

5 **YESS: YARN ETHICALLY &
SUSTAINABLY SOURCED
COTTON LINT STANDARD**

DRAFT FOR PUBLIC CONSULTATION

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DRAFT

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I. INTRODUCTION

15 [YESS: Yarn Ethically & Sustainably Sourced](#) was established to cultivate transparent cotton supply chains and sustainable corporate engagement in the cotton sector and to prevent the production and trade of cotton lint that was produced with forced labor.

20 This YESS Cotton Lint Standard (YESS standard) was developed as a specific, practical framework to consistently assess the operations and practices of spinning mills, the point in the supply chain at which cotton is mixed with other sources of cotton lint or other fibers to produce yarn. The YESS standard aligns the YESS standard with the Organization for Economic Co-operation and Development (OECD) [Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector](#) (OECD Due Diligence Guidance).

25 Section I of the OECD Due Diligence Guidance provides guidance on *how* various enterprises in the garment and footwear sector may conduct due diligence in alignment with the OECD standards. It is important to note that not all recommendations or considerations are applicable to every supply chain actor, including spinning mills, which are the focus of YESS. For example, the
30 YESS standard does not include requirements for product or business-model risk factors because these, while applicable to downstream actors, are not relevant in the context of spinning mills.

Section II of the OECD Due Diligence Guidance describes 12 modules on sector risks that provide information on how an enterprise could tailor its due diligence approach when addressing specific
35 sector risks along the entire supply chain.

YESS' is now focused on addressing forced labor risks in the cotton production (raw material) stage of the supply chain. With this aim in mind, the YESS standard will apply relevant aspects of the OECD Due Diligence Guidance to forced labor risk issues only. Specifically:

40 YESS is solely focused on addressing the harm happening at the cotton production stage of the supply chain. It will not apply the OECD Due Diligence Guidance to a spinner's own operations or other non-cotton farming parts of the supply chain. The process reviews a spinner's supply-chain due diligence activities of all applicable cotton inputs and assesses
45 their alignment with the applicable six-step framework of the OECD Due Diligence Guidance as it relates to the cotton inputs. Figure 1 lays out the complete due diligence framework, copied directly from the OECD Due Diligence Guidance.

Figure 1: Due diligence process and supporting measures for responsible supply chains¹



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Risk-based approach

The YESS standard requires spinners to implement due diligence proportional to the risk profile of cotton lint sources.

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Steps to establish management systems, conduct risk assessments based on the collection of supply chain information, and report on due diligence shall be implemented by all spinners, regardless of the source of their materials. Steps related to the management of

¹ OECD Due Diligence Guidance, p. 20.

60 specific risks are only required to be implemented by spinners sourcing from high-risk or mixed risk areas, or if supplier red flags are identified (Table 1).

Table 1: Applicability of OECD Due Diligence Guidance

OECD Due Diligence Guidance	Application of YESS Standard	
	Design of system	Implementation
1. Embed responsible business conduct in enterprise policy and management systems	All spinners	All spinners
2. Identify actual and potential forced labor in the cotton production stage of its supply chain	All spinners	All spinners
3. Cease, prevent or mitigate forced labor in the cotton production stage of its supply chain	Spinners sourcing from high-risk or mixed risk areas	Only if actual or potential forced labor in cotton production stage of its supply chain were identified
4. Track	Developed by YESS	Assessment against YESS standard conducted by approved third party assessors
5. Communicate	All spinners	All spinners
6. Provide for or cooperate in remediation when appropriate	Spinners sourcing from high-risk or mixed risk areas	Only if actual or potential forced labor in cotton production stage of its supply chain were identified

65 Transit risks are low due to the universal use of bales and the difficulty to mix cotton within such bales, as well as the fact that cotton lint characteristics are often associated with the origin of the lint and can be used as a means to validate the plausibility of its origin. Still, transportation routes should be evaluated for plausibility. Any unusual circumstances
70 should be investigated.

II. SPECIALTY COTTON ASSURANCE AND CHAIN OF CUSTODY MECHANISM

75 The implementation of due diligence is the responsibility of the spinner. However, if sourcing from high-risk or mixed risk areas, or if supplier red flags are identified, the spinner may in part leverage the work done by other organizations (e.g. Better Cotton Initiative) to carry out due diligence on forced labor in its high-risk supply chains.

80 Where the spinner uses one or more upstream assessment mechanisms, the spinner shall, at a minimum:

1. Understand the scope of activities of the upstream assessment mechanism and understand any gaps between the scope of the mechanism’s activities and the

85 requirements of the OECD Due Diligence Guidance. For those parts of the spinner's due diligence process that are covered by the upstream assessment mechanism, the spinner shall:

- 90 ○ Ensure that all information generated by the upstream assessment mechanism, and which is expected to be shared with the spinner, is received and records are maintained for at least three years and made available to the assessor.
- Review and understand all information generated by the upstream assessment mechanism, whether directly shared with the spinner or through a counterparty.
- 95 ○ Assess the mechanism's ability to exercise influence over actors in high-risk supply chains who can most effectively prevent or mitigate identified risks.

- 100 2. Where possible, actively participate in the upstream assessment mechanism to mitigate identified risks in its supply chains.

III. ASSESSMENT SCOPE AND LOGISTICS

Companies within the scope of the assessment

105 The YESS program has the sole discretion to determine whether a company is eligible to participate in the assessment process. It is the responsibility of the spinner to provide sufficient evidence to the program to review and confirm that the spinner meets the eligibility requirements to participate.

110 All companies, and the individual spinning facilities within a company which meet the definition of a spinner below, are included within the scope of this assessment process.

Spinning mill

115 The YESS standard will apply to all cotton lint spinners who voluntarily choose to participate. The YESS standard will apply only to the cotton spinning operations. The YESS standard will not apply to any wet processing, fabric or product manufacturing that may be present at vertical facilities.

