



# YESS: Yarn Ethically & Sustainably Sourced

## Pilot Report

**Including Annex on Improvement Action Period**

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for Responsible Sourcing Network  
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### **Disclaimer**

This *YESS Pilot Report* is the shortened, public-facing report of the activities, achievements, deliverables, and reflections by liz **muller** & partners for Responsible Sourcing Network (RSN). RSN took the liberty of shortening the activities, insights, and recommendations of liz **muller** & partners. If you would like to view the full list of insights and recommendations, please contact [info@sourcingnetwork.org](mailto:info@sourcingnetwork.org).

### **Acknowledgements**

The YESS Pilot Report is authored by Liz Muller of liz **muller** & partners, and edited by Patricia Jurewicz, founder and CEO of Responsible Sourcing Network, with contributions by Jamie Fortin and Sage Pothier. Responsible Sourcing Network is grateful to stakeholders who provided input, brand regional sourcing teams, and staff at the fabric mills where research and pilot feasibility assessments were conducted. This work was made possible by generous support from Fair Labor Association (FLA) and multiple YESS brand sponsors.

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# YESS: Yarn Ethically & Sustainably Sourced Pilot Report

This report describes activities, achievements, and deliverables for each element of the YESS: Yarn Ethically & Sustainably Sourced Pilot Project (YESS Pilot). This report was produced initially after the initial trainings and trips to the participating spinning and fabric mills. It has been updated to incorporate the activities, deliverables, insights and learnings from the Improvement Action Plan period, finalization of the standards (post-public consultation of the *Fabric Mill Standard*), and revisions to the trainings and mill resources. The YESS Pilot Report comprises the following sections and concludes with key insights, considerations, feedback, and recommendations based on information gathered throughout the YESS Pilot.

- I. YESS Pilot Objectives
- II. YESS Pilot Participants' Roles and Responsibilities
- III. YESS Pilot Planning and Process
- IV. YESS Standards, Workbooks, Reports, and Assessment Procedures
- V. Auditor Onboarding Procedure, Assessment Tools, and Industry Knowledge Resources
- VI. YESS Resources for Spinners and Fabric Mills
- VII. Insights and Feedback
- VIII. Recommendations
- IX. Annex: Activities, Insights, and Feedback from the YESS Pilot Improvement Action Period

## I. YESS PILOT OBJECTIVES

The objectives of the YESS Pilot were to:

1. Determine the feasibility of participating yarn spinners' and fabric (knitting and weaving) mills' (mills) ability to meet the requirements of the [\*YESS Standard for Spinning Mills\*](#) and the [\*YESS Standard for Fabric Mills\*](#)<sup>1</sup> (YESS Standards), respectively.
2. Train and advise participating mills and auditors.
3. Conduct research at fabric mills and incorporate any insights in a final *YESS Standard for Fabric Mills* that will undergo public consultation.
4. Gather insight and feedback on YESS.
5. Provide recommendations to further develop and launch YESS.

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<sup>1</sup> The names of the standards have been changed to: *YESS Standard for Spinning Mills* and *YESS Standard for Fabric Mills*.

## II. YESS PILOT PARTICIPANTS' ROLES AND RESPONSIBILITIES

YESS Pilot participants reviewed and agreed to each party's roles and responsibilities, as well as confidentiality and anti-trust guidelines.

### Responsible Sourcing Network

Responsible Sourcing Network (RSN) founded and obtains all rights to all YESS products. RSN's Chief Executive Officer, Patricia Jurewicz, with the support from Jamie Fortin, Senior Cotton Program Associate, was responsible for all administrative aspects of the YESS Pilot, including but not limited to executing all agreements, facilitating online trainings, housing recorded trainings on the YESS Portal, and managing all budgets. In addition, RSN established the YESS Methodology for Determination of Low-Risk and High-Risk Countries, which has now been replaced by the YESS Sample Procedure to Identify High-risk Origins for Cotton Lint.

