



YESS: Yarn Ethically & Sustainably Sourced

Implementing Due Diligence Guidance to End Forced Labor in Cotton Production

December 5, 2018

Logistics

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- ❑ Q&A at the end
 - ❑ Type questions into dialogue box throughout
 - ❑ Click on the “Raise Your Hand” icon and we will unmute you so you can ask your question
- ❑ Webinar is being recorded
 - ❑ However, Q&A portion will not be recorded

Today's Presenters

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Principal
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Webinar Agenda

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1. Problem and Solution
2. Introduction to YESS
3. OECD Due Diligence and YESS
4. Recent Activities
5. Future Activities
6. Opportunities to Support YESS
7. Q&A



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PROBLEM
AND
SOLUTION

Forced Labor Defined

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Uzbekistan - AsiaNews.it



China - Moobol.com



Burkina Faso - Bloomberg.com

ILO Convention 29:

“All work or service which is exacted from any person under the threat of a penalty and for which the person has not offered himself or herself voluntarily.”

High-risk of Forced Labor in Cotton Production

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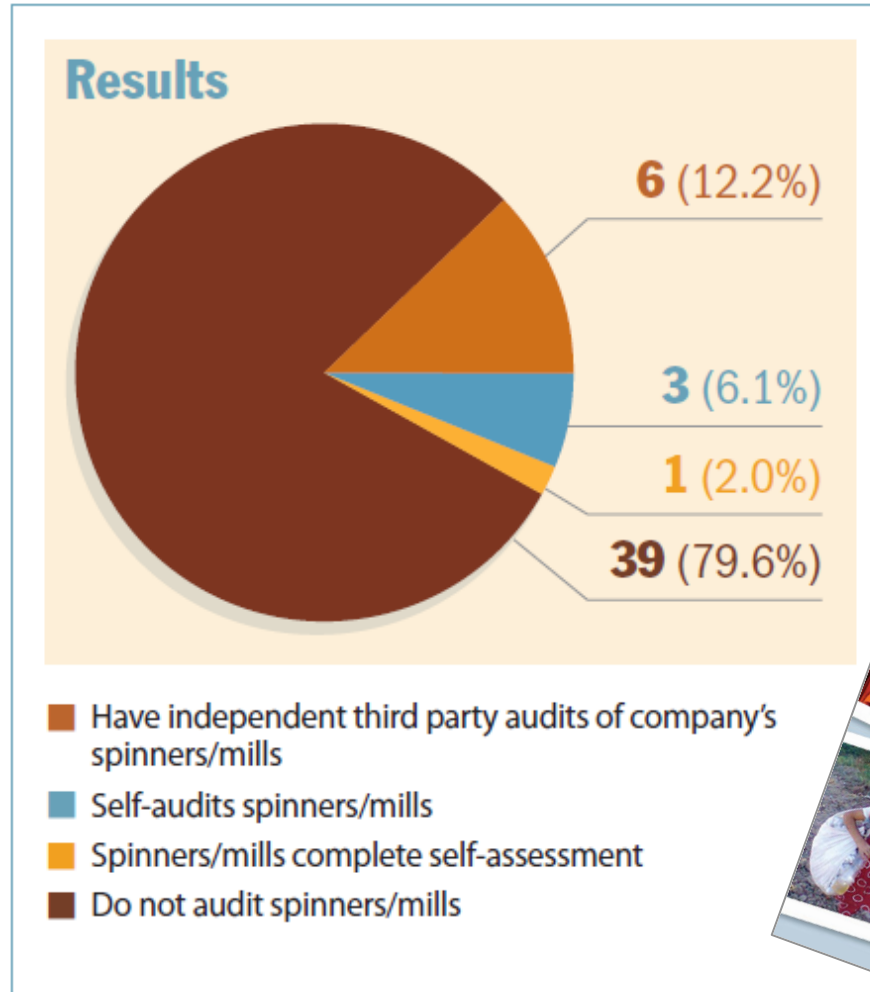