120 Yarn spinners receive, clean, and mix bales of cotton lint from various origins according to the needs (e.g. yarn quality) of their customer.

There are two main types of spinning techniques: ring spun and open-end.

- 125 1. **Ring spun** uses longer fibers (e.g. yarn counts of more than 30). It is commonly used for knits or finer fabrics. The ring spun process will produce a shorter fiber byproduct, which is often used in the open-end spinning process.
 2. **Open-end** uses shorter fibers (e.g. yarn counts under 30). It is sufficient for most denim or other lower quality fabrics. Cotton lint for open-end spinning can come from a ring spun byproduct or virgin lint.
- 130

Spinning mills purchasing lint, byproduct (e.g. carding or combing wastage) or yarn from other spinning mills should ensure the supplying spinner is in conformance with the YESS standard or equivalent. Should there be any indication of sourcing from non-conforming sources into the receiving spinning mills' production lines, these sources would need to be validated to the full scope of the YESS standard as part of an evaluation of the receiving spinning mill's conformance with the YESS standard.

Materials in scope

All materials intended for production of yarn or process byproduct (e.g. carding or combing waste) physically received, held, and/or processed during the assessment period, regardless of origin, storage location and type, are included in the assessment process.

While materials in inventory that have been physically received prior to the current assessment period must be disclosed, they will only be included in the scope solely for purposes of the mass balance calculation. Such material is not subject to the determination of origin.

IV. CONFORMANCE REQUIREMENTS

A. Embed responsible business conduct in enterprise, policy, and management systems

This section defines the conformance requirements. The requirements set forth in the YESS standard serve to assess the spinner's alignment with the six steps of the OECD Due Diligence Guidance so as to ensure that risks and harm related to the cotton production stage of the supply chain are identified and adequately managed by the spinner.

The spinner shall use good faith and reasonable efforts, as well as integrate progressive and flexible approaches, in its application of the OECD Due Diligence Guidance, including monitoring of emerging risks and incidents in its supply chain(s) and shall take these components into account in its due diligence activities.

The conformance requirements relate to the period that is **prior to or during** the time when material is physically received by the spinner.

1. Adopt a sourcing policy that addresses forced labor in cotton production (OECD 1.1)

The spinner shall have a documented, effective, and publicly communicated sourcing policy that addresses forced labor in cotton production for procurement of cotton lint (referred to as the responsible cotton sourcing policy in the YESS standard). The policy will be implemented within the spinner's management systems and will include the following components:

Responsible cotton sourcing policy content

The policy shall:

- Set out a clear and coherent management system for risk management.
- 180 • Commit the spinner to the due diligence steps described in the YESS standard.
- Commit the spinner to adhering to international standards and ensuring sufficient resources and support for effective execution.
- State its expectations of suppliers regarding responsible sourcing.
- 185 • State business consequences for suppliers that do not meet the spinner's requirements.
- Commit the spinner to meaningful stakeholder engagement and accepting and acting on complaints or recommendations on how to improve its due diligence program.

Implementation

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The policy shall:

- Be publicly communicated, such as posting on the spinner's website or in other official public company communications.
- 195 • Be communicated to and acknowledged by all suppliers.
- Include an effective date for when the policy was established and/or adopted.
- Be reviewed annually and revised as applicable.

200 **2. Implement or strengthen effective management systems to enable due diligence on risks of forced labor in cotton production in its supply chain (OECD 1.2)**

To achieve the intended outcomes of the OECD Due Diligence Guidance, including continual improvement, the spinner shall establish, implement, and maintain management systems to adequately manage risks. The spinner shall make available the resources necessary to support the operation and monitoring of the management systems. Flexibility is needed in its application, depending on individual circumstances and factors such as the size of the spinner, the location of the activities, the situation in a particular country, and the sector and nature of the products or services involved.

210 The spinner shall have robust management systems that can demonstrate consistency of process to achieve conformance with the YESS standard at all times and to anyone evaluating the system itself, its implementation, and its desired outcome. The management systems should, at a minimum, include the following components and their interactions:

215

a. Management responsibility and support

The spinner shall:

- Allocate adequate resources and attention, including ensuring that responsible staff has adequate time to conduct their responsibilities.
- 220 • Appoint a senior manager with the necessary competence, knowledge, and experience to be responsible for the implementation of the due diligence management systems.
- Provide training and periodic refresher training (frequency is defined by the spinner) to relevant employees covering critical information on the due diligence management
- 225

systems (include new hire orientation in this training), and maintain training records within company records.

- Implement a process to vet proposed changes to sourcing strategies, suppliers or regions that may pose forced labor risks in cotton production.

230

b. Organizational coordination

Several functions with interrelated and integrated operations will be involved in an enterprise-wide management and due diligence system. Information flows and feedback loops should support effective and timely communication of changes to sourcing strategies, identified risks, and complaints or concerns to all personnel involved in responses.

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- Report findings on actual and/or potential risks identified in the supply chain to the appointed senior manager.
- Ensure functional alignment with the policy, including:
 - Provide incentives to conform with the policy;
 - Support communication and learning across various business units.

240

c. Information systems

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Records required by the management systems (at minimum those required by the YESS standard) shall be complete, accurate and controlled. Information systems should be capable of storing and transmitting information necessary to support the due diligence processes. Records generated by the due diligence management systems shall be maintained for a minimum of three years.

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A record, irrespective of its format, shall mean:

- Communication of information—as a tool for information transmission and communication. The type of documentation should be appropriate for the spinner and should achieve clear, consistent, and repeatable communication.
- Evidence of conformance—provision of evidence that what was planned, has actually been done.
- Knowledge sharing—to disseminate and preserve the spinner’s experiences. A typical example would be a technical specification, which can be used as a base for design and development of a new product or a procedure that can be used to ensure an activity is undertaken in a consistent manner by different people at different times.

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Control shall mean:

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- Identification.
- Storage.
- Protection.
- Retrieval.
- Retention.
- Disposition.
- Legible records that are readily identifiable and retrievable.