### Liz Muller & Partners

Liz Muller & Partners, led by Liz Muller with the support of Sage Pothier, Liz Muller & Partners' intern, completed the following YESS Pilot activities and associated deliverables, all of which are described below:

- Writing and revising YESS Standards and Assessment Workbooks
- Creating and presenting all online trainings and associated knowledge quizzes
- Developing all Spinner, Fabric Mill, and Auditor Resources
- Writing YESS Auditor Onboarding Documents and Auditor Assessment Tools
- Consulting with YESS Pilot brands monthly
- Conducting In-person Trainings and Pilot Assessments
- Completing this Pilot Report

### Brands

Collectively, YESS Pilot brands (four large U.S. brands/retailers, and a brand that specializes in recycled cotton yarn) nominated nine mills in four countries to participate in the YESS Pilot. These brands were instrumental in supporting the YESS Pilot by reaching out to the nominated mills to ensure timely and complete submittals, and cooperation when needed.

### Mills

Five spinners and four fabric mills—in Malaysia, India, Pakistan, and Vietnam—agreed to participate in the YESS Pilot. One fabric mill—the only facility in Vietnam nominated for the Pilot—later declined to participate, once they realized they would need to share information on all cotton inputs they sourced, not just the inputs used to create their sponsoring brand's products.

### Auditors

Two audit firms participated in the YESS Pilot overseeing a total of 20 auditors from seven countries—Bangladesh, China, India, Indonesia, Malaysia, Pakistan, and Vietnam—who participated in online trainings. Seven auditors participated in in-person trainings and pilot assessments. Six of these seven auditors participated in at least two in-person trainings and assessments, thus qualifying as lead auditors for YESS.

### III. YESS PILOT PLANNING AND PROCESS

After the initial introduction, Liz Muller & Partners provided online trainings for mills and auditors, provided one-one-one support and guidance to mills, and conducted in-person trainings and pilot assessments, including providing each facility with a Pilot Assessment Report.

Per the original project plan, all activities were to be completed by December 2021. However, the in-person trainings and pilot assessments were delayed due to the impact of Covid on international travel. All activities, including in-person trainings and pilot assessments were completed in March 2022.

#### Online trainings

##### Stakeholder training

An initial five-part series of training modules for mills and other YESS stakeholders covers the YESS Initiative, YESS Standards, and introduces YESS Assessment Workbooks and Resources. The training modules were presented online and were subsequently made accessible to YESS Pilot participants and YESS supporters via RSN's [YESS Portal](#).

All training participants were encouraged to complete a five-minute quiz after each training module to help Liz Muller & Partners and RSN assess the participants' knowledge and where our training could be more thorough.

Online training metrics include:

- 100+ participants in 10 training webinars (five for spinners and five for fabric mills)
- 113 registrants for the YESS Portal with access to trainings
- 20 auditors with access to trainings, assessment procedure, tools, and resources

Five-part stakeholder trainings were revised to align with the changes made to the YESS Standards. They were also condensed into a three-part training series that mirrors the three-phased approach for mills to reach full conformance under YESS's new Conformance Continuum. The trainings series is as follows:

1. Introduction to YESS<sup>2</sup>
2. Year 1 Requirements
3. Year 2 Requirements

##### Auditor online training

A two-part training specifically designed for auditors was presented to build off the general overview of YESS that they had received via the online stakeholder training (the five-part series mentioned above). The auditor online training consisted of two 2-hour modules and exercises followed by a 10-minute knowledge quiz. During the training, Liz Muller & Partners introduced auditor-specific resources to help them gain a basic understanding of the cotton industry and spinner and fabric mill operations, along with guidance on how to conduct facility assessments against the applicable YESS Standard.

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<sup>2</sup> YESS's Year 3 requirements are referenced in the first training. A *Year 3 Requirement* training can be developed in the future.

Auditors were expected to score 75 percent or higher on the knowledge quizzes to participate in in-person assessments and trainings (the final step to qualify as a YESS auditor).

Auditor online training metrics include:

- 20 auditors given access to trainings, assessment procedure, tools, and resources
- 6 fully trained lead auditors in Malaysia, India, and Pakistan
- 1 fully trained support auditor in India
- 12 partially trained auditors via online trainings from Bangladesh, China, and Vietnam<sup>3</sup>

### **One-on-one advice and remote assessment**

Liz Muller & Partners provided individual guidance and advice based on each facility's unique sourcing model and due diligence management systems.