Nine High-Risk Countries

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

RSN's research shows that 80% of surveyed brands do not audit spinners

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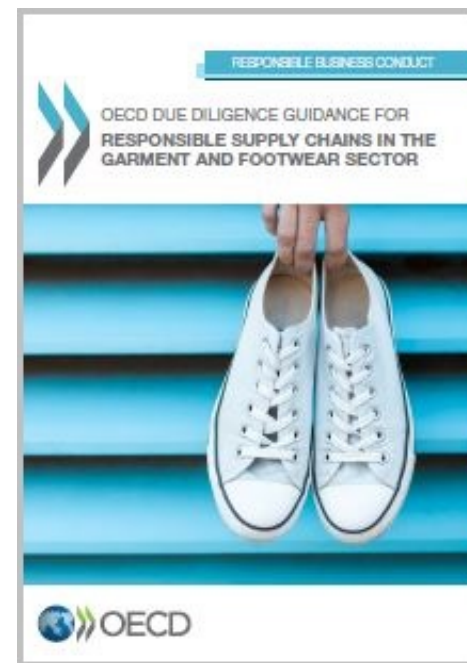


Applying Due Diligence

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YESS application of the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector

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





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INTRODUCTION TO YESS



YESS Mission

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To create an industry-wide due diligence program for yarn spinning mills to eliminate cotton produced with forced labor from their supply chains.



YESS Scope

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What YESS Does:

- ❑ Implement a risk-based due diligence approach
- ❑ Focus on management systems and material control systems
- ❑ Apply a mass balance calculation
- ❑ Encourage spinners to avoid cotton from high-risk origins that may have forced labor

What YESS Does Not:

- ❑ Identify and address labor conditions inside a spinning mill
- ❑ Create a check-the-box audit or a code of conduct
- ❑ Certify product or spinner
- ❑ Look at all human rights issues in cotton fields

Why Create YESS Now?

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Political Context

- ❑ Modern Slavery and Due Diligence Legislation: California, UK, France, Netherlands, Australia
- ❑ New lawsuits regarding modern slavery (Costco, Nestle, Mars).
- ❑ CBP Withhold-Release order for Turkmenistan cotton
- ❑ SDG 8 and Indicator 8.7

Industry Context

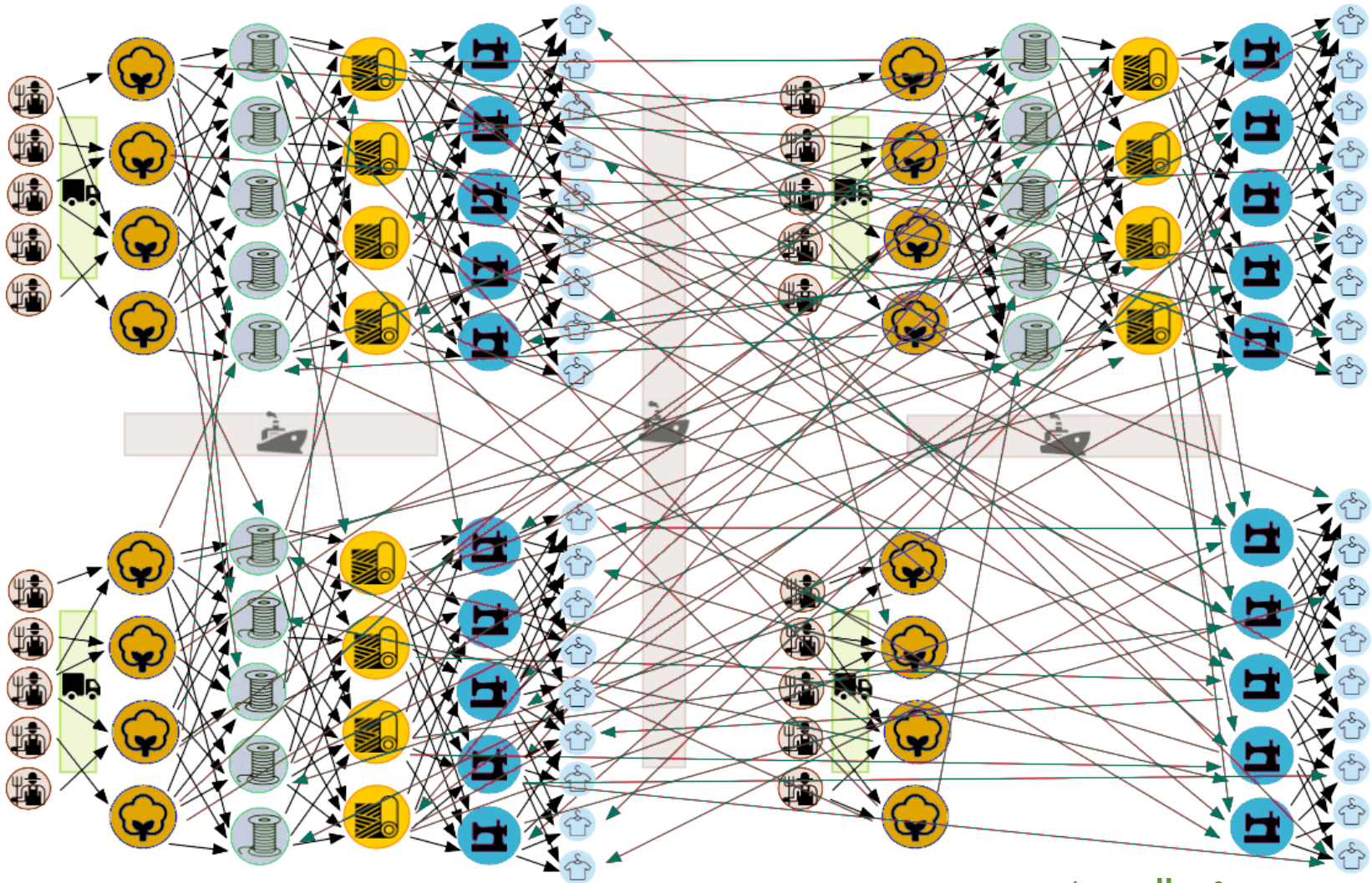
- ❑ Post-Rana Plaza clothing sector under heightened scrutiny
- ❑ Sustainable cotton initiatives and commitments growing
- ❑ Apparel and footwear industries are collaborating more (OECD, SAC, SLCP) and increasing their focus on transparency and human rights
- ❑ Greater media coverage of modern slavery

