

# YESS™ Copyright and Disclaimer for Capacity Building Materials

1

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# Year 2 Requirements: Risk Assessment & Mitigation

Online Module

January 10, 2022

<http://www.sourcingnetwork.org/yess>

# Today's Agenda

3

1. Year 1 conformance review
2. High-risk supply chain due diligence
3. Design and implement a risk management plan
4. Forced labor assessment
5. Annual reporting
6. YESS resources



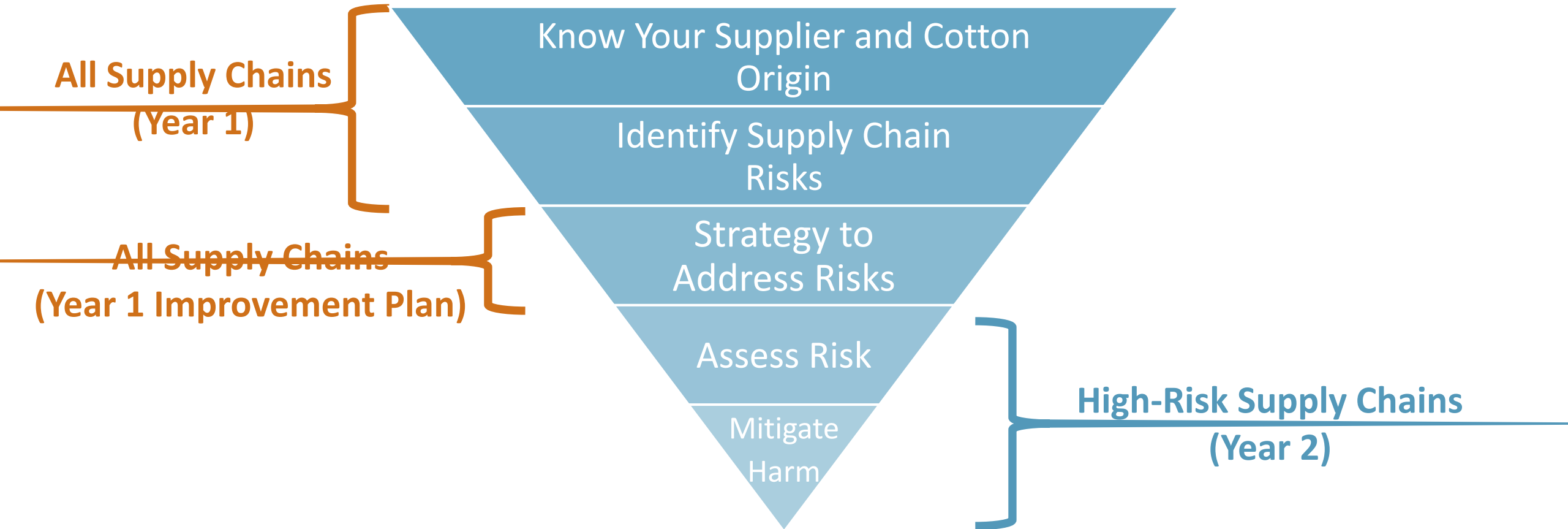
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Ethically &  
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# Year 1 Conformance Review



# Due Diligence as a Pyramid

5



# Due Diligence Expectations under YESS: Year 2

6

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Establish and implement a sourcing policy

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Conduct supplier due diligence

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Validate the plausibility of cotton origins

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Identify, account for, and reconcile all cotton materials

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**Assess, prevent, and mitigate risks of forced labor in cotton production**

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Undergo an annual third-party assessment

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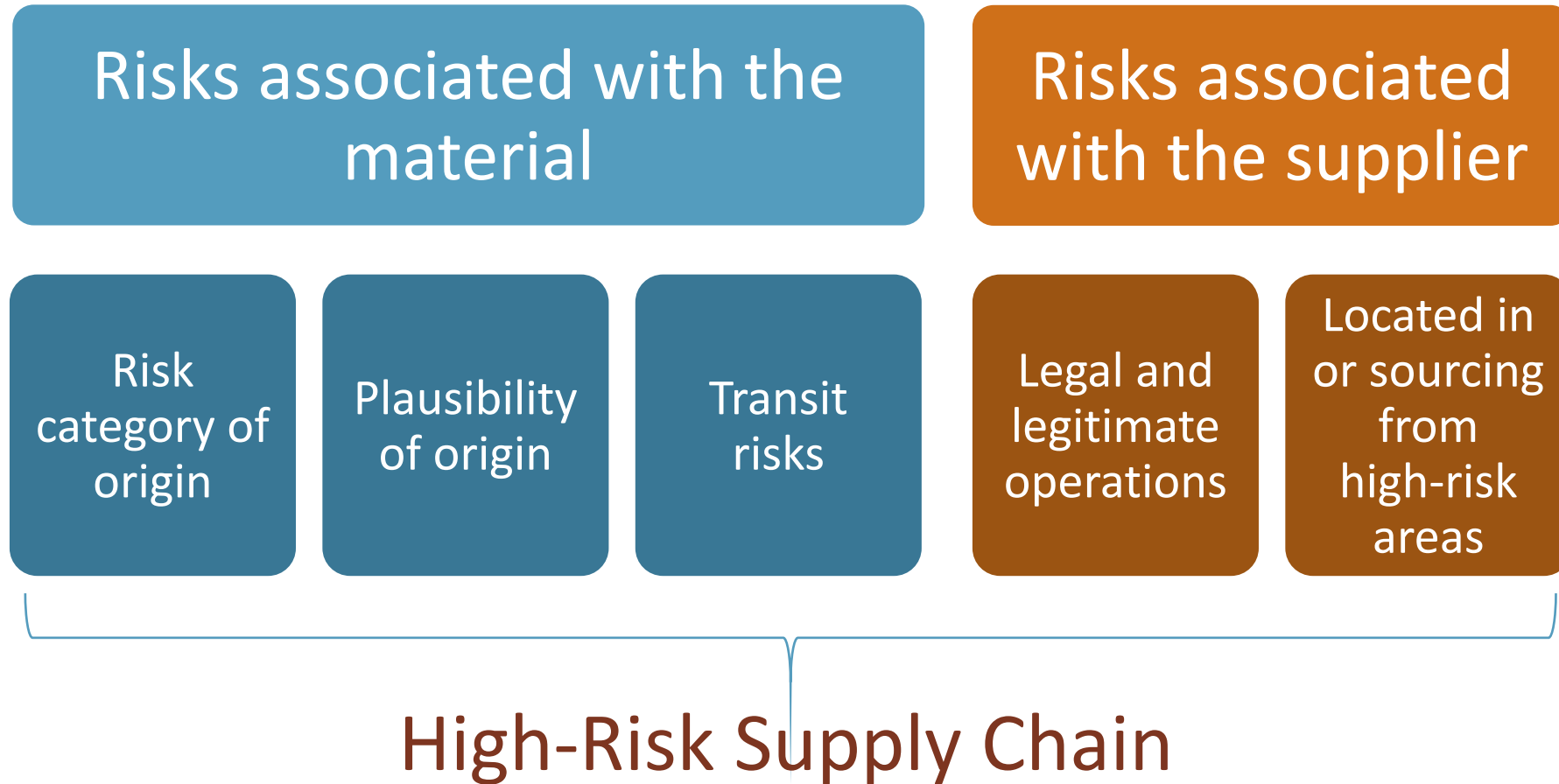
Monitor performance

