

## TOOL 2

# BETTER COTTON CHAIN OF CUSTODY GUIDELINES

FINAL VERSION 1.2, FOR USE FROM 1 JULY 2014

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## 1.0 Introduction

BCI exists to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future. BCI works with a diverse range of stakeholders to promote measurable and continuing improvements for the environment, farming communities and the economies of cotton-producing areas. BCI aims to transform cotton production worldwide by developing Better Cotton as a sustainable mainstream commodity.

**BCI's specific aims are to:**

1. Reduce the environmental impact of cotton production
2. Improve livelihoods and economic development in cotton producing areas
3. Improve commitment to and flow of Better Cotton throughout the supply chain
4. Ensure the credibility and sustainability of the Better Cotton Initiative

Building on the Better Cotton successes to date in creating positive change for the environment and farming communities, and growing demand from BCI Retailer and Brand members, BCI has set robust targets for the future: to increase Better Cotton volume production to 2.6m MT by 2015 and 8.2m MT by 2020.

The *BCI Production Principles and Criteria* provide a global definition of Better Cotton and include social and environmental criteria that are applicable to producers. These Better Cotton *Chain of Custody (CoC) Guidelines* provide guidance on Better Cotton CoC requirements for all supply chain actors including BCI Implementing Partners and Strategic Partners (between farm and gin level), and Retailers and Brands who make claims about their Better Cotton procurement.

The Chain of Custody mechanism employed at farm and gin level is segregation. This means that the farmers and ginner need to store, transport and process Better Cotton (seed cotton and lint cotton bales) separately from conventional cotton.

The Chain of Custody mechanism employed after gin level is an administrative Mass-Balance (MBa) system, which allows for Better Cotton to be substituted with conventional cotton, and ensures that the quantity of Better Cotton purchased with a Better Cotton claim is equal to the quantity of cotton sold with a Better Cotton claim. This system does not require that the Better Cotton data (e.g. bale numbers) must remain associated with physical Better Cotton.

## 2.0 Scope

**Farmers/Producer Units (PUs)** will implement the Segregation CoC Guidelines at Product Level<sup>1</sup>, and the Better Cotton CoC requirements and data will be maintained at each large farm, PU or project level whichever is most convenient.

**Ginners** will implement the Segregation CoC Guidelines at Site Level, and the Better Cotton CoC requirements and data will be maintained at each gin site individually.

**Traders**<sup>2</sup> of cotton lint will implement the MBa CoC Guidelines at Country Level, covering material from the same country of origin. For example: if a trader buys Brazilian Better Cotton, the claim associated with this purchase may be allocated to any conventional Brazilian cotton that may be in a different site within Brazil, as long as it is owned by the trader. The trader cannot allocate claims from Brazilian Better Cotton to conventional cotton or to Better Cotton from a different country of origin e.g. Mali.

**Other Supply Chain Actors** will implement the MBa CoC Guidelines at Site Level. The CoC requirements and data will be maintained at each site owned by an organisation or supply chain actor. For example: if a spinner buys Brazilian Better Cotton then the claim from this purchase may be allocated to an equal quantity of conventional cotton from any country of origin as long as it is owned by the spinner, and located at the same site of processing e.g. conventional cotton from India.

### a) Membership requirements

The partner is responsible for ensuring that smallholders, medium or large farms comply with those elements of the Supply Chain that take place before the cotton is delivered to the gin (or to an agent of the ginner), including supporting and / or facilitating the procurement logistics between farmer and ginner. As such, they are required to be members of the BCI.

Gins may handle Better Cotton and make claims about Better Cotton availability without formal membership of the BCI. However, all gins processing Better Cotton need to be listed with and trained by local BCI staff or partner. Gins processing Better Cotton are subject to the requirements of the *BCI Ginner Monitoring Guidelines* and associated annexes.

Registered Membership of BCI is obligatory for those traders and spinning mills that wish to access the Better Cotton Traceability System. Spinning mills and traders are not permitted to make claims about Better Cotton use and sourcing if they are not Registered Members of BCI.

Supply chain actors, after spinner level, who do not hold BCI membership may handle products with allocated Better Cotton claims can make sourcing claims using the official Output Declaration, see section on other supply chain actors.

Use of the Better Cotton Traceability System is required by ginners, traders, spinners, and retailers.