270

d. Internal material control systems

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The spinner shall establish and implement sufficient systems of internal material control of cotton upon receipt and throughout processing and sale of final product to ensure:

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- Each individual transaction of material received is identified and documented. The process shall record the date the material is physically received or the date the material is received in the spinner’s material control system.
- Cotton inventory, including raw material, wastage, product, and other material types, is measured, calculated, and tracked.
- Unreasonable changes to inventory (losses or gains) shall be investigated and the findings established in writing.
- Receipts, inventories, losses, and sales quantities are reconciled in a mass balance.
- Any discrepancies observed during internal material control processes and / or mass balance calculations are investigated.

285

290

e. Mass balance calculation

Using the information generated by the internal material control system, the spinner shall be able to calculate the mass balance as a means to substantiate the total fiber (cotton and non-cotton), filament, and, if applicable, yarn received from another supplier and processed by the spinner facility, that are all subject to the assessment. The mass balance verification checks that the quantity of material received and in inventory during the assessment period matches what is expected, taking into account the possible error margin of inventory, stock, finished yarn produced, and loss estimation.

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For the purposes of the assessment process, the margin of error percentage will be calculated as follows:

$$\frac{[\text{closing inventory (calculated)}] - [\text{closing inventory (declared)}]}{\text{total material processed}} \times 100\%$$

305

The closing inventory (declared) and the closing inventory (calculated) must be within the allowed maximum margin of error of 5 percent. A negative margin of error (-5 percent) indicates the possibility that more material was received than was accounted for in the spinner’s system or that the mass balance calculation must be investigated further. Product shipments include all finished yarn products as well as by-products.

Further definitions

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Closing inventory (calculated) = closing inventory at the assessment period end date as calculated by the assessor based on transactions reported over the assessment period by the spinner. In other words:

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$$\text{Closing inventory (calculated)} = \text{opening inventory (declared)} + [\text{receipts} - \text{product shipments} - \text{estimated losses}]$$

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Closing inventory (declared) = closing stock based on physical material inventory in existence at the assessment period end date as determined by the spinner’s normal inventory calculation and reporting processes.

Total material processed = the total cotton content of the material processed by the spinner during the assessment period.

B. Identify actual and potential forced labor in cotton production in its supply chain (OECD 2)

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The spinner must identify risks of forced labor entering its supply chain. To do this, it must identify its suppliers, sub-suppliers, and cotton lint origins in accordance with the YESS standard and the risk levels of countries of origin (risks of origin declaration manipulation).

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The spinners may cooperate to carry out the recommendations in this section through joint initiatives. However, each spinner retains individual responsibility for its due diligence, and should ensure that all joint work duly takes into consideration circumstances specific to the individual company.

335

The sophistication of a due diligence program should be in line with the complexity of the spinner's supply chain. In order to identify and assess cotton supply chain risks, the spinner shall implement the following process, keeping in mind that focus should be given to risks that pose the most widespread or severe potential of harmful impact.

340

1. Scope supply chain actors and cotton production origin

The spinner shall ensure that all suppliers, transportation routes, and materials are identified and that sufficient documentation is obtained on the origin and chain of custody of material in accordance with the requirements of the YESS standard and its Annexes.

345

a. Identification of suppliers

The spinner shall establish and implement basic Know Your Counterparty (KYC) requirements to determine the identity, type of business relationship, and legality of business operations for each supplier of cotton material. The spinner is responsible for performing the KYC before entering into a business relationship with a supplier, and annually, throughout the business relationship.

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355

The spinners must develop and include a process to address agents, traders, and any other counterparty with which it engages. Spinners are encouraged to conduct additional due diligence and capacity building of suppliers, as appropriate.

360

2. Identification of material source risk

The spinner shall identify the origin of cotton lint and the risk level associated with that origin.

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370 YESS defines high-risk countries as those identified with forced labor in the U.S. Department of Labor (DOL) List of Goods Produced with Forced and Child Labor (DOL List of Goods),² the International Labour Organization (ILO) Observations and reports on the Application of International Standards,³ and the U.S. Department of State Trafficking in Persons reports.⁴ Countries identified as having forced labor in cotton production on the DOL List of Goods as of February 2018 or mentioned for forced labor in cotton production in at least one of the other documents, are listed in Table 2.

375 **Table 2: Countries considered “high-risk” for forced labor in cotton lint production for YESS**

Country
Benin
Burkina Faso
China
India
Kazakhstan
Pakistan
Tajikistan
Turkmenistan
Uzbekistan

380 The spinner shall incorporate disclosure requirements on the origin and chain of custody of material into written supplier agreements and/or contracts that can be applied and monitored.

385 The spinner shall design and implement a process to determine if there are any high-risks as defined by the YESS standard in its supply chain. The spinner shall record the countries and/or areas identified as high-risk areas.

390 Documentation required by the YESS standard is determined in accordance with the source of the material. The spinner shall refer to Annex I for guidance on the documentation requirements. The spinner shall establish and implement a procedure to review material and documentation received to determine the completeness, accuracy, and authenticity of the documentation submitted by the supplier to validate the claims or origin stated for any cotton material supplied.

3. Determine sourcing risk level

395 The spinner shall determine the sourcing risk level for each transaction of cotton lint in accordance with Table 3:

² <https://www.dol.gov/ilab/reports/child-labor/list-of-goods/>

³ <http://www.ilo.org/global/standards/applying-and-promoting-international-labour-standards/committee-of-experts-on-the-application-of-conventions-and-recommendations/lang-en/index.htm>

⁴ <https://www.state.gov/j/tip/rls/tiprpt/>

Table 3: Cotton lint risk level

Type of material	Sourcing risk level	Definition
Cotton lint from ginners, traders, agents	Low-risk	For low-risk supply chains, all of the following criteria apply: <ol style="list-style-type: none"> 1. Supply chains where cotton lint is not produced in high-risk areas, AND 2. There are no discrepancies, inconsistencies, or other issues identified during the review of material and documentation that have not been addressed.
	High-risk	For high-risk supply chains, any of the following criteria apply: <ol style="list-style-type: none"> 1. Supply chains where cotton material is produced in a high-risk country; OR 2. There are discrepancies, inconsistencies or other issues identified during the review of material and documentation that have not been addressed.
Cotton lint from spinners	Low-risk	Supplying spinner is in conformance with YESS initiative at the time that the cotton lint was purchased and received by spinner.
	High-risk	Supplying spinner is not in conformance with YESS initiative at the time that the cotton lint was purchased and received by spinner.