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Report progress

# Supply Chain Risks

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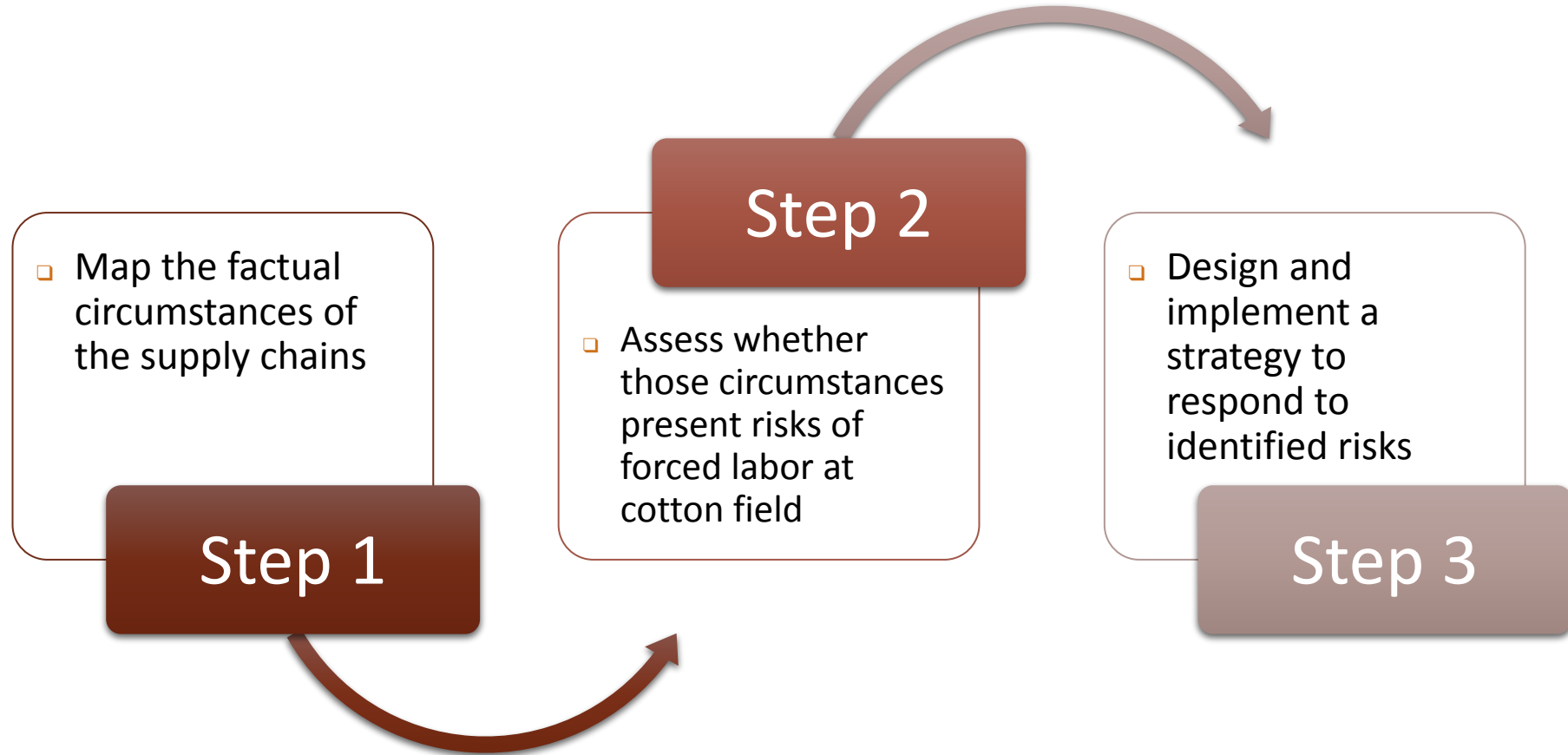
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# High-Risk Supply Chains: Additional Due Diligence