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<sup>1</sup> This implies keeping Better Cotton segregated from conventional cotton at all times. However, mixing of Better Cotton from different licensed PUs or Large Farms during transportation to gin, and at gin level is acceptable.

<sup>2</sup> All reference to traders in this document is to traders of cotton lint only.

## **b) List of BCI tools available**

These Better Cotton *Chain of Custody Guidelines* together with a number of other documents will form a suite of tools to support the Better Cotton Chain of Custody. Supply chain actors will be trained on these at dedicated events and ways (i.e. online webinars). Other tools include:

<b>No.</b>	<b>Tool</b>	<b>Relevant supply chain actor</b>
Tool 1	Introduction to Registered Membership	All
Tool 2	Chain of Custody Guidelines	All
Tool 3	Supply Chain updates	All
Tool 4	FAQs for supply chain actors a. FAQ for supplier and manufacturers b. Better Cotton at a Glance for Fabric Mills	All supply chain actors between gin and retailer
Tool 5	Gin Monitoring Guidelines	BCI, BCI partners, Ginner
Tool 6	Support tools for Ginners (gin declaration form, information to create Traceability System account etc.) a. Ginner Declaration Form b. Procurement practices c. Information required to create ginners profiles	Ginners
Tool 7	Gin Selection Guidelines	BCI, BCI partners
Tool 8	Traceability System User manuals a. For Ginners b. For Traders c. For Spinners d. For Retailers and brands	All supply chain actors between ginner and retailer
Tool 9	Output Declaration forms for all actors not using the Traceability System <sup>3</sup>	All supply chain actors between spinner and retailer
Tool 10	BCI Claims Framework	All
Tool 11	BCI Member Code of Practice	All members

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<sup>3</sup> Output Declaration forms for actors using the Traceability System (ginners, traders and spinners) will be generated automatically by the Traceability System.

### 3.0 Definitions/Terminology

Term	Definition
Better Cotton Chain of Custody	The data and documentation flow through the supply chain, from the farmer to the final retailer to prove that the Better Cotton volumes being claimed by retailers are equal to the volume of Better Cotton being produced at farm level.
Better Cotton <i>Chain of Custody Guidelines</i>	BCI's requirements for supply chain actors implementing claim/data management systems for handling Better Cotton products.
Better Cotton Claim Units (BCCU)	The units of conventional cotton that can be substituted for equivalent units of Better Cotton. An equivalent quantity of physical Better Cotton (1 kilo) that may be allocated to a corresponding quantity of conventional virgin cotton or virgin cotton content in yarn. 1 BCCU represents 1 kilo of conventional cotton which was substituted for physical Better Cotton to fulfil a sales contract.
Better Cotton Traceability System	BCI online system for tracking Better Cotton claims. It is to be used by ginners, traders, spinners and by retailers wishing to make a claim about their Better Cotton procurement. Also referred to as the 'Better Cotton Tracer'.
Buyer (purchaser)	The next actor in the supply chain who is taking legal and physical ownership of the Better Cotton product.
Chain of Custody (CoC) system	The record keeping system implemented by each supply chain actor in order to ensure that the Better Cotton inputs and outputs are being maintained in line with the CoC Guidelines. This is in addition to the entry of data on the Better Cotton Traceability System.
Mass Balance Administrative (MBa)	A system for administratively monitoring the inputs and outputs of Better Cotton. It allows for substitution of Better Cotton with conventional cotton provided that the outputs of Better Cotton do not exceed the inputs of Better Cotton.
Products	The physical goods that are being passed along the supply chain. These may be finished or unfinished.
Scope	The range within which physical Better Cotton can be substituted by conventional cotton. Country scope – substitution from the same country of origin. Site scope – substitution from any country of origin but only within one site.
Segregation	A system for physically monitoring the inputs and outputs of Better Cotton. Better Cotton products must be kept separate (segregated) from conventional cotton products, and the outputs of Better Cotton should not exceed the inputs of Better Cotton.
Site	A geographical location (within precise boundaries) where a supply chain actor carries out production or processing procedures.
Supplier	The previous supply chain actor in the supply chain who is passing on legal and/or physical ownership of the Better Cotton product.
Supply chain	The series of organisations that handle a commodity during production, processing, shipping and retail.
Supply chain actor	The entity that is handling Better Cotton products.
Trader of cotton lint	An organisation that takes legal and/or physical ownership of cotton lint but does not undertake any product transformation (processing and production for example). During transport between the actors (supplier, trader and buyer) the cotton lint may cross international borders.

