate in remediation
The enterprise provides for or co-operates in remediation when it has caused or contributed to an adverse impact. The remedy should be proportionate to the severity of the impact and meet national laws and international guidelines. The textile mill shall engage with affected stakeholders, directly or indirectly, in the determination of the remedy.
YESS STANDARD FOR TEXTILE MILLS

V. ANNEXES
Due Diligence Guidance: Data and Documentation and Risk Identification, Mitigation, and Management for High-risk Sources

Unprocessed Cotton Inputs

This Annex includes guidance on the types of documents that can be reviewed to successfully demonstrate Know Your Supplier (KYS), origin, chain of custody, and the robustness of documentation required, which will depend on the risk level of the unprocessed cotton inputs per Table 3.

Cotton yarn or textile that has been produced by a YESS-conformant spinner or textile mill, respectively, would only be subject to chain of custody requirements to validate origin at the YESS-conformant supplier. All other suppliers shall be subject to the KYS process in accordance with Section 2 of this standard and include data points and document types listed in Table 4 below.

Table 4: Know Your Supplier

<table>
<thead>
<tr>
<th>Expectation</th>
<th>Level / Input</th>
<th>Data points</th>
<th>Example document types (not every document is necessary as long as sufficient evidence is provided; required documents are noted by an asterisk (*))</th>
</tr>
</thead>
<tbody>
<tr>
<td>Know Your Supplier (KYS)</td>
<td>Supplier</td>
<td>• Identity, location, legality and type of business</td>
<td>• Business license or registration*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Type of business relationship</td>
<td>• Pro forma invoice, purchase order, or contract with textile mill’s sourcing policy*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Acknowledgement of textile mill’s responsible sourcing policy</td>
<td>• Status as a YESS-conformant textile mill</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• YESS conformant status (yarn)</td>
<td>• KYS questionnaires: sourcing regions, acknowledgement of textile mill’s responsible sourcing policy</td>
</tr>
</tbody>
</table>

Transactions of unprocessed cotton inputs (e.g., yarn or textile, yarn, and cotton lint contained within unprocessed or recycled yarn) from suppliers that are not conformant with the applicable YESS Standard (for Spinners or Textile Mills) shall be subject to: chain of custody, lint origin determination, and due diligence of the supplier’s systems of controls. Table 5 lists data points and document types for low-risk unprocessed cotton inputs.
Table 5: Low-risk Unprocessed Cotton Input Transactions: data and document guidance

<table>
<thead>
<tr>
<th>Expectation</th>
<th>Data points</th>
<th>Example document types (not every document is necessary as long as sufficient evidence is provided; required documents are noted by an asterisk (*))</th>
</tr>
</thead>
</table>
| Chain of custody/traceability        | Identification and location of all actors in the supply chain from country of origin to textile mill along with the following details for each transaction: | • Government-issued country of origin certificate (imports only)*  
• Transportation document:*  
  – Bill of lading  
  – Airway bills  
  – Trucking documentation or transportation logs  
• Pro forma invoice, purchase order, or contract*  
• Official (e.g., government-issued) import document  
• Packing list / packing declaration  
• Organic Content Standard Transaction Certificate  
• Lint only  
  • Bale tag (or other form for gin ID)  
  • Phytosanitary certificates (imports only)  
  • Farm-level scheme chain of custody certificate |
| **data points**                      | • Dates of shipment and receipt  
  • Origin (company name and location)  
  • Destination (company name and location)  
  • Material description  
  • Quantity of material |                                                                                                                                     |

Due diligence of high-risk unprocessed cotton inputs shall include completing the following steps and meeting all expectations listed in Table 6.

**Step A:** Determine the original sources (farms or gins) of all cotton lint used to produce the cotton inputs (e.g., yarn, textile) received by the textile mill undergoing the YESS assessment.

- If specific inputs cannot be identified by the supplier OR the system of controls are insufficient to ensure the subject yarn or textile was made using only low-risk cotton inputs, all the suppliers’ cotton inputs for the 12 months prior to the subject yarn or textile creation shall be validated.

**Step B:** Conduct due diligence of all supply chain actors in the high-risk supply chain to ensure all cotton and associated documents were managed under proper chain of custody, including segregation or protection from manipulation or false identification.