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4. Assess risks in supply chain (OECD 2.3)

a. Know your counterparty

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The goal of a know your counterparty (KYC) process is to clearly know all of the suppliers from which the spinner is purchasing and hold these suppliers to account for responsible sourcing of cotton. Adherence to the responsible cotton sourcing policy shall be required as part of supplier written agreements and/or contracts that can be applied and monitored. The spinner shall require its suppliers to conduct basic KYC screenings of their suppliers.

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The spinner is encouraged to conduct additional due diligence and capacity building or training of its suppliers.

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b. Assess forced labor risks

The spinner shall assess the occurrence of forced labor risks related to cotton lint origins. It should also assess the severity and scale of each identified risk.

420

For high-risk sources, the spinner 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 origin, if a high-risk country;
 - Local or national initiatives addressing forced labor;
 - Chain of custody requirements (including specialty cotton requirements, if applicable);
 - The activities and relationships of upstream suppliers (e.g. ginning mills, traders, agents);
- and

425

- Findings from on-the-ground assessments.

430 The spinner shall review the information collected in steps B. 1 and B. 2 under *Identify actual and potential harm from forced labor in cotton production in its supply chain* above on the category and source of material with a view to identify any forced labor risks, inconsistencies, or discrepancies related to the supplier, material, or transportation route.

435 Forced labor risks are defined by the YESS standard as cotton lint originating from a high-risk area per Table 3

c. Review for discrepancies

440 The spinner shall determine whether there are any inconsistencies or discrepancies related to the material characteristics, specialty cotton claims or origin, KYC, and/or transportation documentation submitted by the supplier. The spinner shall validate links between documents and shall inspect all material received for conformity with information available on the type of material, weight, and quality of the material.

445 This should include but not be limited to specialty cotton program certificates and documentation.

450 The spinner shall implement a procedure to investigate and address any discrepancies, inconsistencies, or other issues identified during the review of material and documentation received.

455 Spinner should have a process to notify a specialty cotton administrator of any discrepancies in the specialty cotton programs, should they arise. Spinner should cooperate with the specialty cotton organization to resolve the issue.

d. Determine plausibility

The spinner shall determine the origin and chain of custody of material received as required by the YESS standard (see Table 4).

460 **Table 4: Material categories**

Material category	Origin documentation
Cotton lint from gins, traders, agents	Origin determination and chain of custody required for high-risk sources.
Cotton lint from spinner (e.g. carding or combing waste) from mills, agents	Origin determination (low and high-risk sources) and chain of custody for high-risk sources required unless the material is processed by a company that conforms with the YESS standard or to a cross-recognized program.
Legacy cotton lint (cotton lint received and entered into inventory by the spinner before the YESS standard effective date.)	Origin determination and chain of custody not required. ⁷

465 The spinner shall assess the plausibility of material coming from the declared sources.
The spinner is responsible to determine plausibility and show reasonable efforts to understand production and export trends for countries and/or regional characteristics of cotton lint produced in the subject country or region. The spinners may also use plausibility information provided by the program or other credible sources.

470 **5. Assess the spinner's relationship to impacts (OECD 2.4)**

Spinner should make good faith efforts to understand whether it has caused, contributed to, or is linked to the impacts that it has identified. Some factors that could affect a spinner's relationship to impacts include, but are not limited to:

- 475
- Spinner consistently sources from a high-risk origin.
 - Spinner purchases cotton lint directly from ginners or farmers.
 - Spinner and supplier have long-standing and cooperative relationship.

C. Cease, prevent, or mitigate harm in the spinner's supply chain (OECD 3)

480 The spinner must implement its own plan to seek, prevent, or mitigate forced labor in cotton production. This plan should be appropriate for the spinner's sourcing model and influence and should detail what actions the spinner itself will take with clear timelines for follow-up.

485 The spinner should only place orders if it can reasonably determine that either the risk of forced labor in cotton production is low (e.g. due to the supplier's own measures to prevent/mitigate forced labor in cotton production) and/or the spinner is willing to adequately engage with the supplier in the prevention of forced labor in cotton production (e.g. through capacity building, etc.) in a high-risk region.

- 490
- *Prequalify sources of cotton* – Identify low-risk countries from which a supplier can source cotton can help suppliers fulfill the spinners' goals to source from low-risk origins.
 - *Prequalify or consolidate suppliers* - Consolidating the total number of suppliers can help increase a spinner's control over its supply chain and therefore concentrate its resources to prevent impacts with a limited number of suppliers. Prequalifying suppliers will contribute to consolidation and eliminate higher-risk suppliers.
- 495

500 Where risks are identified in the supply chain, it is the responsibility of the spinner to identify appropriate risk mitigation measures. The spinner shall:

- Report findings to senior management, outlining the information gathered and the actual and potential risks identified in the supply chain risk assessment.
 - Devise and adopt a risk management plan, adopting an effective risk management strategy.
- 505

Risk mitigation sourcing options include:

- Continue to source from the high-risk regions throughout the course of measurable risk management efforts.
 - Temporarily suspend trade while pursuing ongoing mitigation efforts.
- 510

- Disengage with a supplier in cases where mitigation appears not feasible or unacceptable.