## 4.0 Content of each section

For ease of reference the *CoC Guidelines* have been designed to allow a dedicated section for each supply chain actor within the Better Cotton supply chain. The sections cover the following:

**a) Documented procedures, training and responsibilities**

Guidance regarding the procedural and training requirements for each supply chain actor for successful implementation of the Better Cotton CoC.

**b) Records**

High-level guidance regarding the maintenance of data records by each supply chain actor for successful implementation of the Better Cotton CoC.

**c) Material input records**

Specific guidance regarding the collection of data from sellers to maintain the Better Cotton CoC. This is in addition to the entering of information on the Better Cotton Traceability System.

**d) Material output records**

Specific guidance regarding the passing on of information to buyers to maintain the Better Cotton CoC including standard formats in which this information should be collected. This is in addition to entering required information in Better Cotton Traceability System.

**e) Better Cotton Traceability System**

High-level guidance on the functioning of the Better Cotton Traceability System, only to be used in conjunction with the *Better Cotton Traceability System User Manual* and in addition to the maintenance of other records as indicated above.

**f) Physical Better Cotton**

Guidance on the treatment of physical Better Cotton by the specific supply chain actor, in line with either a Segregation CoC (farmers and ginners), or an MBa CoC (all other supply chain actors including traders and spinners).

**g) Outsourcing**

Guidance on the use of third parties or subcontractors (for both buying and selling products) in order to ensure the successful implementation of the Better Cotton CoC.

**h) Penalties**

Description of penalties applicable to each actor in case of wilful misuse or breach of the rules of the Better Cotton Traceability System and the Better Cotton *Chain of Custody Guidelines*. Any non-conformity with the requirements of these Guidelines will be subject to penalties defined in the *Ginner Monitoring Guidelines* or the *BCI Membership Code of Practice*, depending on the actor in question.

**i) Claims**

Rules on permissible claims regarding Better Cotton use, to be used in conjunction with the *Better Cotton Claims Framework*.

(All the sections mentioned above may not be relevant to each supply chain actor. Where this is the case, only relevant sections have been included. Additional sections may be included where needed.)

## 5.0 Strategic/ Implementing Partners

### Overview of Pre-Implementation Responsibilities

The partner is responsible for identifying which ginners will potentially be ginning the cotton produced by farmers growing Better Cotton, and advising the BCI of the details of these ginners. Given the critical role of ginners, it is important that the Partner identify as soon as possible (during the project planning) the ginners that will be ginning the Better Cotton. The *Gin Selection Guidelines* (Tool 7) provide guidance for this activity.

As some of the elements of the Supply Chain for Better Cotton are dependent upon the willingness of the ginner to implement them, this willingness of a ginner to participate needs to be established before implementation of the Better Cotton System commences.

Once a partner has identified potential ginners, the BCI Supply Chain Coordinator in direct countries or the Strategic Partner in partnership countries will — preferably in collaboration with the Implementing Partner, as well as any spinners / retailers interested in sourcing Better Cotton from the region — explain to these ginners the BCI, and the specific role of ginners in the Better Cotton Supply Chain.

Given the critical role of ginners in the cotton supply chain, the BCI or the Strategic Partner will work directly with ginners in relation to their implementation of the relevant elements of the Supply Chain for Better Cotton. Members of the BCI will be able to identify the regions (and the associated Implementing Partner) where Better Cotton is being grown, and in particular the ginners in those regions that are supporting the Supply Chain for Better Cotton through ensuring that it is stored and ginned separately. As well as identifying the actual ginners that can supply Better Cotton, BCI will also make available information on the general quality profile of cotton that is produced in each region where the Better Cotton System is being implemented, and the type of yarn that might be produced from cotton from the region.

### Overview of Implementation Responsibilities

During implementation, the partner is responsible for those aspects of the Supply Chain for Better Cotton that generally are under the control of the farmers they are working with: weighing of the harvested seed cotton, transport and segregation up to the point of collection by or at the gin (including supporting and / or facilitating the procurement logistics between farmer and ginner) and implementation of these Guidelines. Guidance on each of these aspects is detailed in the requirements below. Steps 1-3 are the responsibility of the partner.