# High-Risk Supply Chains: Additional Due Diligence

9



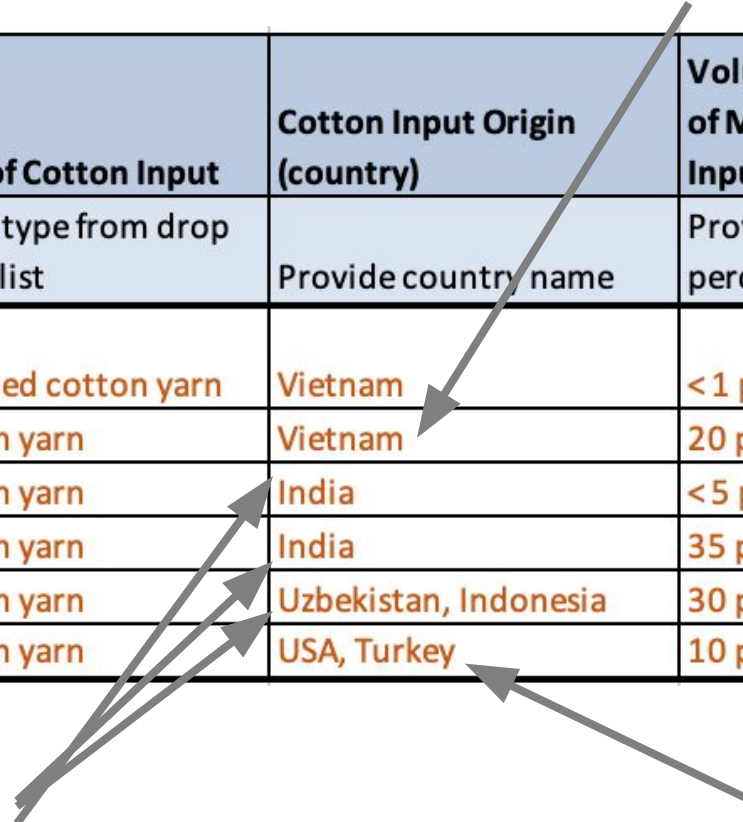
# Identifying High-Risk Sources

## Priority Yarn or Comber Noil Source

Supplier Name	Type of Supplier	Type of Cotton Input	Cotton Input Origin (country)	Volume or Percentage of Mill's Total Cotton Inputs	Certification / Ethical Sourcing Scheme No. 1
Provide legal name	Select type from drop down list	Select type from drop down list	Provide country name	Provide volume, percentage	Select type from drop down list
Quality Cotton Spinner	International Spinner	Recycled cotton yarn	Vietnam	< 1 percent	Recycled Claim Standard
	International Spinner	Cotton yarn	Vietnam	20 percent	
Happy Fabric Mill	Domestic Textile Mill	Cotton yarn	India	< 5 percent	None
Premium Cotton Spinner	Domestic Spinner	Cotton yarn	India	35 percent	Better Cotton System Standard
Global Merchant	International Merchant	Cotton yarn	Uzbekistan, Indonesia	30 percent	None
Worldwide Merchant	International Merchant	Cotton yarn	USA, Turkey	10 percent	None

High-Risk Lint Origins

Priority Yarn or Comber Noil Source



# Prioritizing High-Risk Supply Chains

11

Supplier Name	Type of Supplier	Type of Cotton Input	Cotton Input Origin (country)	Volume or Percentage of Mill's Total Cotton Inputs	Certification / Ethical Sourcing Scheme No. 1
Provide legal name	Select type from drop down list	Select type from drop down list	Provide country name	Provide volume, percentage	Select type from drop down list
Quality Cotton Spinner	International Spinner	Recycled cotton yarn	Vietnam	< 1 percent	Recycled Claim Standard
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Premium Cotton Spinner	Domestic Spinner	Cotton yarn	India ★	35 percent	Better Cotton System Standard
Global Merchant	International Merchant	Cotton yarn	Uzbekistan, Indonesia ★	30 percent	None
Worldwide Merchant	International Merchant	Cotton yarn	USA, Turkey ★	10 percent	None

# Assess Relationship to Risks

12

## □ Mill:

- owns or operates a spinning mill or gin located in a priority country for yarn production.
- sources cotton yarn or spinning byproduct from a spinning mill that is not YESS-conformant.
- consistently sources cotton yarn from a country known to import lint from high-risk countries.
- sources recycled cotton inputs from high-risk sources.
- has a long-standing and cooperative relationship with supplier.

## □ Mill's supplier:

- purchases cotton lint originating in a high-risk country for cotton production.
- conducts due diligence aimed at identifying risks forced labor in cotton production.
- has control systems to ensure all cotton products sold to the receiving mill contains low-risk cotton inputs only.
- addresses or denies the existence of risks of harm from forced labor in cotton production in high-risk countries.

# High-Risk Supply Chain Map: Premium Cotton Spinning Mill

13

Shipment ID Number	Supply Chain Actor Name	Location	Type of Actor	Description of Function	Volume of Transactions	KYS Data Complete	Incidents Involving this Actor	Relationship to Spinner	Level of Influence
PK-2020-04	Quick Transit, Co.	Chittagong, Bangladesh	Transporter	Chittagong to Spinner	N/A	Contract in place	0	Direct	High
	Matson Shipping	Hong Kong	Transporter	Kandla Port to Chittagong	N/A	No	0	Indirect	Low
	<b>Ace Cotton Exporter, Ltd.</b>	<b>Singapore</b>	<b>Merchant</b>	<b>Exporter</b>	<b>30000 MT</b>	<b>No</b>	<b>0</b>	<b>Direct</b>	<b>Medium</b>
	Trusted Transport, Co.	Gujarat	Transporter	Gin to Kandla Port	N/A	No	0	Indirect	Low
	<b>Good Gin Company</b>	<b>5A Gin Road, Okara, Punjab</b>	<b>Gin</b>	<b>Gin and bale cotton</b>	<b>30000 MT</b>	<b>No</b>	<b>0</b>	<b>Indirect</b>	<b>Low</b>
	<b>Fair Cotton Cooperative</b>	<b>20F First Street, Okara, Punjab</b>	<b>Cooperative</b>	<b>Farmer support</b>	<b>20000 MT</b>	<b>No</b>	<b>0</b>	<b>Indirect</b>	<b>Low</b>
	Individual farmers	Various	Farmer	Produce cotton	10000 MT	No	0	Indirect	Low

# Recommend a Mitigation Strategy: Premium Cotton Spinning Mill

14

Shipment ID Number	Supply Chain Actor Name	Location	Type of Actor	Description of Function	Volume of Transactions	KYS Data Complete	Incidents Involving this Actor	Relationship to Spinner	Level of Influence
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	Individual farmers	Various	Farmer	Produce cotton	10000 MT	No	0	Indirect	Low

