



# YESS: Yarn Ethically & Sustainably Sourced

## The YESS Standard Explained

4-5 September, 2018

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

# Today's Agenda

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## 1. YESS Standard Explained

- Review YESS standard steps and risk categories
- An approach to developing a due diligence management system
- Overview of Assessment Tools

## 2. Q&A

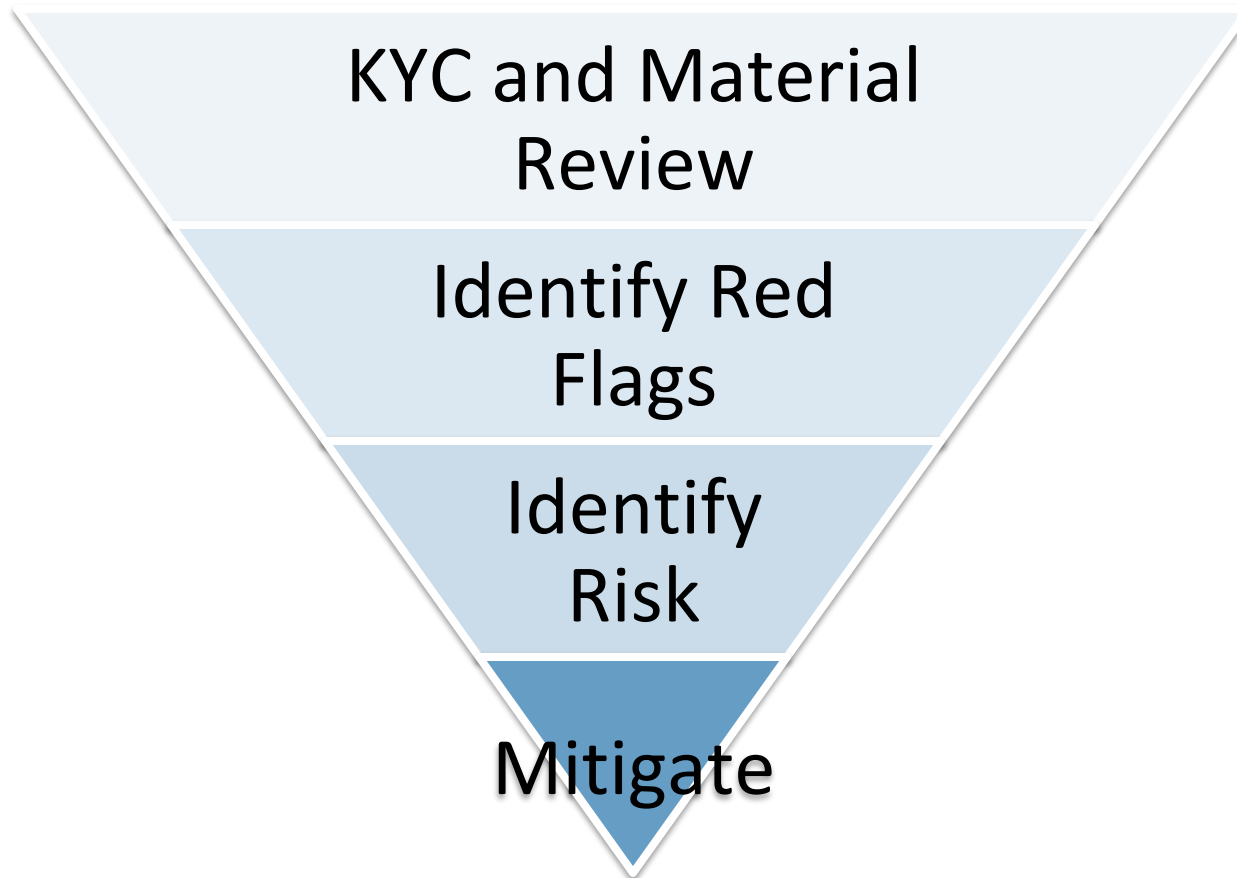


Yarn  
Ethically &  
Sustainably  
Sourced