**Step C:** Identify and assess actual and potential forced labor in cotton production in its supply chain.
Table 6: High-risk Unprocessed Cotton Inputs Due Diligence: data and document guidance by input type

<table>
<thead>
<tr>
<th>Expectation</th>
<th>Level</th>
<th>Data points</th>
<th>Example document types (not every document is necessary as long as sufficient evidence is provided; required documents are noted by an asterisk (*))</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chain of custody/traceability</td>
<td>Yarn, textile and lint transactions</td>
<td>Identification and location of all actors in the supply chain from country of origin to textile mill along with the following details for each transaction:</td>
<td>• Government-issued country of origin certificate (imports only)<em>&lt;br&gt; • Transportation document:</em>&lt;br&gt; – Bill of lading&lt;br&gt; – Airway bills&lt;br&gt; – Trucking documentation or transportation logs&lt;br&gt; • Pro forma invoice, purchase order, or contract*&lt;br&gt; • Official (e.g., government-issued) import document&lt;br&gt; • Packing list / packing declaration&lt;br&gt; • Organic Content Standard Transaction Certificate&lt;br&gt; • Transport document:<em>&lt;br&gt; – Bill of lading&lt;br&gt; – Airway bills&lt;br&gt; – Trucking documentation or transportation logs&lt;br&gt; • Pro forma invoice, purchase order, or contract</em>&lt;br&gt; • Official (e.g., government-issued) import document&lt;br&gt; • Packing list / packing declaration&lt;br&gt; • Organic Content Standard Transaction Certificate&lt;br&gt;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Dates of shipment and receipt&lt;br&gt; • Origin (company name and location)&lt;br&gt; • Destination (company name and location)&lt;br&gt; • Material description&lt;br&gt; • Quantity of material</td>
<td>Lint only&lt;br&gt; • Bale tag (or other form for gin ID)&lt;br&gt; • Phytosanitary certificates (imports only)&lt;br&gt; • Farm-level scheme chain of custody certificate</td>
</tr>
<tr>
<td>Country of origin supply chain mapping</td>
<td>Lint transaction</td>
<td>• Locations where cotton lint is grown and ginned&lt;br&gt; • Identification and location of gins, transporters, warehouses, or other actors in the upstream supply chain</td>
<td>• Supply chain map or traceability reports*&lt;br&gt; • Contracts/agreements&lt;br&gt; • Cotton farm or cooperative declarations or visit reports&lt;br&gt; • Bale tag/gin identification</td>
</tr>
<tr>
<td>Farm-level assurance</td>
<td>Lint transaction</td>
<td>• Assurance that cotton was produced with low risk of involving forced labor</td>
<td>• Qualified upstream mechanism declarations (e.g., Physical Better Cotton, IFOAM Organic)&lt;br&gt; • Farm visit reports by a credible forced labor expert&lt;br&gt; • Gin- or farm-level assessment reports&lt;br&gt; • Incident monitoring reports&lt;br&gt; • NGO or other stakeholder reports</td>
</tr>
<tr>
<td>Expectation</td>
<td>Level</td>
<td>Data points</td>
<td>Example document types (not every document is necessary as long as sufficient evidence is provided; required documents are noted by an asterisk (*))</td>
</tr>
<tr>
<td>----------------------</td>
<td>------------------------------</td>
<td>------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Risk assessment</td>
<td>Supply chain actors</td>
<td>• Name and location of farmer or cooperative&lt;br&gt;• Name and location of gin&lt;br&gt;• Type of risk&lt;br&gt;• Description of root cause or type of forced labor&lt;br&gt;• Description of mitigation measures (where applicable)</td>
<td>• Farm or community assessment report&lt;br&gt;• Upstream risk assessment reports&lt;br&gt;• Incident monitoring reports&lt;br&gt;• Gin assessments or visit reports&lt;br&gt;• Grievance mechanism reports&lt;br&gt;• KYS of lint supplier&lt;br&gt;• KYS of supply chain actors</td>
</tr>
<tr>
<td>Risk mitigation</td>
<td>Supplier / Supply chain actors</td>
<td>• Records demonstrating implementation of risk mitigation measures</td>
<td>• Risk mitigation actions report&lt;br&gt;• Meeting records&lt;br&gt;• Email correspondence with supply chain actors for risk mitigation&lt;br&gt;• Incident monitoring reports&lt;br&gt;• Capacity building reports&lt;br&gt;• Grievance mechanisms&lt;br&gt;• Tracking/responding to supply chain incidents</td>
</tr>
<tr>
<td>Risk management</td>
<td>Supplier / Supply chain actors</td>
<td>• Evidence of ongoing monitoring of risks</td>
<td>• Risk management plan and strategy&lt;br&gt;• Notice of suspension/discontinuation of contracts/agreements&lt;br&gt;• Site visit reports&lt;br&gt;• Meeting minutes&lt;br&gt;• Other (e.g., UK Modern Slavery Act statements)</td>
</tr>
</tbody>
</table>

**Exemptions**
Cotton inputs that are received and entered in inventory by the textile mill more than three years prior to the assessment date do not require a determination of origin or other due diligence evaluation. A textile mill shall provide sufficient documentation to demonstrate that the cotton inputs have been received and entered in inventory three years prior to the YESS Standard for Textile Mills’ effective date.
Origin Determination and Risk Identification, Mitigation, and Management for Recycled Cotton Inputs

This Annex includes guidance on the types of documents that can be reviewed to successfully demonstrate Know Your Supplier (KYS), origin, chain of custody, and the robustness of documentation required, which will depend on the risk level of the recycled cotton inputs per Table 3.