Assess →

BCI →

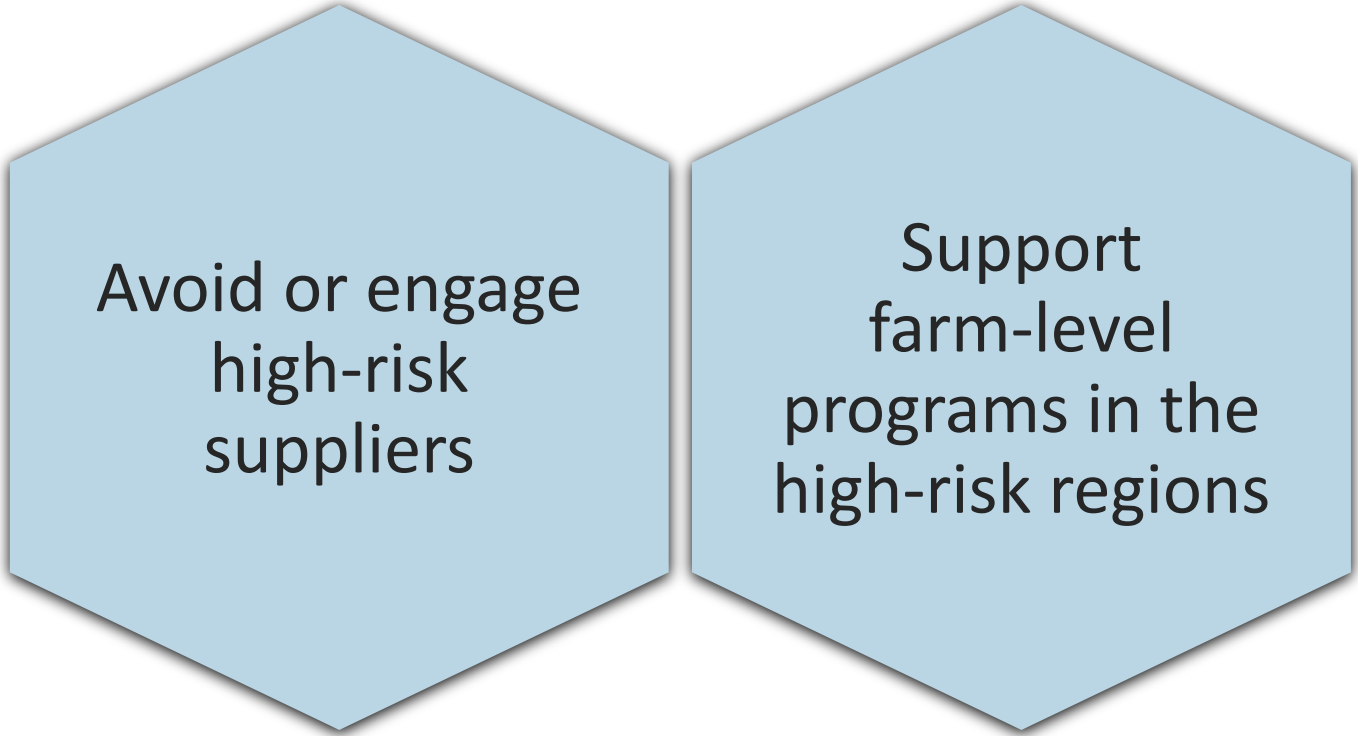


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# Design and Implement a Risk Management Plan

# Risk Prevention and Mitigation

16



Avoid or engage  
high-risk  
suppliers

Support  
farm-level  
programs in the  
high-risk regions



# Developing Risk Management Plan and Strategy

17



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

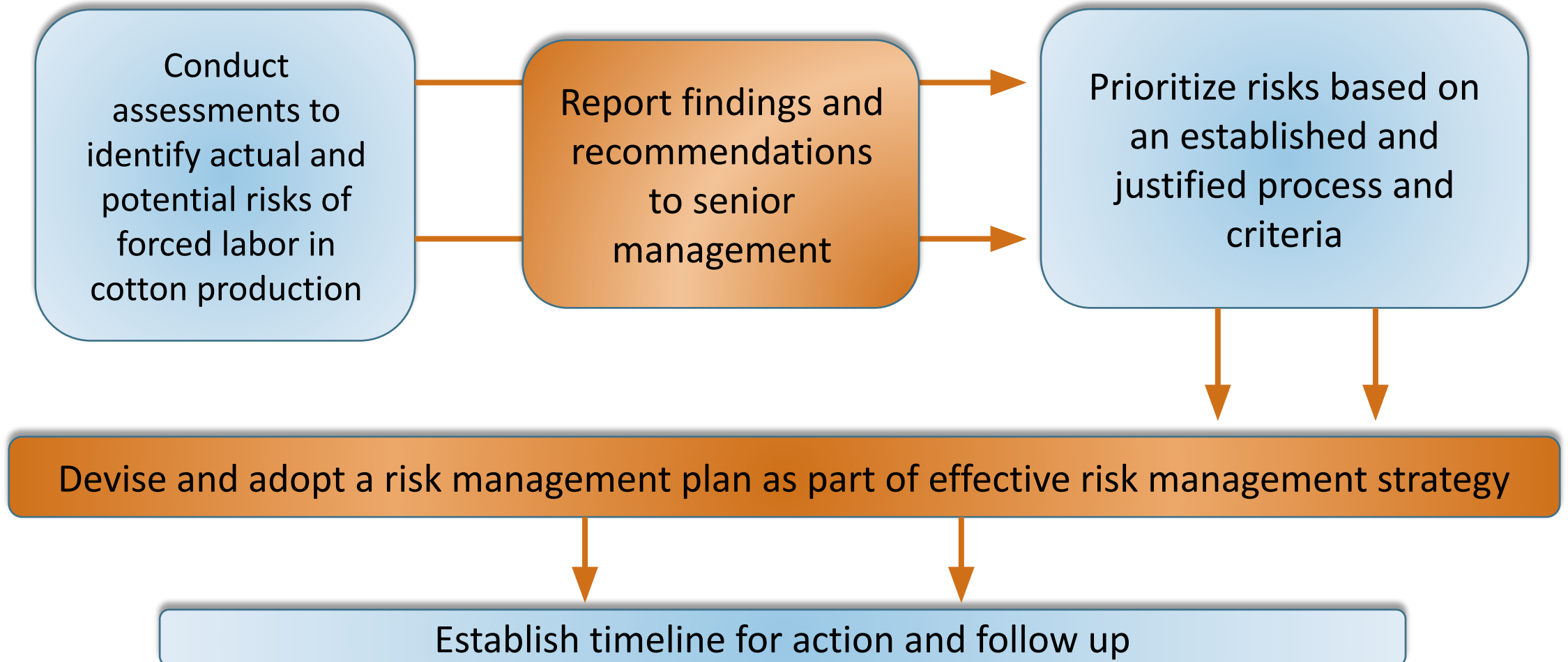
# Establish a Mitigation Plan and Timeline