## The YESS: A Review

# Due Diligence as a Pyramid

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# Risk Categories

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## TWO RISK CATEGORIES

Risks associated  
with the material

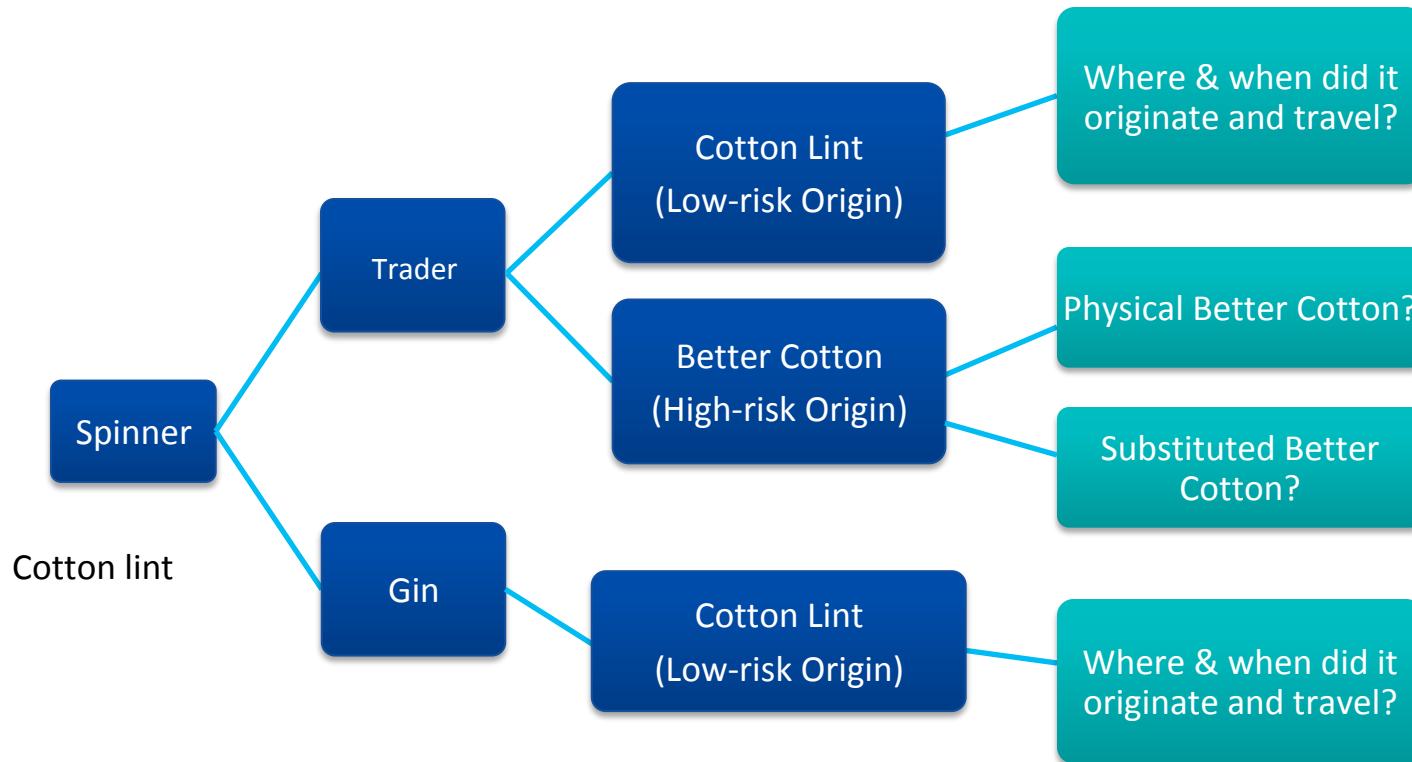
Risks associated  
with the supplier

- risk category of origin
- plausibility of origin
- transit risks

- legal and legitimate operations
- affiliation with corruptions or high-risk areas

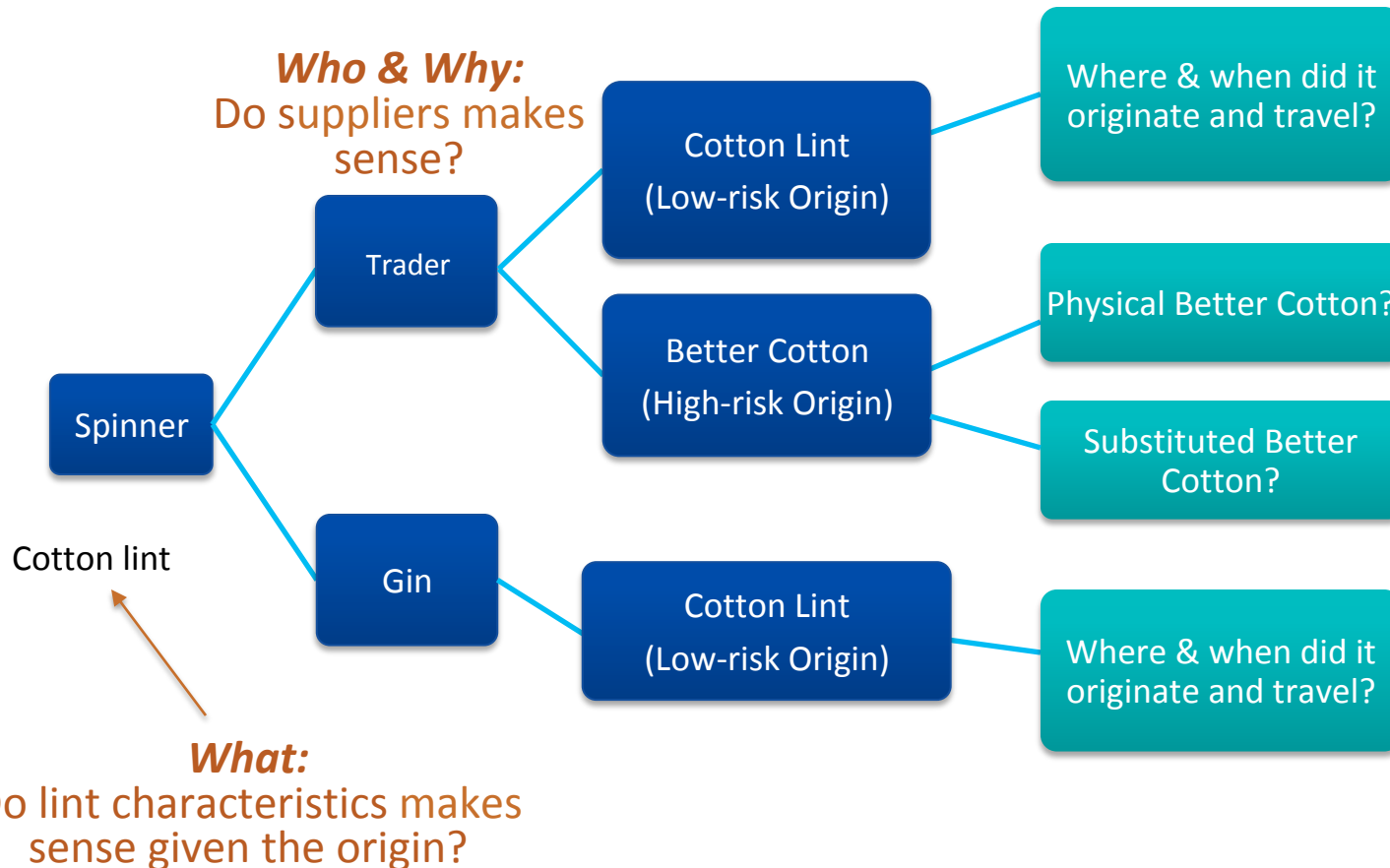
# Implementing a Management System: Who, Why, What, Where, When & How