Recycled cotton inputs include the following categories:

**Recycled cotton fiber**: Cotton fiber that has been produced from pre- or post-consumer cotton products (e.g., yarn, textile, griege, fabric, apparel or home textile products) through shredding or other forms of deconstruction. This does not include off-spec or unused yarn, textile, griege, fabric or other cotton products that has not been deconstructed or shredded back to a fiber form.

**Textile with recycled content**: Cotton textile\(^\text{10}\) that contains any amount of recycled cotton yarn.

**Yarn with recycled cotton content**: Cotton yarn\(^\text{11}\) that contains any amount of recycled cotton fiber.

Cotton yarn that has been produced by a YESS-conformant spinner would only be subject to chain of custody requirements to validate origin at the supplying YESS-conformant spinner.

All high-risk suppliers shall be subject to the KYS process in accordance with Section 2 of this standard and include data points and document types listed in Table 7 below.

Table 7: Know Your Supplier

<table>
<thead>
<tr>
<th>Expectation</th>
<th>Level / Input</th>
<th>Data points</th>
<th>Example document types (not every document is necessary as long as sufficient evidence is provided; required documents are noted by an asterisk (*))</th>
</tr>
</thead>
</table>
| Know Your Supplier (KYS) | Supplier | • Identity, location, legality and type of business  
• Type of business relationship  
• Acknowledgement of textile mill’s responsible sourcing policy  
• YESS conformant status (yarn) | • Business license or registration*  
• Pro forma invoice, purchase order, or contract with textile mill’s sourcing policy*  
• Status as a YESS-conformant textile mill*  
• KYS questionnaires: sourcing regions, acknowledgement of textile mill’s responsible sourcing policy* |

\(^{10}\) Cotton textile can include non-cotton fiber or filaments but will be comprised primarily of cotton.

\(^{11}\) Cotton yarn can include non-cotton fiber or filaments but will be comprised primarily of cotton.
Unprocessed cotton inputs (including off-spec or unused yarn, textile, griege, lint) that are blended with recycled cotton are also subject to applicable origin determination, supplier due diligence, source risk identification and assessment (Section 2 of this standard), and include data points and document types listed in Table 4 or Table 5 (Annex I) for low-risk or high-risk origins, respectively.

Transactions of recycled cotton inputs shall be subject to chain of custody and lint origin determination. Table 8 lists data points and document types for recycled cotton inputs.
Table 8: Recycled Cotton Inputs: due diligence, data, and document guidance

<table>
<thead>
<tr>
<th>Expectation</th>
<th>Data points</th>
<th>Example document types (not every document is necessary as long as sufficient evidence is provided; required documents are noted by an asterisk (*))</th>
</tr>
</thead>
<tbody>
<tr>
<td>Origin</td>
<td>• Material composition</td>
<td>• Pro forma invoice, purchase order, or contract*</td>
</tr>
<tr>
<td></td>
<td>• Evidence of recycled origin</td>
<td>• Evidence of Textile Exchange’s Recycled Claim Standard (or equivalent) certification</td>
</tr>
<tr>
<td></td>
<td>• Type of supplier</td>
<td>• Supplier type (e.g., garment manufacturer)</td>
</tr>
<tr>
<td></td>
<td>• Name and location of supplier</td>
<td>• Photographic or other evidence of recycled origin</td>
</tr>
<tr>
<td></td>
<td>• Date of production</td>
<td></td>
</tr>
<tr>
<td>Chain of custody/traceability</td>
<td>• Material composition</td>
<td>• Transportation documents:*</td>
</tr>
<tr>
<td></td>
<td>• Type of supplier</td>
<td>– Bill of lading</td>
</tr>
<tr>
<td></td>
<td>• Name and location of supplier</td>
<td>– Airway bills</td>
</tr>
<tr>
<td></td>
<td>• Name and location of buyer</td>
<td>– Trucking documentation or transportation logs</td>
</tr>
<tr>
<td></td>
<td>• Dates of shipment and receipt</td>
<td>• Pro forma invoice, purchase order, or contract*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Proof of payment (required for US Customs Border Protect Withhold Release Orders only)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Certificate of Origin Affidavit (per 19 CFR 12.43) (required for US CBP WRO only)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Textile Exchange’s Recycled Claim Standard (RCS) Transaction Certificate or equivalent</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Official (e.g., government-issued) import document</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Packing list / packing declaration</td>
</tr>
</tbody>
</table>