18

Description of risk	Country or origin	Supplier	Mitigation plan	Timeframe	Activities completed to date	Remaining activities
List risks (e.g., lint source unknown, high-risk cotton lint source, insufficient chain of custody)		List the direct supplier associated with the risk	Describe activities planned to address risk	Indicate the month and year that is planned for completion MM / YYYY	List or describe activities that have been completed to date	List or describe additional activities that are planned
Bonded labor	Pakistan	Premium Cotton Spinning Mill	<ul style="list-style-type: none"> <li>• Create action plan</li> <li>• Track progress</li> <li>• Facilitate and direct all activities</li> </ul>	<ul style="list-style-type: none"> <li>• 12/24</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitated initial call (7/22)</li> <li>• Created action plan (7/22)</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct onsite visits</li> <li>• Develop monitoring system</li> </ul>
		Ace Cotton Exporter	<ul style="list-style-type: none"> <li>• Commission an assessment of the gin's processes, systems, sourcing model</li> <li>• Co-commission or coordinate a forced labor assessment of the Fair Cotton Cooperative</li> </ul>	<ul style="list-style-type: none"> <li>• 12/22</li> <li>• 12/23</li> </ul>	<ul style="list-style-type: none"> <li>• Onsite visit to gin (9/22)</li> <li>• Identify qualified assessor (9/22)</li> </ul>	<ul style="list-style-type: none"> <li>• Establish policies and procedures</li> <li>• Train staff</li> <li>• Train gin</li> <li>• Train cooperatives</li> </ul>
		Good Gin Company	<ul style="list-style-type: none"> <li>• Facilitate assessment and address findings</li> <li>• Co-commission or coordinate a forced labor assessment of the Fair Cotton Cooperative</li> </ul>	<ul style="list-style-type: none"> <li>• 12/22</li> <li>• 12/23</li> </ul>	<ul style="list-style-type: none"> <li>• Develop action plan (8/22)</li> </ul>	<ul style="list-style-type: none"> <li>• Establish policies and procedures</li> <li>• Train staff</li> <li>• Train gin</li> <li>• Train cooperatives</li> </ul>
		Fair Cotton Cooperative	<ul style="list-style-type: none"> <li>• Cooperate in forced labor assessment and address findings</li> <li>• Train gins on CoC documentation and processes</li> </ul>	<ul style="list-style-type: none"> <li>• 12/23</li> </ul>	<ul style="list-style-type: none"> <li>• Develop action plan (9/22)</li> </ul>	<ul style="list-style-type: none"> <li>• Establish policies and procedures</li> <li>• Train staff</li> <li>• Train farmers</li> </ul>

# Process to Respond to Identified Risks

19



# Supplier Incentives

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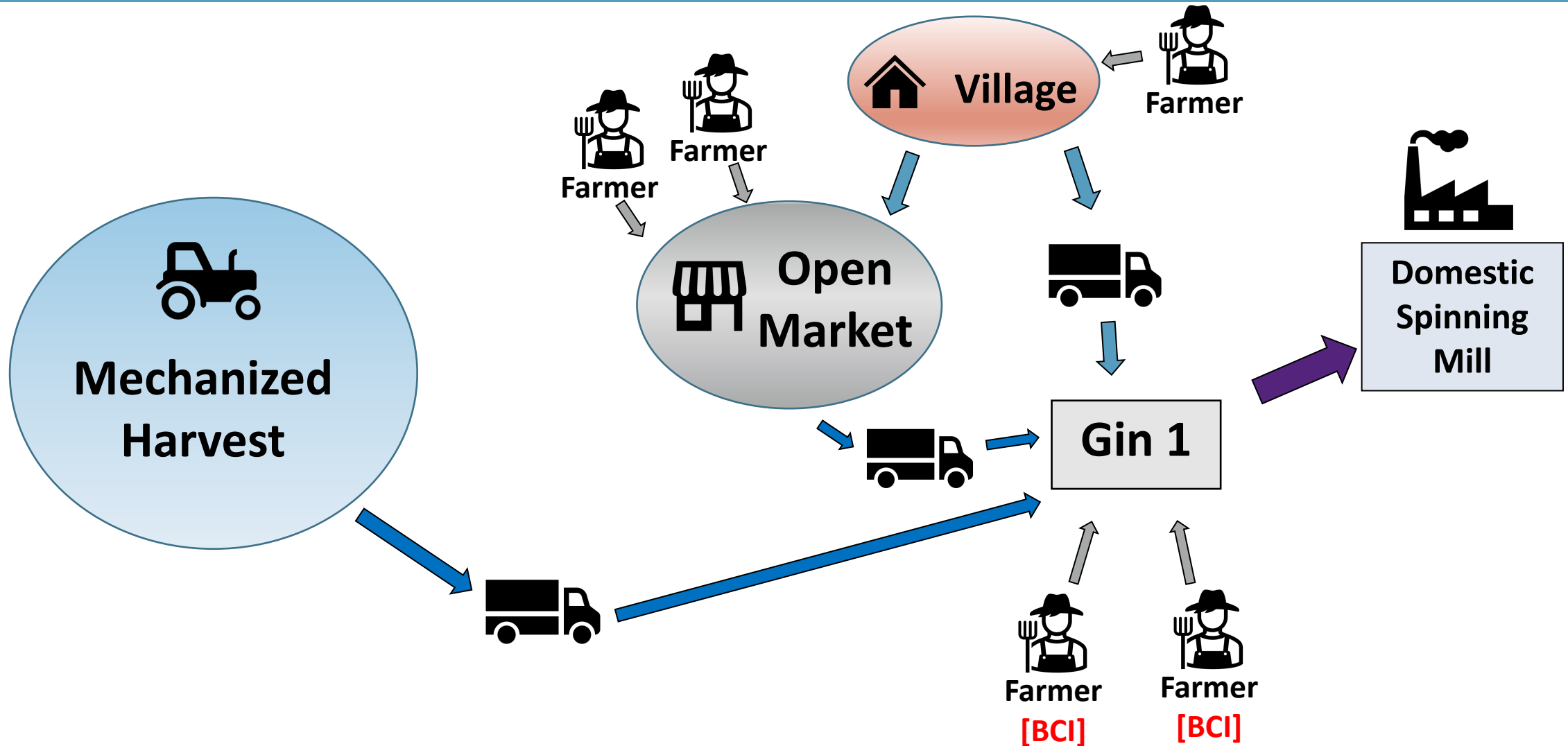
Prequalifying suppliers of cotton inputs