We had planned to conduct remote assessments prior to performing in-person pilot assessments, but the logistics proved to be very challenging—from the mills' ability to provide numerous transaction documents, develop necessary procedures based on their limited understanding of YESS Standards in the context of their sourcing models and operations, and the need to visit their facility in-person to obtain a sufficient understanding of their sourcing strategies, operations, products, systems, and processes to accurately provide guidance and advice. As a result, the remote assessments were not completed in earnest.

### **In-person trainings and assessment**

Liz Muller & Partners provided half-day refresher trainings to the auditors together with representatives from the spinners and mills and conducted an in-person pilot assessment<sup>4</sup> of each Pilot facility.

After the trainings and conversations that ensued, Liz Muller & Partners led a limited assessment of the facility's operations. This included touring and inspecting a site; reviewing a sample of transaction documents; evaluating existing procedures, processes, and inventory management systems; and interviewing key employees. Throughout this process, the facility's staff and the auditors were advised on how to complete a full assessment when YESS becomes an official initiative.

Liz Muller & Partners created a post-assessment survey to capture feedback and input from the in-person pilot assessment / training participants.

In-person training metrics include:

#### *India*

- Trained 26 spinner / fabric mill leadership team members
- Trained 6 brand representatives
- Trained 4 auditors

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<sup>3</sup> Due to travel restrictions and the departure of the Vietnamese facility, the auditors from Bangladesh, China, Indonesia, and Vietnam were not able to participate in in-person trainings and assessments and are, thus, not qualified to conduct YESS Assessments.

<sup>4</sup> While the Pilot assessments were limited in their nature and scope, they provided necessary insight into mills' processes, systems, and transaction documentation as well as established expectations for when auditors conduct an official YESS Assessment.

#### *Malaysia*

- Trained 16 spinner / fabric mill leadership team members
- Trained 1 auditor

#### *Pakistan*

- Trained 30+ spinner / fabric mill leadership team members
- Trained 2 brand representatives
- Trained 2 auditors

## **IV. YESS STANDARDS, WORKBOOKS, REPORTS, AND ASSESSMENT PROCEDURES**

The *YESS Standard and Assessment Workbook for Spinners (YESS Spinner Standard and Workbook)* were released in 2019. After consultation with several apparel brands, it was determined that a complementary standard—*YESS Standard and Assessment Workbook for Fabric Mills (YESS Fabric Mill Standard and Workbook)*—would be beneficial because fabric mills are another important control point for identifying and mixing cotton—in the form of yarn—from various suppliers and origins. As a result, Liz Muller & Partners wrote an initial draft of the *YESS Standard for Fabric Mills and Assessment Workbook* for the YESS Pilot.

Adjustments were made to the *YESS Standards and Assessment Workbooks* for both spinning mills and fabric mills as we obtained insights and feedback throughout the YESS Pilot. Additional changes were made to streamline, align, and simplify all the standards, workbooks, and supporting documents, to the greatest extent possible.

A document titled *YESS Standards Introduction* was created and is located on the same [download page](#) as the YESS Standards. This introduces YESS, the YESS Standards and Organisation for Economic Co-operation and Development (OECD) [Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector \(OECD Due Diligence Guidance\)](#).

The finalized *Fabric Standard* and updated *Spinner Standard* were [posted on RSN's website](#) after public consultation concluded and appropriate updates were incorporated into both standards. Public consultation feedback and material changes to the *Spinner Standard* can be found [here on RSN's website](#).

## **V. AUDITOR ONBOARDING PROCEDURE, ASSESSMENT TOOLS, AND INDUSTRY KNOWLEDGE RESOURCES**

Audit firms were invited to participate in the YESS Pilot based on their experience with due diligence assessments (with the Responsible Minerals Initiative) and a strong track record of providing quality assessments and reports. Liz Muller & Partners developed pre-assessment submittal checklists, and sample assessment agenda, and opening and closing meeting presentations that auditors can use to guide or conduct their assessment of mills.