Technology

- ❑ Innovative technologies for conflict minerals: transparency, mapping, traceability, and verification.
- ❑ Increased worker-engagement tools
- ❑ Blockchain for supply chains

Cotton "Supply Web"

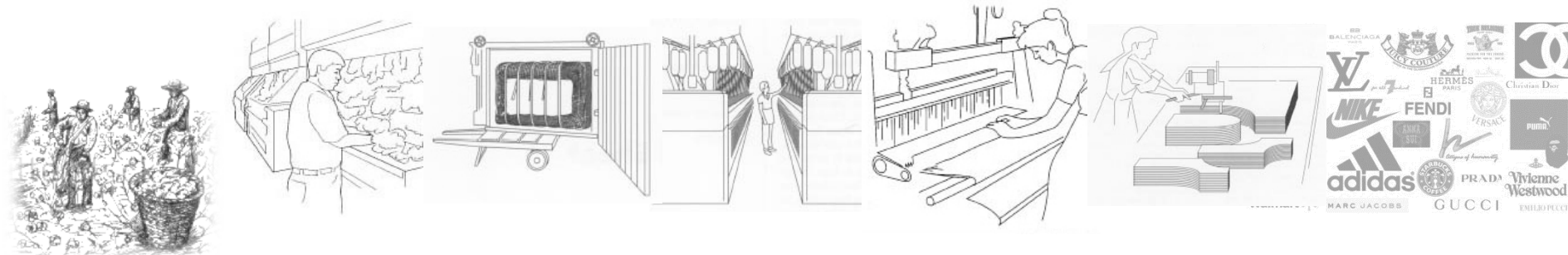
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Focus on Initial Processors

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**Due Diligence
Program**



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YESS AND DUE
DILIGENCE



YESS: a Risk-based Due Diligence Approach

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- ❑ **Due diligence:** Acting with reasonable care and investigating an issue before making a decision.
- ❑ **Risk:** Actual or potential exposure to harm of individuals or groups (i.e. forced labor) as a result of an organization's activities.
- ❑ **Risk-based approach:** Applying different levels of due diligence proportionate to the risk faced by the company.
- ❑ **Red flag:** A concern, discrepancy, or other suspicious activities in a spinner's supply chain.