Prequalifying origins of unprocessed cotton lint

Prequalifying farm-level cotton schemes

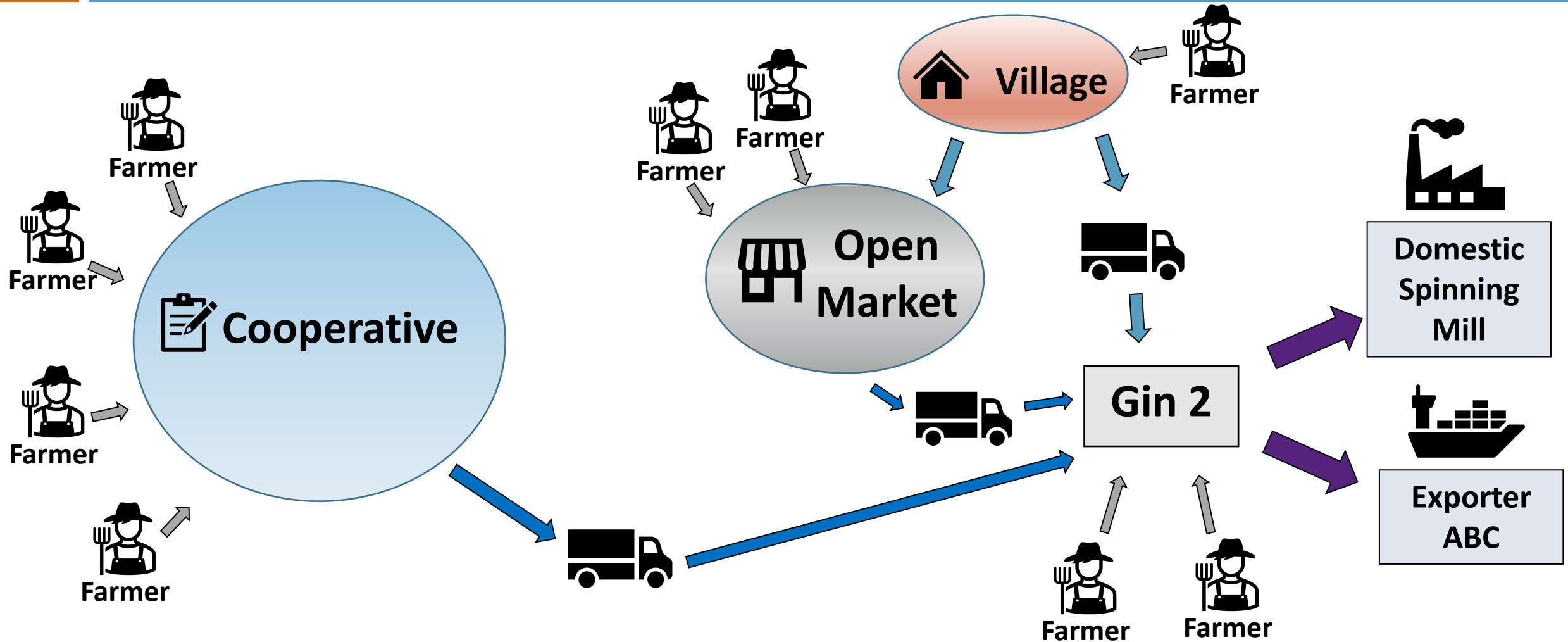
# Understand the Local Context: Scenario One

21



# Understand the Local Context: Scenario Two

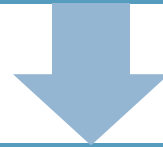
22



# Supplier Due Diligence: Indian Spinning Mill

233

India – 20 gins (50% direct from two gins/50% thru agents)  
US, Australia – four global merchants  
All direct relationships are long-term (10+ years)



Onsite visits to two direct sourcing gins: sourcing model,  
due diligence and internal controls



Expand BCI near strategic gin(s)  
Increase physical Better Cotton uptake  
Build capacity at cooperative

# Supplier Due Diligence: Indian Gins (Lint)

24

10 gins (BCI)  
10 gins (conventional)



Map each high-risk supply chain



10 gins (BCI): Source Physical Better Cotton  
5 priority gins (conventional): Onsite visits




# Supplier Due Diligence: Vietnamese Spinning Mill

255

80% from US, Brazil (4 global merchants)  
20% from India (2 Indian traders)  
No direct relationships with gins