In addition, Liz Muller & Partners created a suite of resources aimed at providing auditors with a basic understanding of the most relevant portions of the supply chain and operations, including sourcing, material management, and processing operations of gins, spinners, and fabric mills.

## VI. YESS RESOURCES FOR SPINNERS AND FABRIC MILLS

Liz Muller & Partners developed a complete set of 30 topic-specific resources for spinners and 30 for fabric mills to help guide mills through each requirement set forth in the applicable YESS Standard. These sets include checklists, flowcharts, and sample procedures. The text in each resource matches that of the applicable standard and cites the relevant section of the YESS Standard. In addition, each YESS Resource is cited in the section of the applicable YESS Standard it pertains to—making it easy for mills to find the resources for that topic or requirement.

Currently, the resources are only available to mills, brands, and auditors participating in the YESS Pilot.

## VII. INSIGHTS AND FEEDBACK

An abbreviated version of the insights and participant feedback obtained throughout the YESS Pilot are listed below by theme or participant type.

### Training and capacity building

- All mills (regardless of size and sophistication) require training and support, as well as to create a due diligence approach and prepare for the initial YESS assessment. Six months would be appropriate for trainings and preparation.
- YESS Resources for mills (e.g., checklists, templates) for facilities are very helpful as mills develop their due diligence management systems, prepare for in-person assessments, and prevent and mitigate the risk of forced labor at farm level.
- Direct conversations or specific, scenario-based exercises are more helpful for spinners or fabric mills with complex or high-risk supply chains.
- The necessary mind shift needed to go from a typical code of conduct or certified cotton approach to the more dynamic due diligence management system approach taken by YESS is not as well conveyed or understood through training alone.
- Remote assessments are insufficient for initial assessments. Conducting remote assessments proved to be very challenging and limited insights into the facility's inputs, suppliers, processes, and products necessary to understand and evaluate the appropriateness of their due diligence management system.
- More detailed assessments of the types and drivers of forced labor is needed, as well as education and training on how to identify forced labor in a facility's supply chain and how to prevent and mitigate it.

### Sourcing and processes

- Transaction documents (hundreds to thousands a year) are received, reviewed, and retained for all orders. Basic management system expectations are easy to meet but are not always in place for smaller facilities.
- Spinners are highly efficient and account for all product and wastage and can trace cotton through their processes from laydown to yarn, but not with complete accuracy because their processes (which may take 24-96 hours) are continuous, not batch processes. Some spinners are unable to



trace their wastage back to specific laydowns because multiple laydowns can be processed on the same day, resulting in the collecting and combining of waste with engineering hurdles.

- Domestic traders will remove bale tags and keep ginner identification confidential from spinners.
- Basic management system expectations are easy to meet for most spinners but are not always in place for smaller mills.
- Enterprise-wide due diligence (Know Your Supplier (KYS)) of international merchants is challenging and of little relative benefit if the spinner does not procure cotton from other (e.g., high-risk) regions from the merchant.<sup>5</sup>
- Lint processing from laydown to yarn in a ring spun process can take 24–96 hours. The length of time depends, in part, on the yarn count.
- Spinners are highly efficient and account for all product and wastage.
- Mills can have subcontractors or tolling relationships with other spinners that process their lint or yarn on their behalf.
- The types of cotton listed as certified recycled per Recycled Claim Standard (RCS) (content) and Global Recycled Standard (GRS) (chain of custody) appear to be aligned with YESS once they are deconstructed (e.g., hard waste, post-industrial waste, post-consumer waste). However, occasionally spinners refer to cotton wastage or byproduct (which is subject to farm-level due diligence under the YESS Standards) incorrectly as “recycled cotton” (which is exempt from farm-level due diligence under the YESS Standards).
- Mills roll over their Better Cotton Initiative (BCI) procurement quotas from one year to the next. For example, one mill has not purchased Better Cotton this year—and does not have plans to purchase more—because they purchased an abundant amount of Better Cotton last year.
- Spinners are unaware of the difference between “physical” and “substituted” Better Cotton,<sup>6</sup> and are concerned that requiring them to purchase physical Better Cotton (and not substituted Better Cotton) will result in additional premiums. Currently, spinners are paying a premium (roughly 1.5 percent) for Better Cotton (while brands are not paying any premium).
- Spinners do not know how to conduct a thorough evaluation of organic chain of custody documentation.
- Mills can often be located on the same campus with the same address. YESS should either require all mills at a given campus to undergo a YESS Assessment or clearly differentiate which mills have been assessed.
- Disclosure of proprietary information (especially across all transactions) is of such concern to mills that the fabric mill in Vietnam pulled out of the pilot over the issue.