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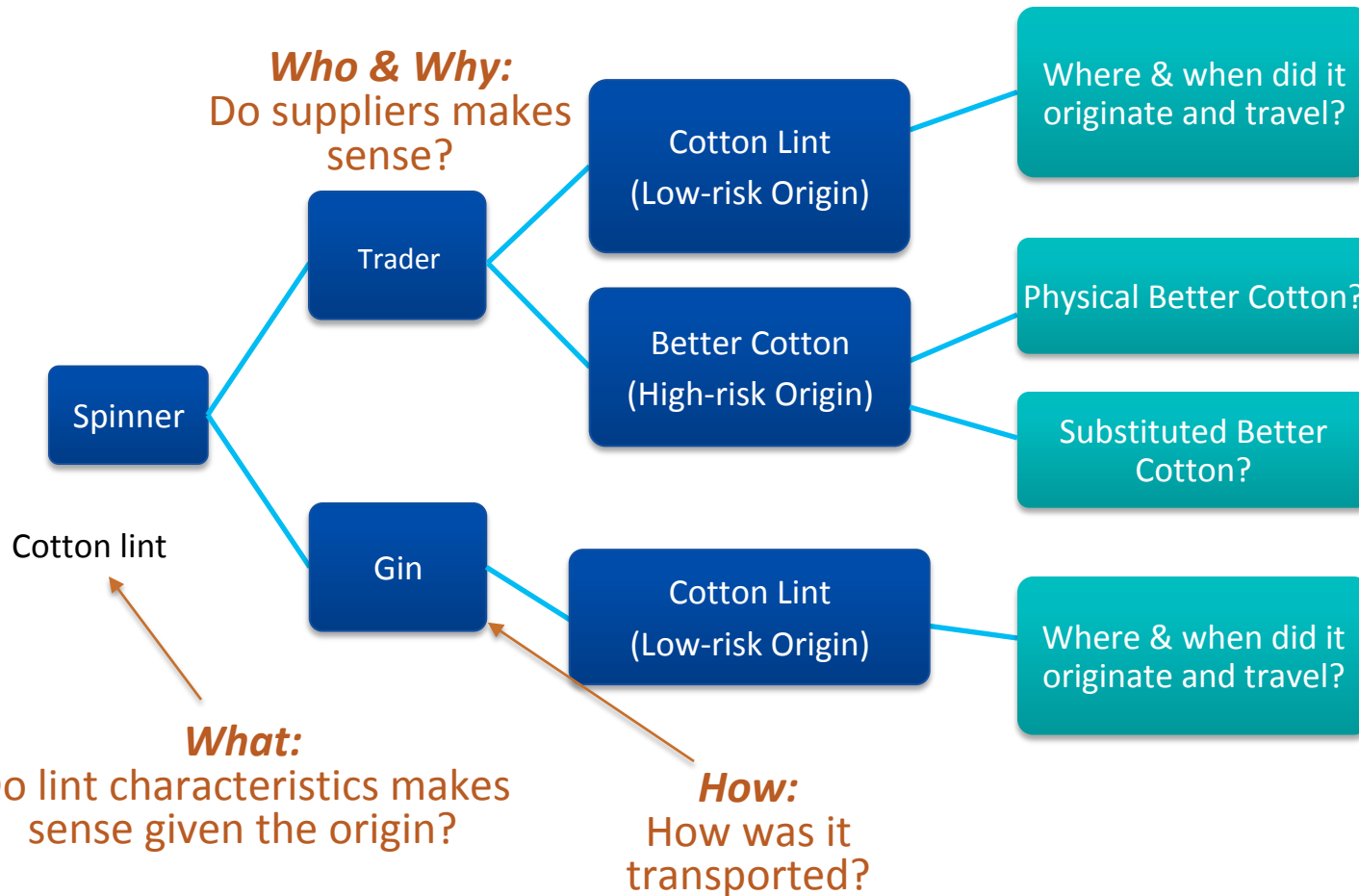
# Implementing a Management System: Who, Why, What, Where, When & How

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# Implementing a Management System: Who, Why, What, Where, When & How

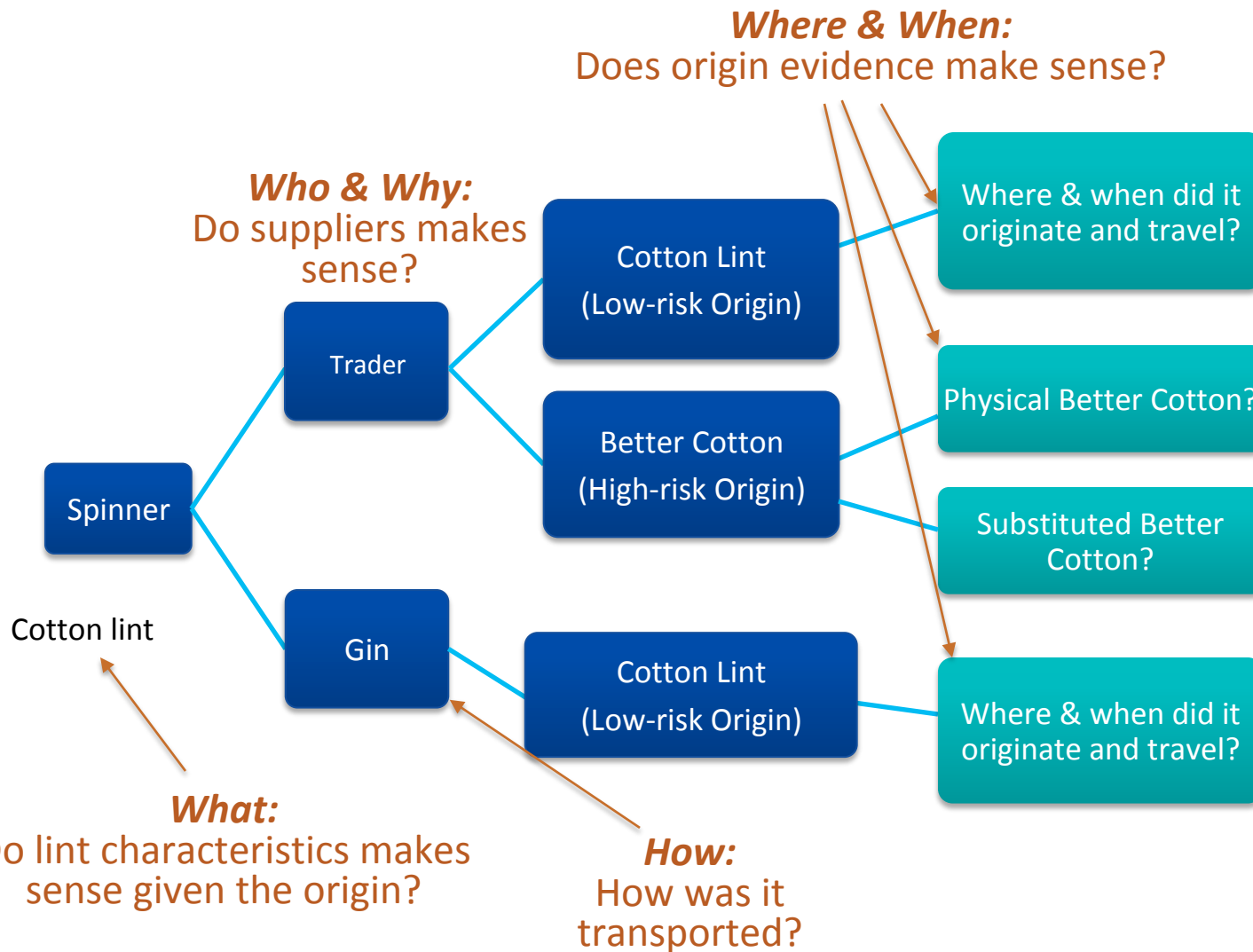
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# Implementing a Management System: Who, Why, What, Where, When & How