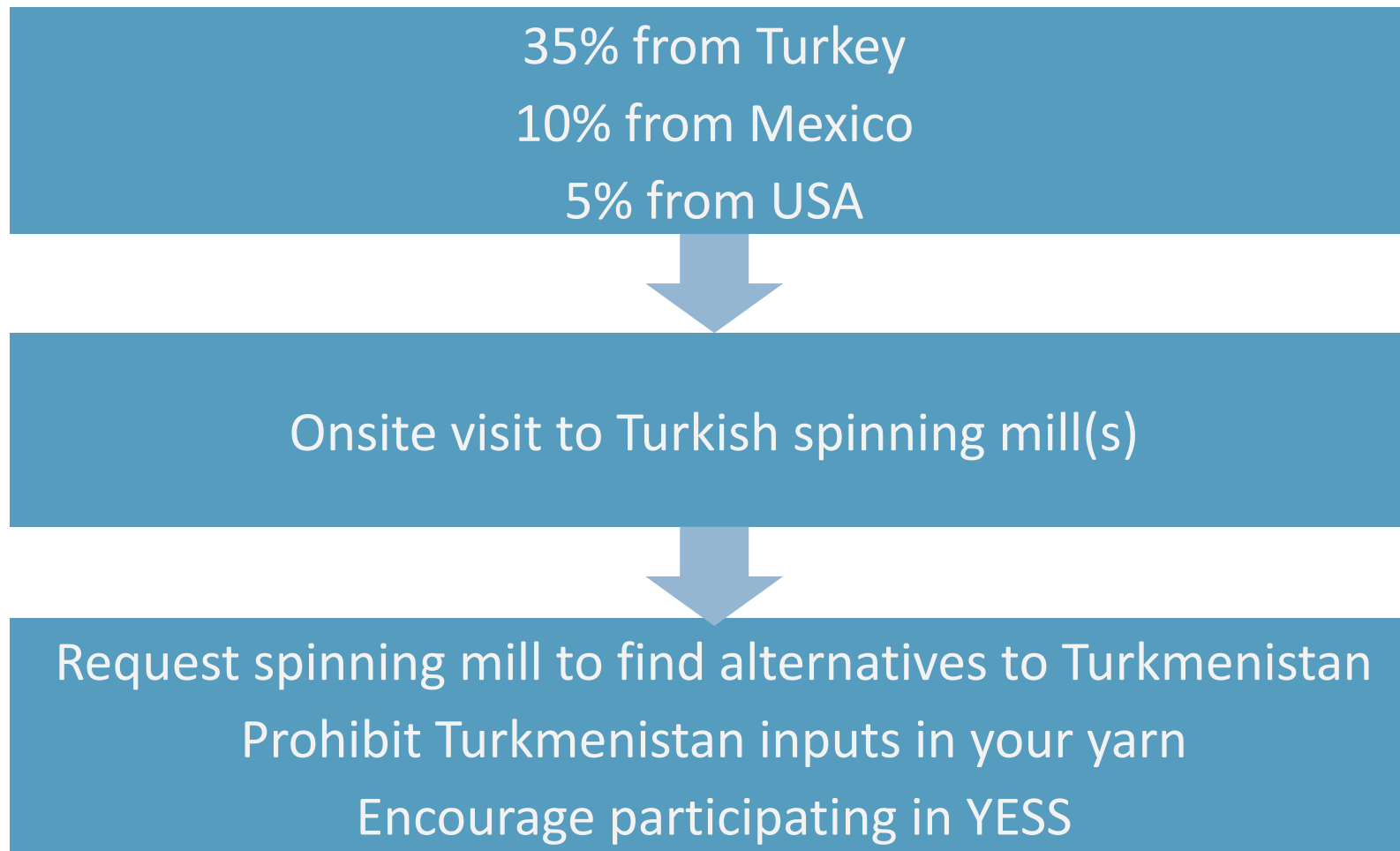
India inputs from 4 gins in one region  
BCI not in gin's region



Research forced labor information for subject region  
Trader to engage with strategic gin(s)  
Facilitate forced labor assessment in vicinity of the gins

# Supplier Due Diligence: Spinning Mills (Comber Noil)

26



YESS Spinning  
Mill  
Assessment  
Workbook

# Request High-Risk Supplier's Partnership

27

**To continue to source from you**, we need your assistance to uphold our Cotton Sourcing Policy and to conform with the YESS standard by completing the following actions:

1. **Respond to our Know Your Supplier** request completely, including acknowledging and agreeing to uphold our Cotton Sourcing Policy.
2. Demonstrate that **you conduct due diligence** on your suppliers and cotton inputs to avoid sourcing cotton that was produced with forced labor.
3. Complete the enclosed **YESS Supply Chain Mapping Tool** for each transaction of high-risk cotton you supply to us.
4. Provide **assurance that of each farm** that produced cotton in a high-risk country has been subject to an on-the-ground assessments by competent and independent experts and **has been deemed low-risk** for involving forced labor (low-risk cotton from a high-risk country).
5. Provide **evidence that each gin in high-risk countries implements systems and processes to segregate** low-risk cotton from high-risk cotton throughout their storage, ginning and baling operations.

# Request Supplier's Partnership (continued)

28

Provide the following documentation for each transaction of cotton from a high-risk country you supply to us from origin to our facility:

## **Domestic and International Shipments**

### Full Supply Chain Traceability

- ❑ Traceability reports
- ❑ Reference / shipment numbers

### Domestic Transportation

- ❑ Trucking documentation or transportation logs
- ❑ Warehouse receipts
- ❑ Contract showing transporter name
- ❑ Invoices from appointed transport agent
- ❑ License from appointed transport agent
- ❑ Inland forwarding note

## **International Shipments**

### Country of origin

- ❑ Official (e.g., government-issued) country of origin certificate
- ❑ Official (e.g., government-issued) phytosanitary certificate
- ❑ Purchase order or contract showing supplier name

### International Transportation

- ❑ Airway bill (by air)
- ❑ Bill of lading (by sea)
- ❑ Customs import record
- ❑ Customs export record

# Mitigate Supplier Risks

29

## ***Continue***

Continue to do business with high-risk suppliers cooperating with a mutually agreed upon mitigation plan