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<sup>5</sup> KYS should include identifying a supplier’s operations in or sourcing from high-risk countries. However, international merchants are reluctant to provide detailed information that does not pertain to the specific transaction at hand. Additionally, if the spinner or fabric mill does not purchase cotton from other regions from which the merchant sources cotton, they will have limited influence on those operations.

<sup>6</sup> “Physical” Better Cotton is cotton that was produced by a farmer operating and licensed under the Better Cotton system whereas “substituted” Better Cotton is conventional cotton that was produced by a farmer that is not operating under the Better Cotton system. Conventional cotton can be substituted for Better Cotton by a third party (between the gin and the spinner) as long as the cotton originates in the same country, the volumes are the same, and Better Cotton Claim Units (BCCUs) accompany the shipment.

### Feedback from YESS Pilot mills:

- The effort that has gone into the YESS Standards, trainings, and resources is appreciated and valuable, and the approach with sufficient time to implement this new approach is important.
- Activities conducted to prepare for the YESS Pilot allows mills to check and improve existing transparency and traceability efforts. Gins, domestic traders, and international merchants should be trained and incorporated into YESS sooner rather than later.
- Brands are overburdening mills, and in turn spinners, to trace products' cotton—each with different excel spreadsheets.
- The roll out of facility capacity building should be done in steps.
- Transactions should be selected one to two weeks in advance of the assessment so that mills can retrieve documents from various sites (e.g., HQ has PO and payment, transport doc at warehouse).
- It would be helpful for YESS to create a roadmap that defines roles for:
  - Spinner
  - Mill
  - Industry
- Training for gins, agents, traders, suppliers, and sourcing teams would be very helpful.
- Gins, domestic traders, and international merchants should be incorporated into YESS at some point (soon(ish)).
- What will be added to spinners' obligations / YESS Standards in the future? Brands will continue to add more and more requirements with each standard. And they may each want to send their own auditors to confirm that their specific requirements are met. Spinners are undergoing an audit each month (on average) by various brands and standards.
- The forced labor methodology didn't include enough input from local stakeholders or incorporate additional credible resources. India and Pakistan should be listed as "medium-risk" because they are not as widespread or definitive as other state-orchestrated forced labor regions.
- Spinners are concerned that requiring them to purchase Physical Better Cotton (and not Substituted Better Cotton)<sup>7</sup> will result in additional premiums.
- BCI (and presumably YESS) should be more spiritually based in India rather than solely focusing on metrics and certification.
- "Two-minute topic trainings" (e.g., cotton sourcing decision tree, risk mitigation approach) would be a nice resource to offer mills. Topics could include guidance on how to prioritize supply chains within a high-risk country.
- Conducting due diligence of fabric or yarn suppliers in other countries—especially when facilities only purchase from them occasionally will be extremely difficult.

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<sup>7</sup> Physical Better Cotton is cotton that was produced by a farmer operating and licensed under the BCI system whereas Substituted Better Cotton is conventional cotton that was produced by a farmer that is not operating under the BCI system. Conventional cotton can be substituted for Better Cotton by a third party (between the gin and the spinner) as long as the cotton originates in the same country, the volumes are the same, and the Better Cotton Claim Units accompany the shipment.

- YESS would benefit from illustrating how it could help brands address U.S. Customs and Border Protection requirements in relation to Xinjiang, XPCC, and Turkmenistan restrictions.