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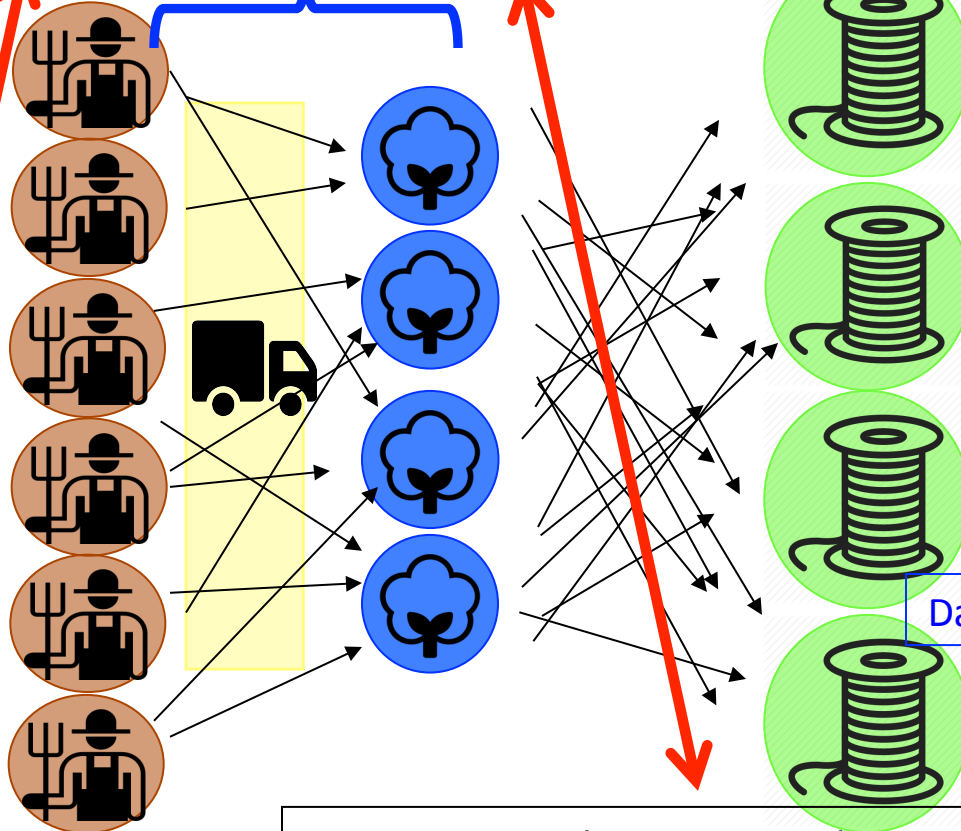
# Document Review: Triangulate “Dates, Weights and Gates”

Transportation docs, receiving logs, purchase contract

Dates, Weight, Shipper, Ports

Certificate of origin  
Transport documents  
Bale tag (gin ID)  
Lint characteristics