In the design and implementation of a risk management plan, the spinner shall:

- 515
- Engage with the actors in the supply chain who can most effectively and most directly mitigate the risks of adverse impacts.
 - Consult with suppliers and affected stakeholders to agree on the strategy for measurable risk mitigation in the risk management plan.
 - Consider ways to support and build capacities of suppliers to improve performance and conform to the spinner’s responsible sourcing policy.
- 520

Spinner shall maintain ongoing risk monitoring, evaluate the effectiveness of risk mitigation efforts, and undertake additional fact and risk assessments, as required for risks requiring mitigation or after changing circumstances.

525

D. Track (OECD 4)

The spinner shall implement due diligence as a continual, ongoing process and is expected to improve performance over time. While the program requires the spinner to be in conformance with the OECD Due Diligence Guidance, specific risks and incidents identified by the system shall be addressed progressively. The spinner’s risk mitigation system must ensure that progress is tracked and monitored.

530

1. **Verify, monitor, and validate progress on due diligence and its effectiveness in the enterprise’s supply chain (OECD 4.2)**

535

a. Verify and validate due diligence effectiveness

The spinner shall prepare, facilitate, and undergo a YESS assessment annually. The spinner must allocate sufficient resources, share all required information and documentation, provide access to all areas of its spinning operations and cotton storage facilities, and ensure relevant personnel are available during the assessment. The spinner should adhere to YESS processes and timelines, as applicable, and strive for continuous improvement of its own due diligence process and the processes of its suppliers.

540

b. Monitoring of performance

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The purpose of performance monitoring is to ensure the continuing stability, adequacy and effectiveness of the spinner’s Due Diligence Management System. This means that once per year the spinner’s goals for the due diligence system must be evaluated against performance.

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Monitoring shall include, at a minimum, a management review of the due diligence system to identify both proactive and reactive measures to ensure the effectiveness of the system. Findings of such management reviews are reported to the senior management team. A formalized action/improvement plan must be established, if warranted.

555

Assessment of the spinner’s responsible cotton sourcing policy should be reviewed annually and adjustments made in response to implementation and impact assessment results.

560

Proactive measures are required to ensure that potential problems are identified and eliminated before they occur. If the spinner detects that a possible adverse situation may develop, a preventive action plan must be implemented to avert/eliminate the potential adverse situation.

565

Reactive measures include the immediate corrective actions taken as a result of a management review, triggering of a Grievance and Complaints Mechanism, or any evaluation against the YESS standard. The corrective action process shall include the following steps:

570

- Review and document the problem and related corrective action.
- Contain or temporarily fix the problem.
- Investigate the root cause of the problem.
- Propose an appropriate solution that will prevent the problem from happening again; this will often mean a change to the process.
- Report on the actions actually taken, internally and to the program, 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.

580

E. Communicate (OECD 5)

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The spinner shall publicly disclose information on its due diligence. Information shall be published directly by the spinner, for example by posting on a company website or industry association website. Publication of such information shall honor business confidentiality and other competitive concerns.

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1. Communicate publicly and with affected stakeholders on the spinner's due diligence process (OECD 5.1 & 5.2)

The spinner should publicly communicate the following:

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- The spinner's responsible cotton sourcing policy or policies.
- The spinner's due diligence management systems, including how due diligence is incorporated into decision-making processes and information management systems to support due diligence.
- The most significant risks of forced labor in cotton production in its supply chain. The spinner should likewise explain its processes for assessing those risks. Where the spinner has prioritized some risks of forced labor in cotton production for immediate attention, it should justify its prioritization process.
- The components of the spinner's plan to prevent or mitigate forced labor in cotton production in its supply chain, and the effectiveness of those measures.
- Where relevant, the spinner's intent in policy engagement as well as the outcomes of the engagement itself.
- The spinner's systems to provide access to remediation in its supply chain. The spinner may also choose to disclose cases that are brought against the spinner and how they were resolved.

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- How the spinner engages meaningfully with its stakeholders.

610 The OECD Due Diligence Guidance encourages spinners to publish annual reports on supply chain due diligence policies and practices with due regard to business confidentiality and other competitive concerns. Business confidentiality and other competitive concerns mean price information and supplier relationships.

615 The spinner should share all of the information that is publicly reported to any known entities that interact directly with the cotton workers and, when able, with the cotton workers themselves.

F. Provide for or cooperate in remediation when appropriate (OECD 6)

620 Remediation is focused on hearing and addressing complaints through a legitimate process where the spinner has caused or contributed to forced labor in cotton production in its supply chain, not just where the spinner is linked to forced labor. Where the spinner is just 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.

625

a. Provide a grievance mechanism

The spinner shall develop or refer to a mechanism allowing any interested party (affected persons or whistleblowers) to voice concerns regarding the circumstances of cotton production, trade, handling, and export.

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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, and remedy in accordance with the DD Guidelines.

635

A grievance mechanism could be established in a variety of ways:

1. Internal
2. External—Multi-Stakeholder grievance mechanism
 - The grievance mechanism needs to ensure it does not limit who can file a grievance; it will receive complaints by representatives of the impacted stakeholder, and have a clear path for how grievances are addressed.
3. National contact points for the DD Guidelines

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b. Collaboration

Spinner should support assessments and capacity building directly, through multi-stakeholder initiatives (MSIs), public-private partnerships, or industry efforts, where they exist.

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Annex I

Origin Determination and Risk Identification, Mitigation, and Management for Cotton Originating from Gins

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Assessors will review country of origin and chain of custody documentation to test the implementation of management systems. Such documentation exists in forms that vary by country, region, and company. While this Annex includes guidance on the types of documents that can be used to successfully demonstrate origin, chain of custody, and due diligence, other forms may equally be used by the spinner to demonstrate the effective implementation of management systems.

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The extent of origin and chain of custody documentation required for the spinner’s due diligence will depend on the material category and on whether the origin is low-risk or high-risk. If a shipment of material is received by the spinner and contains a combination of both low-risk and high-risk origin material, the documentation requirements shall follow that of high-risk.