#### Input from or regarding YESS Pilot auditors

- Auditors are on the front line and should not be put in a position to explain or defend the forced labor methodology, the YESS Standards, or approach – especially the conclusion that India and Pakistan have forced labor in cotton fields.
- Auditors are often paid for man days in-person without any compensation for preparation, travel, and report writing. If YESS is to prioritize consistent quality assessments, they should plan to also pay auditors for preparation and report writing.<sup>8</sup>
- Capacity building of spinners, fabric mills, auditors, and stakeholders will be essential.
- Auditors raised concerns that YESS could be subject to accusations of “greenwashing” should it oversell what it assesses and what the YESS “certification” means.<sup>9</sup>
- Auditors would benefit from having a technical advisor available (via video call) for the first few assessments they conduct.
- Workers or members of farming communities are not likely to use a grievance hotline to report forced labor risks.

## VIII. RECOMMENDATIONS

Considering all the above insight and feedback, as well as our experience contributing to the successful design, launch, and implementation of the BCI and Responsible Minerals Assurance Program, Liz Muller & Partners have the following insights and recommendations.<sup>10</sup>

### *Build trust with spinners and fabric mills*

Credibility within the industry is critical. A lot of this pressure is being placed on the actors in the middle of the supply chain (i.e., spinners, mills, merchants), so they must see the value of YESS, its appropriateness, and integrity to be willing to implement it.

The cotton industry is under a lot of pressure to validate unacceptable sources of cotton, reduce climate impacts, and address forced labor, among other issues. A lot of this pressure is being placed on the actors in the middle of the supply chain.

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<sup>8</sup> An additional day for report writing—and possibly onsite assessment—will likely be warranted for facilities that source from high-risk sources.

<sup>9</sup> While Liz Muller & Partners emphasized that YESS does not certify a product, facility, or enterprise, many YESS pilot participants continued to refer to it as a certification.

<sup>10</sup> These recommendations are in response to experiences during the Pilot. Although some recommendations may be related to the implementation of the YESS Initiative post-YESS pilot, they are not informed by the work being done by RSN’s Implementation Working Groups, which focuses on how to implement the YESS Initiative after the YESS Pilot is complete. RSN’s Implementation Working Groups’ recommendations have not been finalized yet.

### *Forced labor methodology*

The resources and criteria used to identify countries that pose a high risk of forced labor during cotton production (high-risk countries) underpins the effectiveness of YESS, the credibility of the initiative, and its acceptance by the industry. It is important that YESS:

- Conduct direct outreach with spinners, mills, and other local stakeholders in high-risk countries to ensure all parties understand the type, prevalence, regions, and root causes of potential or actual forced labor in the country of concern.
- Does not include resources (and their sources) older than 1–3 years because improvements are continuing to be made and conditions have changed or will be changing.
- Establish a multi-stakeholder or regional committee, including human rights and cotton experts with expertise in high-risk countries.
- Conduct in-country research and outreach in high-risk countries.
- Identify specific forms and regions of forced labor.

### *YESS scope and conformance requirements*

It should be made abundantly clear that YESS does not certify products, mills, or enterprises. The scope, concepts, outcomes, and limitations of YESS participation and conformance should be discussed and agreed upon by a wide range of stakeholders, including mills, brands, human rights defenders, and watchdog groups. Gaining consensus on what the status of YESS conformance represents—and doesn't represent—will be critical to YESS's credibility and value.

### *Launching YESS*

Launching YESS as a global initiative will require a significant amount of funding, personnel, and facilitation. Such a launch will also need the support of the cotton industry. YESS should:

- Establish a multi-stakeholder steering committee
- Create and fund infrastructure for capacity building of spinners, mills (and possibly gins, traders, and sourcing teams)
- RSN should train mills on the YESS Standards before mills undergo a YESS Assessment.
- YESS should build teams in key cotton processing regions
- YESS should work with existing ethical or sustainability schemes (e.g., organic, Fairtrade, Better Cotton) to incorporate a facility's due diligence of cotton received under their schemes as well as to explore how they can streamline their assessments with the YESS assessment.
- Sponsoring brands should support YESS by encouraging other brands and suppliers to join YESS and assist YESS in securing seed funding from donors and/or industry associations.
- Brands should coordinate outreach and support for participating mills, including sub-suppliers. Ideally, each participating spinner or fabric mill would have a Single Point of Contact (SPOC) available to provide support and technical advice as needed. SPOCs must have a strong understanding of the YESS Standard, approach, and conformance requirements. SPOCs could be well-trained local brand representatives or third-party experts.