High-risk countries  
Farm assessment  
Chain of custody



Purchase orders  
Receiving logs

Dates, Weight, Shipper, Port

Dates, Weight,  
Shipper, Ports,  
Gin, Exporter

Transportation docs, receiving logs, purchase contract

Dates, Weight, Shipper, Ports

# Document Review – Bill of Lading

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**MAERSK**

Shipper: Aussie Trader  
Australia

Consignee: XYZ Spinner  
Bangladesh

**Gates**



Port of Loading: Brisbane, Australia  
Port of Discharge: Chittagong, Bangladesh

**Date:**  
May 10, 2017

## Shipment Content Description

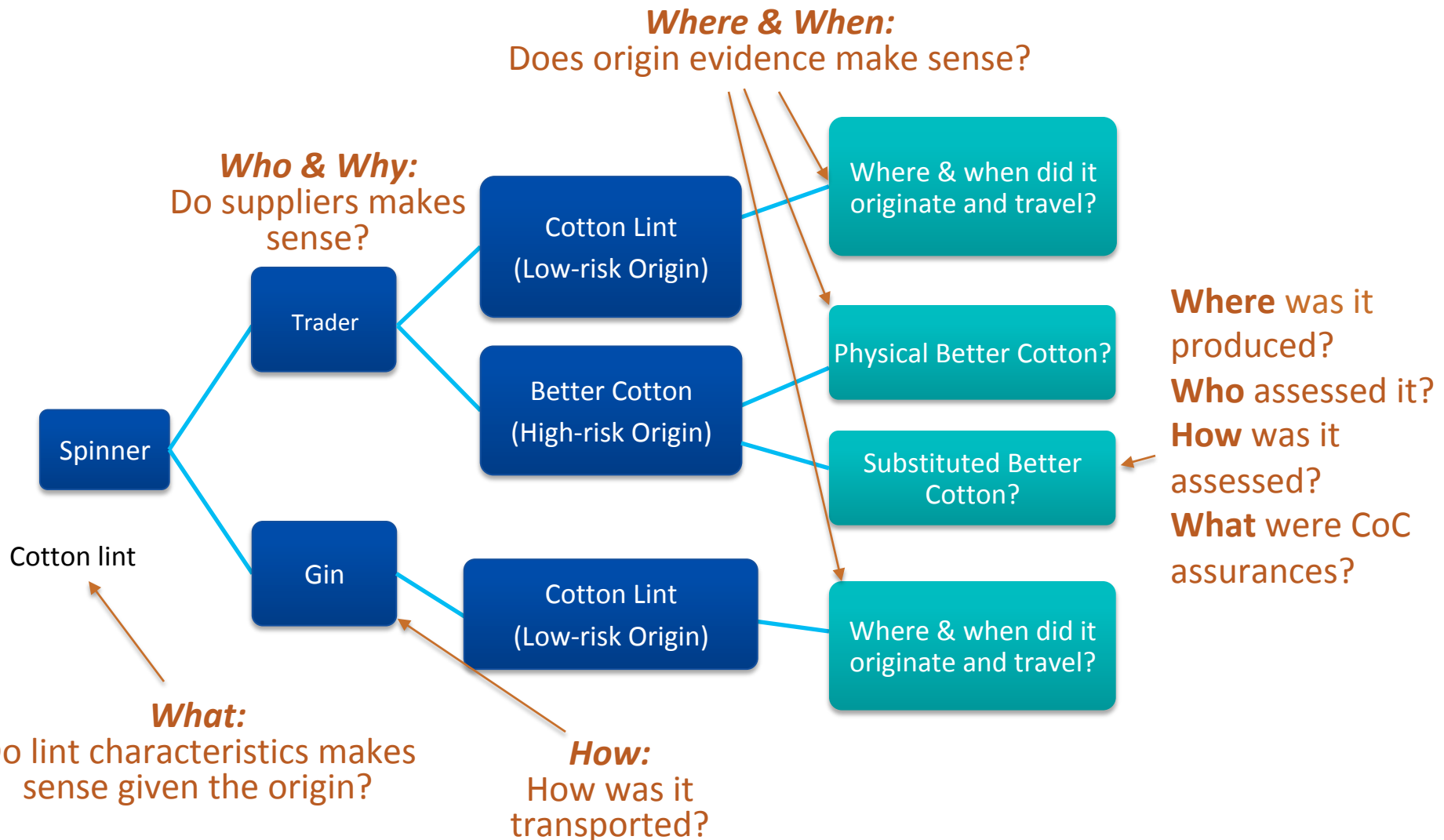
No. of Containers  
1308 Bales

Material  
Raw cotton

Weight  
302,338 kg

# Implementing a Management System: Who, Why, What, Where, When & How

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# Overview of Assessment Tool and Report

# Assessment Workbook Overview

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## All Sourcing



- Sourcing Dashboard
- Management System Checklist
- Mass Balance Calculation
- Transaction Detail

## High-Risk Sourcing



- High-risk Sourcing Dashboard
- High-risk Questions
- High-risk Transaction Details
- High-Risk Mitigation Action Plan
- Additional Transaction Detail

# Low-risk (All) Sourcing Dashboard

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Cotton lint sourcing details								
Complete the below information based on material received in the past year.								
Definitions for cotton lint sourcing regions:								
High-risk countries: Benin, Burkina Faso, China, India, Kazakhstan, Pakistan, Tajikistan, Turkmenistan, Uzbekistan								
Low risk countries are any countries not listed above.								
Raw material	Source Risk Category	Country	Specialty cotton	Type of supplier	No. of direct suppliers	Tonnage received	No. of transactions (lots)	No. of transactions inspected
	Check category	Provide country name	Check type	Check type				Completed Onsite
Cotton lint								
Cotton wastage (byproduct) sourcing details								
Complete the below information based on material received in the past year.								
Raw material	Risk level	Source	Country	Specialty cotton	Type of supplier	Tonnage received	No. of transactions	No. of transactions inspected
	Check category	Check category	Provide country name	Check type	Check type	Provide quantity	Provide quantity	Completed Onsite
Spinning wastage								
Recycled cotton sourcing details								
Complete the below information based on material received during the past year.								
Raw material	Type of cotton	Countries	Type of supplier	No. of immediate suppliers	Tonnage received	No. of transactions	No. of transactions inspected	
	Check category	Provide country name	Check type	Provide quantity	Provide quantity	Provide quantity	Completed Onsite	
Recycled cotton								