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Table 5: Data and document requirements for cotton lint originating from low-risk sources

Expectation	Level	Data points	Example document types (not every document is necessary)
Country of origin and transportation routes	Transaction	Type of material; country of origin of the material, type of supplier, name of supplier, lint characteristics	<ul style="list-style-type: none"> –Official (e.g., government-issued) country of origin certificate or customs export record –Official (e.g. government-issued) import document –Bill of lading (international sources) –Trucking documentation or transportation logs (domestic sources) –Pro forma invoice, purchase order or contract showing gin name –Packing list / packing declaration –Bale tag (or other form for gin ID) –Phytosanitary certificates –Tax certificate –Other (U.S. only): Fumigation Certificate, HVI report, USDA Form R

Expectation	Level	Data points	Example document types (not every document is necessary)
Know your counterparty (KYC)	Supplier	Identity, type of business relationship and legality of business operations; acknowledgement of spinner's responsible sourcing policy.	<ul style="list-style-type: none"> –Business license –Business structure and registration –KYC questionnaires: sourcing regions, efforts to prevent and mitigate forced labor in cotton production, acknowledgement of spinner's responsible sourcing policy –No listing on ICA's Default List –Member of cross-referenced MSI initiatives

680 **Table 6: Data and document requirements cotton lint originating from high-risk sources**

Expectation	Level	Data points	Example document types (not every document is necessary but required ones are indicated by an *)
Context	Country / area	Severity and scale of forced labor in sourcing area	<ul style="list-style-type: none"> –UN and ILO reports and comments –Government assessments (e.g. U.S. DOL's List of Goods) –NGO and service provider reports –Governance assessments –Media reports –MSI assessments –National law and regulations (including enforcement capacity)
Know your counterparty (KYC)	Supplier	Identity, type of business relationship and legality of business operations, due diligence and capacity building activities in high-risk countries; acknowledgement of spinner's responsible sourcing policy	<ul style="list-style-type: none"> –Business license –Business structure and registration –KYC questionnaires: sourcing regions, efforts to prevent and mitigate forced labor in cotton production, acknowledgement of spinner's responsible sourcing policy –No listing on ICA's Default List –Upstream actor visit / assessment reports

Expectation	Level	Data points	Example document types (not every document is necessary but required ones are indicated by an *)
Country of origin and transportation routes	Transaction	Type of material; gin and country of cotton origin	<ul style="list-style-type: none"> -Official (e.g., government-issued) customs export record or country of origin certificate* -Bill of lading (international sources) -Trucking documentation or transportation logs (domestic sources)* -Pro forma invoice, purchase order or contract showing gin name* -Packing list / packing declaration -Tax certificate
Chain of custody / traceability	Transaction	<p>Identification of all location(s) in the supply chain including cotton farm, trading house, exporter and processors</p> <p>For each independent section of the domestic and international transportation route, physical location of origin of the shipment; physical location of final destination of the shipment, description of the material (type and weight), and date of physical transportation /arrival date of the material</p>	<p>Traceability:</p> <ul style="list-style-type: none"> -Reference / shipment numbers* -Bale tag / gin identification* <p>Domestic sources:</p> <ul style="list-style-type: none"> -Trucking documentation or transportation logs -Warehouse receipts -Contract showing transporter name -Invoices from appointed transport agent -License from appointed transport agent -Inland forwarding note (from gin to port of export, port of import to spinner) <p>International sources:</p> <ul style="list-style-type: none"> -Bill of lading (by sea)* -Customs import record (spinning mill's country)*
Supply chain mapping	Supplier	Locations where cotton lint is grown and ginned; the identification of all upstream intermediaries, warehouses, or other actors in the upstream supply chain; transportation routes	<ul style="list-style-type: none"> -Supply chain map* -Traceability reports* -Contracts / agreements -Cotton farm declarations or visit reports -Bale tag/ gin identification

Expectation	Level	Data points	Example document types (not every document is necessary but required ones are indicated by an *)
Risk assessment	Country / area	Qualitative information on conditions in the supply chain. Issues included: –Occurrence of forced labor	–KYC documentation –Upstream actor visit or assessment reports –Incident monitoring reports –NGO or other stakeholder reports
Risk assessment	Supplier	Name and location of farmer involved, name and location of cotton gin, type of risk, description of issue, description of immediate mitigation measures (where applicable)	–On-the-ground assessment team –Upstream actor visit or assessment reports –Upstream risk assessment reports –Incident monitoring reports –Gin assessments or visit reports –YESS conformance (spinners) –Cross-referenced MSI or standards membership
Risk mitigation	Supplier	Records demonstrating implementation of risk mitigation measures	–Risk mitigation actions –Meeting records, email correspondence with supply chain actors for risk mitigation –Incident monitoring reports –Performance reports –Grievance mechanisms and tracking/responding to supply chain incidents
Risk management	Supplier	Evidence of ongoing monitoring of risks	–Risk management plan and strategy –Reports to senior management –Meeting notes –Internal memos / correspondence –Notice of suspension / discontinuation of contracts / agreements

685 **Exemptions**

Cotton lint that is received and entered into inventory by the spinner more than three years prior to the assessment date does not require a determination of origin or other due diligence evaluation. Spinners shall provide sufficient documentation to demonstrate the materials have been received and entered into inventory more than three years prior to the assessment date.

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Annex II:

Origin Determination and Risk Identification, Mitigation and Management for Cotton Lint or Yarn from Spinning Mills

- 700 Cotton lint generated from processing (e.g. carding or combing wastage) or yarn may originate from sources including:
- Conforming (YESS standard) spinning mills;
 - Non-conforming (YESS Standard) spinning mills;
 - Buyers or traders;
 - 705 – Other third parties, including cotton product manufacturers.