## IX. ANNEX: ACTIVITIES, INSIGHTS, AND FEEDBACK FROM THE YESS PILOT IMPROVEMENT ACTION PERIOD

### Introduction

According to the YESS Assessment Procedure, after the completion of a YESS assessment, each facility has an opportunity to address any nonconformance identified during an onsite YESS Assessment within a three-month Improvement Action Period (IAP). The nonconformances, along with recommended actions and relevant resources, are listed in the Summary of Findings section of the YESS Assessment Workbook which is only shared with the facility because it may contain confidential or sensitive information. The YESS Assessment Procedure allows a facility a second three-month IAP if they demonstrate some progress in addressing their nonconformances during the first IAP.

The activities, insights, facility feedback, and auditor recommendations from the YESS 2021-2022 Pilot IAP are summarized in this document.

### Activities

The lead auditor provided each facility with a final report that summarized their findings, recommended actions, and final determination result in the Summary of Findings in the YESS Assessment Workbook:<sup>11</sup>

- **Nonconformant:** Items that do not meet the subject year's requirements under the YESS Standard. For example, items that are required to establish strong company management systems and identify risks in the supply chain would be listed as nonconformant for the Year 1 (initial) assessment.
- **Improvement Requirement:** Items that are not required to meet the YESS Standard during the Year 1 assessment but do require planning and initial action prior to and will be evaluated during the Year 2 assessment. Similarly, improvement requirements for the Year 2 assessment would need to be met by the Year 3 assessment.
- **Continuous Improvement Opportunities:** After basic conformance is met, suggestions on how a facility could improve its due diligence management system,<sup>12</sup> including industry best practices.

The subject facility was asked to provide planned or completed actions to address each item listed in the Nonconformant and Improvement Requirement categories of findings at the onset of the IAP. The auditor responded to their plans and determined if the facility has met the YESS Standard requirements or provided further direction for each finding.

According to the YESS Assessment Procedure, the lead auditor typically would evaluate the facility's actions for each finding via a desktop (remote) review. And then further evaluation—including if new processes are consistently implemented—would occur during the next assessment. If the nature or magnitude of findings does not allow for a proper assessment through a desktop review, an on-site review by the assessment team would be conducted at the end of the appropriate IAP.

For the purposes of the YESS Pilot, this process was only implemented remotely (via desktop review) to evaluate if the proposed process and Summary of Findings provides sufficient guidance and can capture the activities of the subject facilities.

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<sup>11</sup> A fourth category, Continuous Improvement Achievements, is listed in the Assessment Workbook for future assessments but was not relevant during the YESS Pilot.

<sup>12</sup> A management system could include rolling out its approach enterprise-wide, building supplier capacity, etc.

## Insights

Insights from the IAP are provided below.

- Three months does not appear to be sufficient for most facilities to address all findings after an initial YESS Assessment. While all facilities have addressed some of the findings, none of the facilities were able to address all findings within the three-month IAP.
- Facilities leveraged YESS guidance resources<sup>13</sup> to address many of their findings.
- Most facilities required additional guidance and specific input from the YESS technical advisor<sup>14</sup> (e.g., teleconferences, review of draft documents, questions via email) to successfully address their findings.
- Facilities appropriately focused their efforts on the Year 1 (management system and risk identification) requirements. Facilities located in India and Pakistan have identified and, in some cases, taken actions to address YEAR 1 Improvement Requirements (risk assessment, prevention, and mitigation) within their high-risk supply chains.
  - One facility has introduced YESS and due diligence to a new supplier leveraging YESS resources and online trainings.
  - Another facility, in partnership with gins and farm-level non-governmental organizations, has provided forced labor awareness training to 300 women cotton workers and is working with stakeholders to better understand and address root causes of forced labor in its supply chain.<sup>15</sup>
- Although two facilities began developing or implementing a Risk Mitigation Plan<sup>16</sup>, only one facility formalized its plan in the YESS Risk Mitigation Plan template. The other facility simply stated its actions in the Summary of Findings section of the YESS Assessment Workbook that is intended to document its efforts to address non-conformances, improvement actions, and continuous improvement opportunities. This indicates a need to provide training on not only the YESS Standards but the YESS Assessment Procedure (including IAP timelines and expectations) as well.
- One facility asserted that its need to import more cotton due to lower domestic yields negatively affected its ability to engage with suppliers on the subject of due diligence this past cotton season, but it plans to engage its domestic gin suppliers before next season.
- Another facility is not engaging suppliers because, “The market currently is very vulnerable, and suppliers have no incentive in providing us extra effort-driven data and we do not want to lose our suppliers. We will build systems, capacities and do all internal interventions in the meantime.”
- Establishing a second opportunity for the audit team to evaluate the plan and progress that facilities requiring a Risk Mitigation Plan (e.g., three months after the IAP) would likely help facilities better