lint  
yarn  
fabric

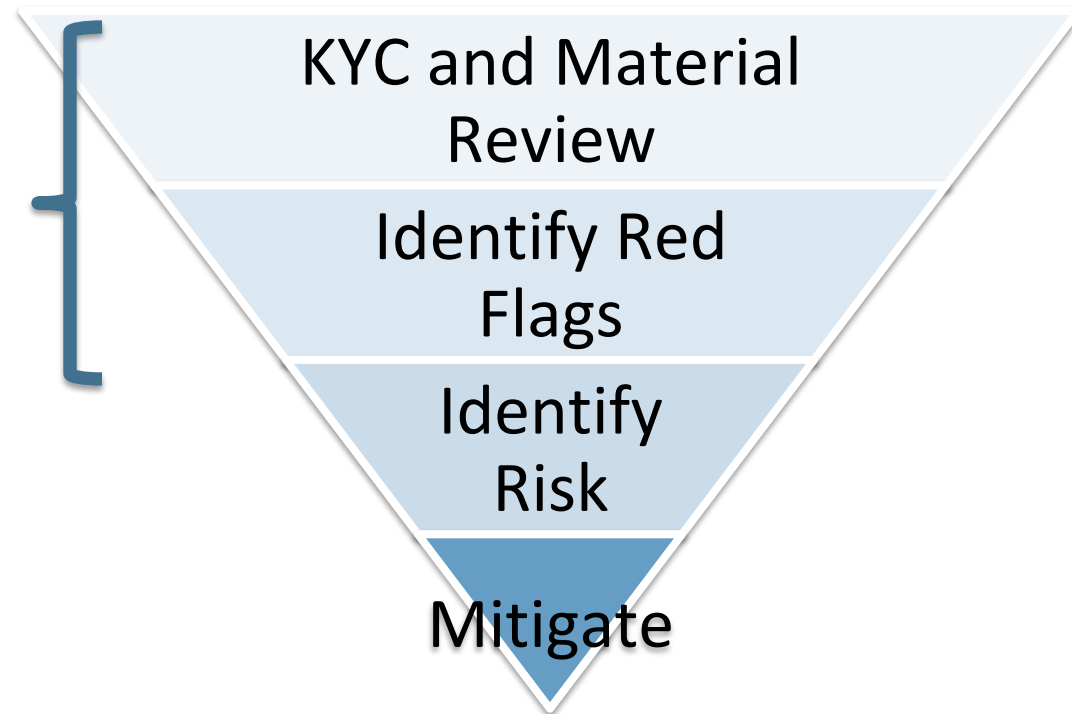




# Questions for Both Risk Levels

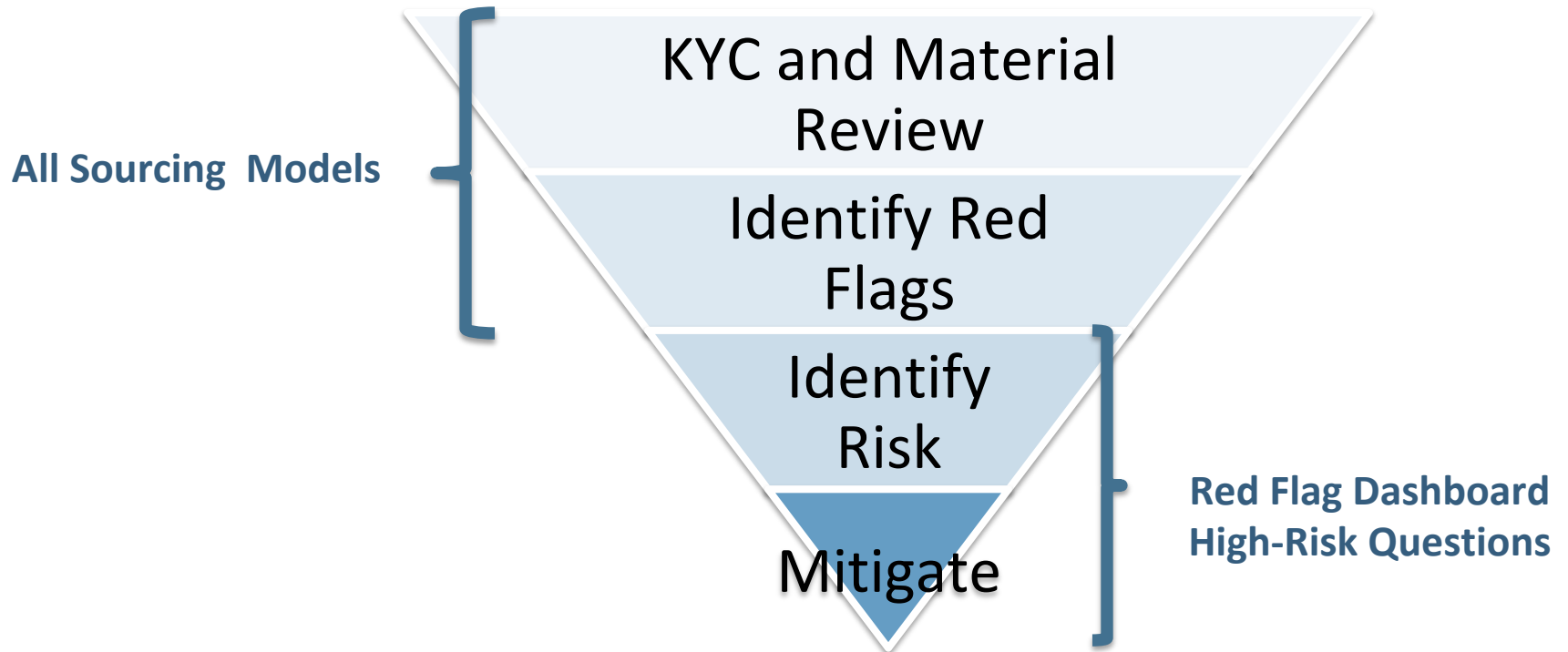
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All Sourcing Models



# High-risk Questions

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# Management System Checklist

	Standard Section	Question and Subquestion	Spinner should complete this section in advance of the onsite		Assessment team should complete this section during the onsite assessment.	
			Y/N	Evidence	Comment / detail	Confirmed by auditor
<b>B. Identify actual and potential of forced labor in cotton production in its supply chain (OECD 2)</b>						
<i>Scope supply chain actors and cotton origin</i>						
<i>Assess risks in supply chain</i>						
4.1	IV.B.4.a	Does an adequate Know Your Counterparty (KYC) process exist?				
		Does the KYC process require suppliers to conduct basic KYC screenings of their suppliers?				
		Does the KYC process include disclosure of cotton sourcing origin?				
		Are relevant employees knowledgeable of the KYC process and requirements?				
		What, if any, additional due diligence activities are taken to validate the KYC disclosures by suppliers?				
		What, if any, capacity building of suppliers with regards to conducting their due diligence of their suppliers and material origin?				