## ***Suspend***

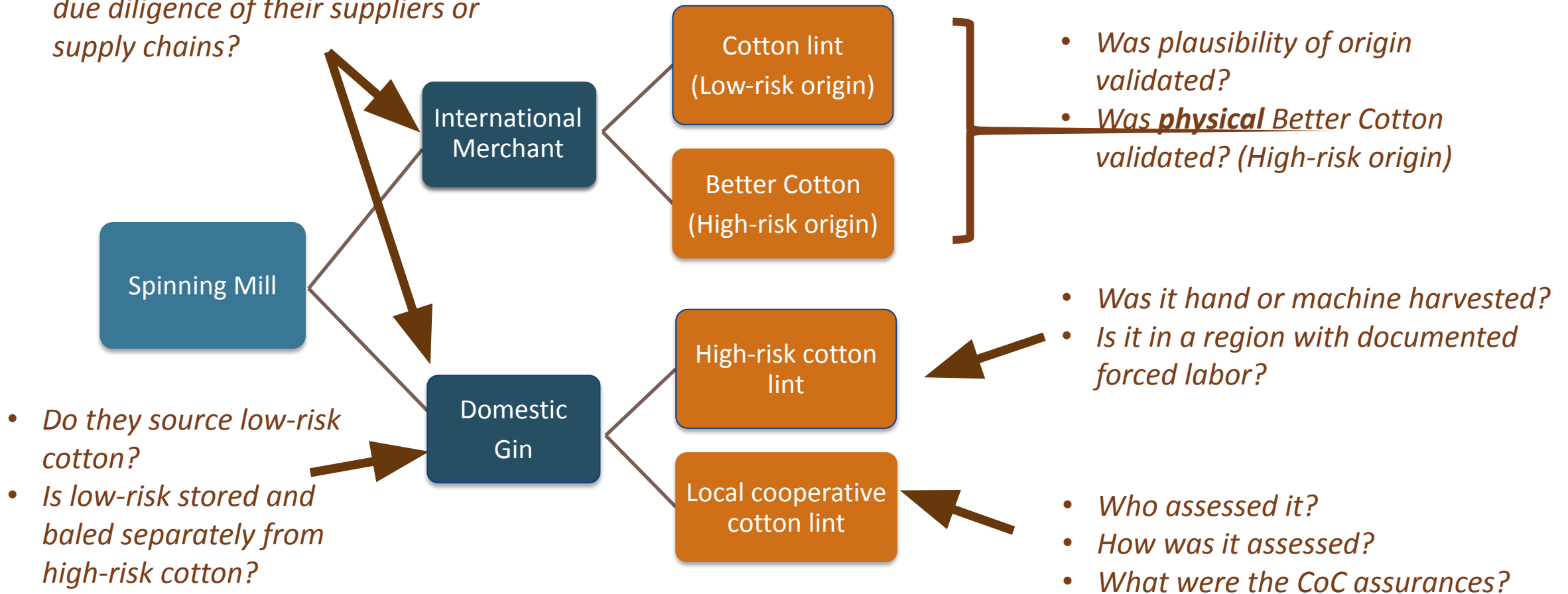
Temporarily suspend trade while pursuing ongoing mitigation efforts

## ***Disengage***

Disengage with a supplier in cases where mitigation appears unfeasible, is unacceptable, or fails after it is attempted

# Example: Spinning Mill Located in a High-Risk Country

*Does supplier conduct sufficient due diligence of their suppliers or supply chains?*





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# Assess Forced Labor on a Cotton Farm

# Forced Labor Assessment

32

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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.

---



# Forced Labor Assessment

33

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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

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# Forced Labor Assessment Checklist

Expectation	Resource Used	Key Findings / Comments
<p>Researched the political, economic, forced labor context of the high-risk origin, including:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Type of risk</li> <li><input type="checkbox"/> Description of incident</li> <li><input type="checkbox"/> Description of immediate mitigation measures (where applicable)</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> UN Reports</li> <li><input type="checkbox"/> NGO Reports</li> <li><input type="checkbox"/> Governance Assessments</li> <li><input type="checkbox"/> Media reports</li> <li><input type="checkbox"/> KYC documentation</li> <li><input type="checkbox"/> Upstream <u>actor</u> visit report(s)</li> <li><input type="checkbox"/> Upstream audit reports</li> <li><input type="checkbox"/> Incident monitoring report(s)</li> <li><input type="checkbox"/> NGO or other stakeholder reports</li> <li><input type="checkbox"/> Other: _____</li> </ul>	
<ul style="list-style-type: none"> <li><input type="checkbox"/> Assessed qualitative information on forced labor conditions in the supply chain.</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> KYC documentation</li> <li><input type="checkbox"/> Upstream <u>actor</u> visit or audit reports</li> <li><input type="checkbox"/> Incident monitoring reports</li> <li><input type="checkbox"/> NGO or other stakeholder reports</li> <li><input type="checkbox"/> Other: _____</li> </ul>	
<ul style="list-style-type: none"> <li><input type="checkbox"/> Conduct of commission on-the-ground assessment</li> <li><input type="checkbox"/> Review upstream assurance mechanisms<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> On-the-ground assessment team</li> <li><input type="checkbox"/> Upstream <u>actor</u> visit report(s)</li> <li><input type="checkbox"/> Upstream audit report(s)</li> <li><input type="checkbox"/> Upstream risk assessment report(s)</li> <li><input type="checkbox"/> Incident monitoring report(s)</li> <li><input type="checkbox"/> National law and regulations, OECD Guidelines, core Human Rights conventions, humanitarian law</li> <li><input type="checkbox"/> Other: _____</li> </ul>	



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# Annual Reporting



# Year 1 Report: Due Diligence Policy and Systems

36



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*
- ❑ *Supply chain risk identification*

# Identify Risks and Risk Management Plans

37



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

38



Intent in policy engagement



Systems to provide access to remediation



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YESS Resources

# YESS Resources

40



Trainings



Checklists



Flowcharts



Forms



Technical  
Advice

[www.sourcingnetwork.org/yessportal](http://www.sourcingnetwork.org/yessportal)



# Year 2 Assessment Resources

41

1. YESS Standard Review Checklist
11. High-risk Supply Chain Mapping Tool
- 11a. Sample Letter to Suppliers in High-Risk Supply Chains
12. Forced Labor Assessment Checklist
13. Relationship to Identified Risks Assessment Checklist
14. Annual Public Due Diligence Report Checklist
- 14a. Annual Public Due Diligence Report Template – Year 1
- 14b. Annual Public Due Diligence Report Template – Year 2 and Subsequent Years
15. Risk Mitigation Checklist
- 15a. Risk Mitigation Plan Form

# YESS Portal

42

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See the [YESS Pilot Project](#) for information and updates on our pilot this year.