Due Diligence Expectations

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A due diligence program should be:

- ❑ Effective
- ❑ Specific
- ❑ Flexible
- ❑ Continuously improving
- ❑ Risk-based

Due Diligence Expectations (cont.)

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1. Policy
2. Supply chain mapping and supplier due diligence
3. Material management system and mass balance
4. Risk identification, prevention, and mitigation
5. Undergo annual third party assessment
6. Monitor performance and report progress

Low-Risk Supply Chain

A supply chain is considered low-risk if **NONE** of these situations are identified:

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

High-Risk Supply Chain

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A spinner must:

- ❑ Fully understand the factual circumstances in its supply chain so as to be able to identify risks and assess whether or not these can be mitigated in order to continue to source from those areas.
- ❑ Ensure transaction documents validate the plausibility of origin to a low-risk country (or gin or farm within a high-risk country).
- ❑ Develop a process around identifying, assessing, and managing risks.

High-Risk Supply Chain (cont.)

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Step 1

Step 2

Step 3

Map the
factual
circumstances
of the supply
chain

Assess whether
those circumstances
present risks of
human rights abuses
or other violations

**Design and
implement**
a strategy to
respond to
identified risks



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RECENT ACTIVITIES



Preliminary Cotton Activities

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- ❑ 2008 Hosted first multi-stakeholder meetings on forced labor in Uzbekistan's cotton sector
- ❑ 2011 Created Uzbek Cotton Pledge
- ❑ 2014 Released the *Cotton Sourcing Snapshot Report*
- ❑ 2015 Conducted a feasibility study with MADE-BY
- ❑ 2016 Started joining cotton and apparel initiatives: SAC, SLCP, OECD, and BCI
- ❑ 2016 Launched the YESS initiative
- ❑ 2018 Created Turkmenistan Cotton Pledge

Recent YESS Activities

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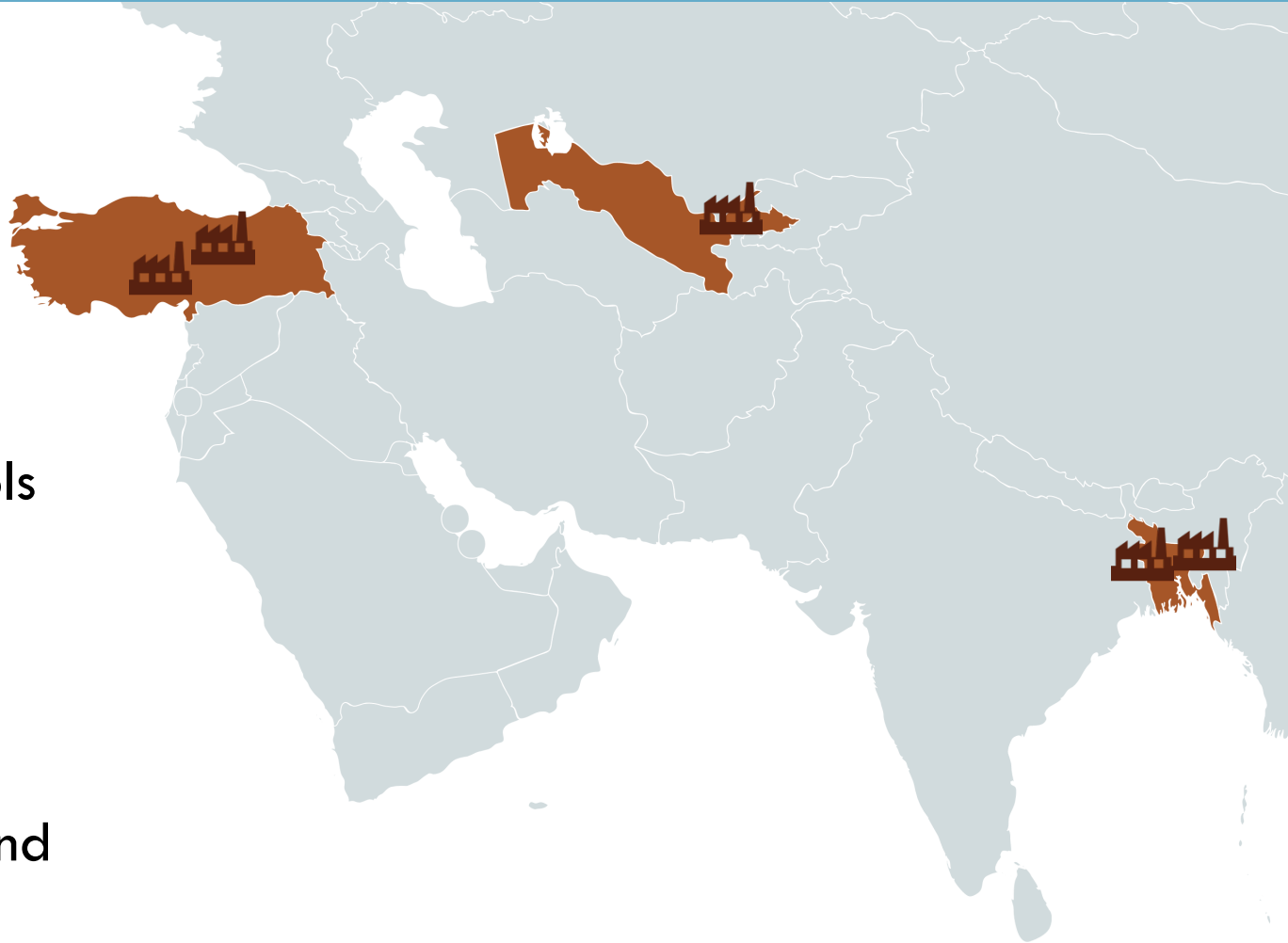
- ❑ Researched spinning mills' procedures in Turkey, Bangladesh, and India
- ❑ Established and convened YESS working group
- ❑ Drafted the YESS standard for public consultation
- ❑ Received, addressed and integrated over 200 comments
- ❑ Prepared assessment tools
- ❑ Feasibility assessments at 5 spinning mills