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<sup>13</sup> The [Sample Procedure to Identify High-risk Origins for Cotton Lint](#) was revised due to the discontinuation of RSN’s Methodology for Determination of Low-Risk and High-Risk Countries for the YESS Standards.

<sup>14</sup> It should be noted that during the YESS Pilot the technical advisor and lead auditor was the same person. When YESS is officially launched the technical advisor would be independent and not be an auditor.

<sup>15</sup> Evidence and content of the awareness session had not yet been provided during the 3-month review of the IAP.

<sup>16</sup> Two enterprises requested guidance or a decision on forced labor methodology and country ranking prior to establishing a Risk Mitigation Plan.

understand and meet YESS's expectations—and be in a better position to have fewer nonconformant findings during their next YESS Assessment.

- Most facilities were eager to understand when an official YESS assessment would take place or how their recent efforts will be communicated to their nominating brand (indicating that brand encouragement to engage in YESS is important).

### Comments to YESS resources

Three enterprises requested updated guidance on how to best determine a country's risk level for forced labor in cotton production.

Additional input on the YESS resources led to streamlining a few resources, e.g., cotton inventory, risk assessment and response, and supply chain risk identification checklists.

### Additional input from Pilot facilities

The following are additional comments made by individual facilities throughout the Pilot.

- YESS should publish a list of approved spinners, ginners, and countries (or states).
- Widespread demand for YESS conformance is required. Otherwise, suppliers will simply sell their products to others that are not making such demands.
- YESS should engage stakeholders up and down the supply chain—especially in high-risk countries.
- First question suppliers will ask when a spinner or fabric mill requires something (e.g., YESS conformance) is “what is the premium you will pay?” The next question is how to get certified.
- Cotton can only be traced back to the yarn. It is simply not feasible to trace all cotton in all yarn back to ginner (and then to farmer).
- There is currently a huge shortage of cotton / yarn.
- All certification schemes—e.g., Better Cotton—should be audited.
- Only 40 percent of suppliers will respond to KYS questionnaires or the likes.
- It would be helpful if YESS identified high-risk countries for yarn production.

### Recommendations

In addition to the recommendations provided in the YESS Pilot Report, the following recommendations should be considered when establishing YESS processes and supporting participating spinning and fabric mills:

- The YESS Conformance Continuum (located in the [Introduction to the YESS Standards](#)) should be adjusted to include tracking and reporting in Year 1 since YESS expects facilities to monitor their due diligence management system as it is being developed and implemented; they are required to undergo a YESS assessment; and they are required to publish a public report.
- An additional three-month IAP should be anticipated, at least for the initial assessment.
- The risk mitigation plan required for facilities with high-risk supply chains should be reviewed by the lead auditor six months after the onsite assessment.

- Forced labor determination requirements and resources should be established. See the [YESS Sample Procedure to Identify High-risk Origins](#).
- Forced labor awareness training should be developed and disseminated to engaged stakeholders.
- Country-specific guidance and trainings on forced labor in the local context should be developed.
- YESS should develop and provide in-person trainings in key sourcing regions (e.g., Bangladesh, India, Pakistan, Turkey, Vietnam).
- Additional resources and trainings—including two-minute tutorials on select topics—should be developed and disseminated.