# Management System Checklist: Example

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Standard Section	Question and Subquestion	<i>Spinner should complete this section in advance of the onsite</i>		<i>Assessment team should complete this section during the onsite assessment.</i>	
		Y/N	Evidence	Comment / detail	Conformance / Nonconformance
<b>B. Identify actual and potential of forced labor in cotton production in its supply chain (OECD 2)</b>					
<i>Scope supply chain actors and cotton origin</i>					
<i>Assess risks in supply chain</i>					
4.1	IV.B.4.a	Does an adequate Know Your Counterparty (KYC) process exist?	Y	Supplier Questionnaire	
		Does the KYC process require suppliers to conduct basic KYC screenings of their suppliers?	N		
		Does the KYC process include disclosure of cotton sourcing origin?	Y	P/O	
		Are relevant employees knowledgeable of the KYC process and requirements?	Y	P/O	
		Do you conduct additional due diligence activities to validate the KYC disclosures by suppliers?		Not at this time	
		What, if any, capacity building of suppliers with regards to conducting their due diligence of their suppliers and material origin?		Not at this time	

# Management System Checklist: Example

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Assessment Firm						
Standard Section	Question and Subquestion		<i>Spinner should complete this section in advance of the onsite</i>		<i>Assessment team should complete this section during the onsite assessment.</i>	
<b>B. Identify actual and potential of forced labor in cotton production in its supply chain (OECD 2)</b>			Y/N	Evidence	Comment / detail	Conformance / Nonconformance
<i>Scope supply chain actors and cotton origin</i>						
<i>Assess risks in supply chain</i>						
4.1	IV.B.4.a	Does an adequate Know Your Counterparty (KYC) process exist?	Y	Supplier Questionnaire	Confirmed	Conformance
		Does the KYC process require suppliers to conduct basic KYC screenings of their suppliers?	Y	Supplier Acknowledgement	Suggested but not required	Nonconformance
		Does the KYC process include disclosure of cotton sourcing origin?	Y	P/O	Confirmed: 10 P/Os for 5 COO	Conformance
		Are relevant employees knowledgeable of the KYC process and requirements?	Y	P/O	Confirmed thru interviews	Conformance
		Do you conduct additional due diligence activities to validate the KYC disclosures by suppliers?		Not at this time	All low risk suppliers	N/A
		What, if any, capacity building of suppliers with regards to conducting their due diligence of their suppliers and material origin?		Not at this time	All low risk suppliers	N/A

# High-Risk Sourcing Checklist

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## Risk Assessment

Qualitative information on supply chain conditions, supply chain map, KYC of indirect actors, up to date CAHRA information, upstream risk assessment, process to assess risks

## Risk Mitigation

Process to report findings, risk mitigation plan, evaluate ability to influence actors, stakeholder engagement, continuous improvement

## Upstream Assurance

**Mechanisms**  
Understand, receive and assess information, address discrepancies, mitigate risks

## Step 5 Report

Includes information on how the company identifies, assesses, and mitigates risks

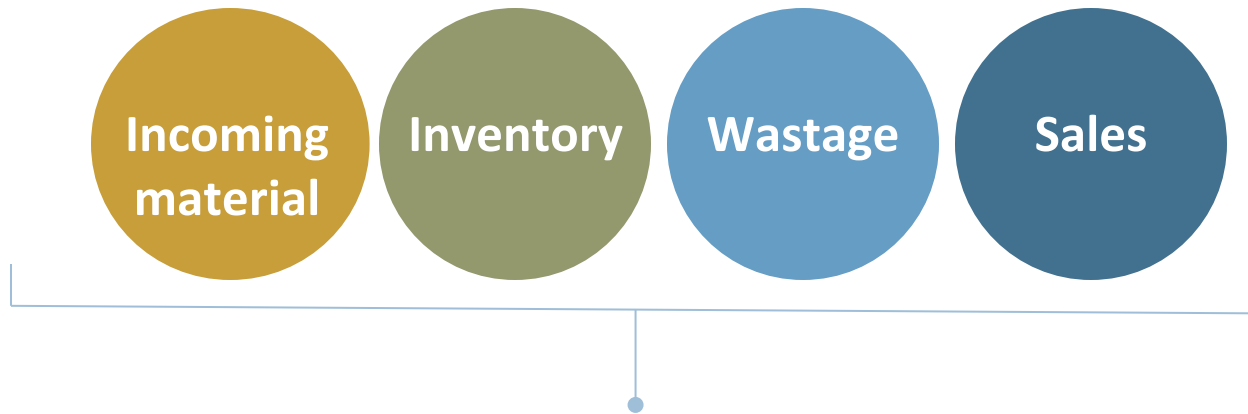
# High-risk Questions

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5. Cease, prevent or mitigate harm in the spinner's supply chain				Auditor Comment	Conformance or Nonconformance (per auditor)
No.	Std Section	Question and Subquestion	Y/N	Evidence	
			<b><i>Spinner should complete this section in advance of the onsite</i></b>		<b><i>Assessment team should complete this section during the onsite assessment.</i></b>
5.1	VI.C.1	Has the spinner identified all upstream suppliers in High-Risk countries, including ginners?			
5.2	VI.C.1	Does spinner prequalify direct suppliers in high-risk source regions? Cite evidence.			
5.3	VI.C.1	Does spinner have a process to prequalify ginners in High-Risk countries? Cite evidence.			
5.4	VI.C.1	Does spinner take actions to prevent contributing to FL/WFCL in the high-risk countries from which they source? Cite evidence.			
5.5	VI.C.1	Does spinner have a process to establish business conditions or other means to incentivize suppliers to avoid sourcing from unqualified high-risk sources of cotton? Cite evidence.			
5.6	VI.C.2	Does the spinner have a process to identify and report actual or potential risks in supply chains to senior management? Cite evidence.			