Feasibility Assessments

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Activities:

- ❑ In-person training
- ❑ Review YESS standard and tools
- ❑ Tour the mills
- ❑ Assess management systems, documentation, and reporting



Lessons Learned from the Feasibility Assessments

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- ❑ Certain YESS requirements are already standard practice for spinners
- ❑ Through training and minor adjustments, spinners can achieve certain other requirements
- ❑ We need to help the industry overcome some challenges
- ❑ Other considerations



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NEXT STEPS



To Complete by end-January 2019

- ❑ Adjust and finalize the YESS standard, training materials, workbook, and audit process based on the feasibility assessments.
- ❑ Build a document library based on shipping and transaction documents received thus far.
- ❑ Measure satisfaction of those that have contributed to the development of the YESS standard and tools.
- ❑ Update the YESS business plan to reflect learnings over the past two years

YESS Proposed Future Activities

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Continue Research & Program Development

- ❑ Refine and expand program elements
- ❑ Complete training materials and sessions for brands, auditors and spinners
- ❑ Conduct pilot assessments with trained auditors

Establish Formal Partnerships and Update a Financial Plan

- ❑ Coordinate efforts with apparel and cotton initiatives
- ❑ Undergo an assessment of YESS and OECD DD
- ❑ Detail a financial sustainability plan

YESS Proposed Future Activities (cont.)

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Expand the YESS Team

- ❑ Establish a multi-stakeholder steering committee
- ❑ Create YESS membership
- ❑ Expand YESS staff

Implement, Revise and Integrate

- ❑ Roll out spinning mill assessments
- ❑ Investigate integrating with an existing initiative
- ❑ Review and revise the YESS standard and tools (yr 3)

Opportunities to Support YESS

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Founding Partners:

- ❑ Contribute financially
- ❑ Sit on the YESS Steering Committee
- ❑ (Brands and Retailers) Have nominated spinning mills prioritized to undergo YESS assessments

NGO Stakeholders:

- ❑ Sit on the YESS Steering Committee
- ❑ Sit on the YESS Audit Committee

Results:

- ❑ Enable compliance with legislation
- ❑ Incentivize farmer-level initiatives
- ❑ Support effective and transparent due diligence throughout the entire supply chain

Questions?

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Please type your questions into the question box on the control panel of your screen.



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