Note: Cotton lint that has not been processed at the supplying spinner would be subject to applicable requirements listed under Annex I: Origin Determination and Risk Identification, Mitigation, and Management for Cotton Originating from Gins.

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Table 7: Data and document requirements for cotton lint sourced from spinning mills

Supplier type	Requirement	Example document types (not every document is necessary)
Conforming (YESS standard) spinning mills	Cotton lint generated from processing (e.g. carding or combing wastage) or yarn from a YESS standard conforming spinning mill (this includes material from a YESS standard spinning mill via a trader) do not need independent country of origin determination.	<ul style="list-style-type: none"> –Identity of the supplying spinning mill –Pro forma invoice, purchase order or contract showing supplying spinner’s name –Transport documentation from the supplying spinning mill

Supplier type	Requirement	Example document types (not every document is necessary)
<p>Non-conforming (YESS standard) spinning mills</p>	<p>Cotton lint or yarn from non-conforming supplying spinners include any processed cotton lint or yarn from a spinning mill that has not been assessed and found in conformance with YESS standard</p> <p>Step A: Determine the original source (farm or gin) of all lint purchased from the supplying spinning mill and that were used to produce the materials received by the spinner</p> <ul style="list-style-type: none"> – If specific inputs cannot be identified by the supplying spinning mill, all inputs of the supplying spinning mill must be validated – If specific inputs by mass can be identified then not all inputs need to be validated <p>Spinners must conduct the same process of determination of applicability and origin determination for the specific inputs for a specific yarn produced or, if that is not possible, ALL inputs used by the supplying spinning mill; all documentation shall be requested from the supplying spinning mill</p> <p>Step B: Identify actual and potential forced labor in cotton production in its supply chain</p>	<ul style="list-style-type: none"> –Identity of the supplying spinning mill –Transport documentation from the supplying spinning mill –Records identifying specific inputs used for the production of cotton containing materials received from the supplying spinning mill –Documentation of origin for each material used by the supplying spinning mill to produce the materials received, in accordance with Annex I

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Exemption

Recycled cotton is exempt from the requirements of the standard but should be subject to sampling of transactions for inspection and validated as recycled cotton.

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**Annex III:
Sampling Guidance**

725 The objective of the review of material transactions is to test the spinner’s systems and processes. The YESS standard applies a representative sampling approach to gather sufficient evidence to reasonably allow for inference about the conformity of the whole population. This should demonstrate that systems and processes operate as designed.

730 Sampling may be employed exclusively for low-risk transactions. Low-risk transactions are those identified as cotton lint from a low-risk source in accordance with Table 8. For high-risk transactions, 100 percent of transactions received within the assessment period will be reviewed.

735 The assessor is responsible for determining the final sample size. Assessors shall refer to this Sampling Guidance for the approach to select the appropriate sample population:⁵

Sampling approach

740 The assessor shall review the type, size, and complexity of the spinner’s operations to determine whether the simple or complex sampling plan may be applied for the low-risk transactions. Specifically, the assessor shall take into account the following criteria:

- The total number of transactions received during the assessment period
- The number of active suppliers during the assessment period as well as the volume of material (in quantity or spend) supplied for each of them
- 745 – The number of different low-risk countries of origin
- Any anomalies observed in the review of transactions
- Any other criteria as identified by the assessor

750 Based on the above criteria, the assessor will apply the simple sourcing strategy sampling plan (see Table 8) or the complex sourcing strategy sampling plan (see Table 9, below). The assessor will randomly select samples from the total population across the assessment period.

Table 8: Simple sourcing strategy sampling plan

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Number of low-risk transactions	Sampling Size
1–100	10
101–250	11–15
250–500	16–20
501–1000	21–25
1001–5000	25–30
Over 5001	31–50

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⁵ This sampling guidance is based on ISEAL Alliance, Assessment Code Version 2014, Section 6.4.4

Table 9: Complex sourcing strategy sampling plan

Number of Low-risk transactions	Sampling Size
1–100	10
101–250	11–20
250–500	21–30
501–1000	31–45
1001–5000	46–100
Over 5001	101–250

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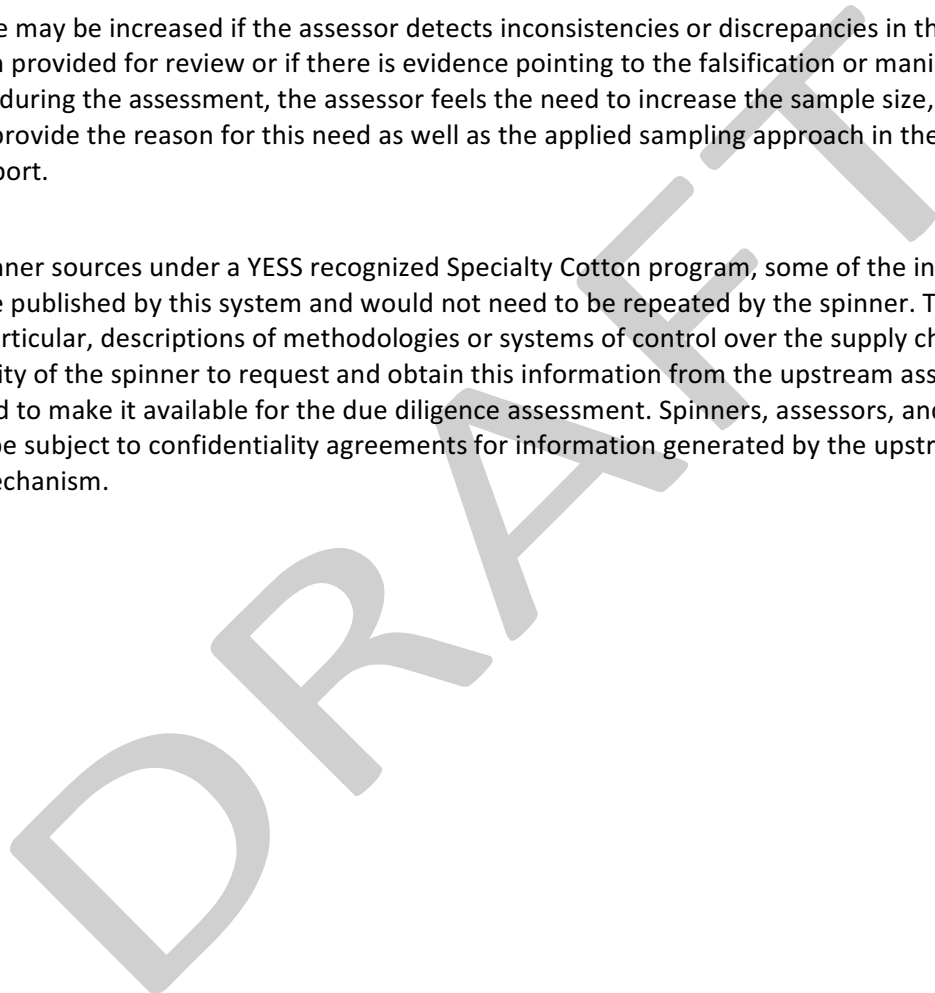
The sample size may be increased if the assessor detects inconsistencies or discrepancies in the documentation provided for review or if there is evidence pointing to the falsification or manipulation of documents. If, during the assessment, the assessor feels the need to increase the sample size, the assessor shall provide the reason for this need as well as the applied sampling approach in the assessment report.