# Mass Balance

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**["Calculated" – "Actual"] ÷ Total material processed**



# Mass Balance: Inventory and Receipts

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Opening Inventory			
Date of the Opening Inventory:			
Select units used throughout the calculation from drop down list			Metric Tons
Cotton	Baled cotton lint in stock		2.00
	Total lint in process		
	Total yarn inputs onsite		3.00
	Total blowing wastage onsite		0.20
	Total carding wastage onsite		
	Total combing wastage onsite		
	Total other waste (trash, stems)		
	<b>Opening Inventory: Cotton Fiber</b>		
Product (cotton, blended, other)	Total yarn products onsite		2
	Total fabric products onsite		
	Total garment products onsite		
<b>Opening Inventory: yarn</b>			<b>2.00</b>
Non-cotton Fiber No. 1 (State fiber)	Non-cotton Fiber No. 1 in stock		0.10
	Non-cotton Fiber No. 1 in process		0.20
	Non-cotton Fiber No. 1 wastage		
<b>Opening Inventory: Non-cotton Fiber 1</b>			<b>0.30</b>
<b>Total of all opening inventory</b>			<b>7.50</b>
Receipt: All cotton received during the assessment period			
	Cotton lint received		11.00
	Spinning byproduct (carding, combing wastage)		
	Non-cotton Fiber No. 1 received		
	Non-cotton Fiber No. 2 received		
	Filament No. 1 received		
	Filament No. 2 received		
	Yarn received		
	Other Material received		
	Material received under Tolling Agreement		
<b>Total Material received</b>			<b>11.00</b>
Shipments: All products, byproducts or waste sent offsite during assessment period			
Shipments for the Mass Balance Period			
	Yarn shipped to customers		12.00
	Blowing wastage shipped to customers		
	Carding wastage shipped to customers		
	Combing wastage shipped to customers		
	Fabric shipped to Customers		
	Garments shipped to Customers		
	Other Cotton Waste		
	Non-cotton fiber or filament waste		
<b>Total Material Shipped</b>			<b>12.00</b>

# Mass Balance: Inventory and Shipments

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Closing Inventory "DECLARED" (Based on material management system and declared transactions)			
Date of the Ending Inventory:			
Cotton	Baled cotton lint in stock		3.50
	Total lint in process		0.20
	Total yarn inputs onsite		
	Total Blowing wastage onsite		0.10
	Total carding wastage onsite		
	Total combing wastage onsite		
	Total other waste (trash, stems)		
	<b>Declared Closing Inventory: Cotton Fiber</b>		
Product (cotton, blended, other)	Total yarn products onsite		2
	Total Fabric products onsite		
	Total garment products onsite		
	<b>Declared Closing Inventory: yarn</b>		
Non-cotton Fiber No. 1	Non-cotton Fiber No. 1 in stock		0.30
	Non-cotton Fiber No. 1 in process		
	Non-cotton Fiber No. 1 wastage		
	<b>Declared Closing Inventory: Non-cotton Fiber 1</b>		
Non-cotton Fiber No. 2	Non-cotton Fiber No. 2 in stock		0.10
	Non-cotton Fiber No. 2 in process		
	Non-cotton Fiber No. 2 wastage		
	<b>Declared Closing Inventory Non-cotton Fiber 2</b>		
Filament No. 1	Filament No. 1 in stock		
	Filament No. 1 in process		
	Filament No. 1 wastage		
	<b>Declared Closing Inventory Filament No. 1</b>		
Filament No. 2	Filament No. 2 in stock		
	Filament No. 2 in process		
	Filament No. 2 wastage		
	<b>Declared Closing Inventory Filament No. 2</b>		
<b>Closing Inventory "DECLARED"</b>			<b>6.20</b>
<b>Total Material Processed</b>			
	Total opening inventory		5.20
	Total material received		11.00
	Calculated ending inventory		6.50
<b>Total Material Processed</b>			<b>9.70</b>
<b>Production Loss Calculation</b>			
	Closing Inventory "CALCULATED"		6.50
	Closing Inventory "DECLARED"		6.20
	Total material processed		9.70
<b>ERROR MARGIN (=)</b>			<b>3.09</b>

# Risk-based, Transaction-level Requirements

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## Low-risk Sources

### Representative sampling of transactions

- Transportation documents
- Customs export record (or alternative)
- [Assays]

## High-risk Sources

### 100% of transactions

#### *Low-risk requirements plus:*

- Farm/specialty license/declaration
- Farm audit/visit report
- Customs import docs
- Certificate of origin (or alternative)
- Policy communication to customers
- Public disclosure statement
- OECD requirements (evaluation, incident/monitoring reporting, governance assessment, independent 3<sup>rd</sup> party audit report, grievance systems)

# Transaction Detail

**Detail required for all transactions**

Type of cotton	Country of origin	Type of supplier	Date received	Lot number	Weight (MT)	Name of Supplier	Shipping transportation Document Ref. No.	Commercial Invoice Ref. No.
Select from list	Select from list	Select from list	Cite date received into	Provide unique lot number	Ensure weight units are consistent	Provide complete, legal name	Cite reference number	Cite reference number

**Additional detail required for high-risk transactions**

Govt. Export Document Ref. No.	Origin chain of custody (farm to gin)	Gin Identification or Bale Tag Ref. No.	Branded / Other ID'ed Cotton Document Ref. No.	Other Supporting document, if warranted
Cite reference number	Cite reference number	Cite reference number	Cite reference number	Cite reference number

# Summary Report: Details and More

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## Assessment findings: Non-conformances

Summary of Non-conformances				
No.	Section of Standard (drop-down list)	Finding (drop-down list)	Non-conformance (describe briefly)	Auditee's Response (e.g. planned actions)
1				
2				
3				
4				

## Assessment findings: Continuous Improvement Opporutnities

Observations & Recommendations				
No.	Section of Standard (drop-down list)	Observatiion (describe briefly)	Possible Improvement (describe briefly)	Auditee's Response (e.g. planned actions)
1				
2				
3				
4				

## Assessment findings: Continuous Improvement Achievements

Continuous Improvement Achievements				
No.	Section of Standard (drop-down list)	Identified opportunity (describe briefly)	Action Taken (describe briefly)	Evidence (describe briefly)
1				
2				
3				
4				
5				
6				
7				
8				

# High-risk Mitigation Plan

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<b>Country or origin</b>	<b>Description of Risk</b>	<b>Severity and scale</b>	<b>Mitigation measures</b>	<b>Partners</b>	<b>Activities completed to date</b>	<b>Anticipated activities</b>	<b>Timeframe</b>
Select High-Risk countries	List risks	Select risk	Describe activities	Check which applies	List or describe	List or describe	MM / YYYY

# Review

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- Reviewed the first four steps of due diligence
- Introduced new assessment tools
- Explained how spinners should use these tools to develop a due diligence management system

# Questions?



Yarn  
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