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Where the spinner sources under a YESS recognized Specialty Cotton program, some of the information may already be published by this system and would not need to be repeated by the spinner. This concerns, in particular, descriptions of methodologies or systems of control over the supply chain. It is the responsibility of the spinner to request and obtain this information from the upstream assessment mechanism and to make it available for the due diligence assessment. Spinners, assessors, and the program may be subject to confidentiality agreements for information generated by the upstream assessment mechanism.

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Definition of Terms and Acronyms

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

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

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

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

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

Choke point: Critical area of the supply chain in that can be identified by characteristics such as: 1) key points of transformation, 2) relatively few actors, or 3) stage with high visibility and control over production.

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Closing inventory (declared): Closing inventory at the assessment period end date based on normal inventory calculation and reporting processes of the spinner and declared by the spinner. Inventory may be physical or calculated as appropriate for the business circumstances of the spinner.

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Closing inventory (calculated): Closing inventory at the assessment period end date calculated by the assessor based on transactions reported over the assessment period by the spinner.

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Continual improvement: A set of recurring activities that are carried out in order to enhance performance. Continual improvements can be achieved by carrying out assessments, self-assessments, and management reviews. Continual improvements can also be realized by collecting data, analyzing information, setting objectives, and implementing corrective and preventive actions.

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

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Country of origin: The country where the cotton was grown.

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Critical information: For the purpose of this standard, “critical information” refers to any and all information related to the spinner’s due diligence and that is necessary for all parties involved in the program, specifically employees and suppliers, to effectively carry out the tasks and responsibilities assigned to them as part of the program.

Direct sourcing: A direct, contractual agreement between an enterprise and its supplier.

Due diligence: The process entities undertake to make an informed decision on how to address actual and potential adverse impacts. This process is ongoing and involves continuously investigating business operations in order to identify, prevent, mitigate, and account for the risk of adverse, or harmful impacts.

- 830 **Forced labor:** Work performed by people who are employed against their will, often under threat of destitution, detention, violence, or other extreme hardship to themselves or family members.
- High-risk source:** High-risk sources of cotton lint under YESS as listed in Table 2 of the YESS Standard.
- 835 **Immediate supplier:** The company that supplies material to the spinning mill in the supply chain (e.g., ginners, traders, other spinning mills, fiber producers, or downstream users).
- Inland forwarding note:** Refers to a transportation document from the importing country to the spinner. It generally refers to overland transportation, but can refer to a document demonstrating transportation from the sea or airport to the spinner in situations where a bill of lading or import record is unavailable.
- 840 **Internal material control systems:** These systems serve to validate the spinner's ability to record, control, and monitor the material received, stored, processed, or otherwise handled by the spinner.
- 845 **Inventory** (whether calculated or declared): this will include stocks of cotton lint, wastage, by-products, and finished products, work-in-progress materials not calculated in stocks, and similar material.
- Mass balance:** Method by which assessors will verify that the quantity of material received and in inventory during the assessment period matches that expected from the transaction records, taking into account the possible error margin of inventory, stock, and loss estimation.
- 850 **Mitigate:** The act of minimizing or eliminating risk. Mitigation measures can be directed toward reducing the frequency or severity of an adverse impact, and can be implemented at any time.
- Opening inventory (declared):** Opening inventory at the assessment period start date, based on the inventory calculation and reporting processes of the spinner, and declared by the spinner. Inventory may be physical or calculated as appropriate for the business circumstances of the spinner.
- 855 **Origin:** The location where the cotton lint was grown, produced, or ginned, with as much detail as possible.
- 860 **Prevent:** The act of stopping an adverse impact before it has occurred.
- Receipts:** All material received during the assessment period. To be used as part of the mass balance calculation.
- 865 **Risk:** Actual or potential exposure to harm on individuals, groups, or the environments as a result of an organization's activities.
- Risk-based:** An approach to conduct due diligence that is proportional and reflects the level of risk a company faces.
- Stakeholder:** A person, group, or organization that has an interest in an operation and is affected by its actions.
- 870 **Tolling:** A transaction where materials are processed by a spinning mill on behalf of a client who retains ownership of the lint or yarn produced by said materials.

875 **Total cotton processed:** With respect to the mass balance calculation, this term refers to total cotton lint processed by the spinner during the assessment period. If warranted, the mass balance could include additional fibers that were included in the final product (e.g. synthetic fiber).

Traceability: Ability to track the cotton lint back to its origin.

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