Steps 4 to 7, which involve working with ginners on the weighing, segregation, ginning and identification of bales of Better Cotton, are the responsibility of BCI Country Manager, and are described elsewhere. In the case of Strategic Partnerships, it may be agreed that steps 4-7 are also the responsibility of the partner.

### The Steps of the Better Cotton Supply Chain





## **5.1 Documented procedures, training and responsibilities**

- 5.1.1 The partner maintains written procedures covering the requirements of the *Better Cotton CoC Guidelines*.<sup>4</sup>
- 5.1.2 The partner keeps a copy of the *Better Cotton CoC Guidelines* on each of the premises where Better Cotton project records are maintained (a soft copy is acceptable).
- 5.1.3 The partner identifies the persons who are responsible for implementing each procedure and ensures that they have adequate training<sup>5</sup> and the qualifications to implement the procedure.
- 5.1.4 The partner appoints a management representative with overall responsibility for the implementation of the Better Cotton CoC and recording relevant data.

## **5.2 Records**

- 5.2.1 The partner implements a record keeping system (CoC System) to maintain complete and up-to-date records covering all aspects of the Better Cotton CoC.
- 5.2.2 Records must be retained for at least five (5) years and open for verification by BCI in line with the Ginner Monitoring Guidelines (soft copy is acceptable).
- 5.2.3 The partner ensures that the quantity of seed Better Cotton sold by large farms or PUs (by weight) is monitored and updated within the partner's record keeping system on a real-time basis.
- 5.2.4 BCI reserves the right to conduct random PU/ large farm-level checks to ensure that data is being maintained by the partner in a proper fashion.

## **5.3 Material input records**

- 5.3.1 The partner checks that the BCI license number (PU or large farm) and any supporting documentation are available and accurate to the best of his/her knowledge before providing this data to PUs/ large farms.
- 5.3.2 The partner ensures that BCI license number (PU or large farm) are being shared by PUs/ large farms only with ginners procuring physical Better Cotton.
- 5.3.3 The partner ensures that a mechanism is in place for handling any instance of misuse of the BCI license number. In the event that non-conformity is identified, BCI will take appropriate action in line with the Partnership Agreement and the *Ginner Monitoring Guidelines*, including application of penalties and associated dispute resolution mechanisms.

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<sup>4</sup> The detail in the procedures may vary in accordance with the size and complexity of the project.

<sup>5</sup> The level and structure of the training will depend on the size and complexity of the organisation. Training may include BCI training provided to non-member ginners interested in processing Better Cotton. BCI will train a maximum of three representatives per company. Any additional staffs requiring training are the responsibility of the organisation in question.

### **The Better Cotton License number and Better Cotton Traceability System**

Once it has been determined that a Producer Unit/ Large Farm complies with the requirements with growing Better Cotton, they are licensed to sell better Cotton, and are issued with a License number by BCI along with the volume of Better Cotton that has been licensed for that PU / Large Farm. This unique number is required by the ginner to declare purchases of Better Cotton in the Traceability System, and therefore needs to be provided by the farmer to the ginner at the time of delivering their cotton to the ginner.

In brief, the Better Cotton Traceability System operates as follows:

The ginner declares the volume of seed Better Cotton purchased by entering the PU / Large Farm License Number and the net weight of seed Better Cotton procured.

The System confirms whether, or not, the PU / Large Farm from whom the cotton was procured, is licensed for that volume of cotton. If the System confirms that the transaction between the PU / Large Farm and the ginner is possible, the corresponding volume of seed Better Cotton moves from the License of the PU / Large Farm to the seed cotton inventory of the ginner.

#### **5.4 Material output records**

- 5.4.1 The partner ensures that the quantity of seed Better Cotton sold to ginner is in compliance with the licensed quantities before it is shipped.
- 5.4.2 The partner ensures that the weight of seed cotton produced by an individual farmer is recorded before it is aggregated with cotton from other farmers so that information is available on yield and the total weight of seed cotton grown by all the farmers in a Producer Unit.
- 5.4.3 The partner ensures that the seed Better Cotton is accompanied by the following information -
  - » Name and address of the seller and buyer
  - » Date of shipment
  - » Volume of seed Better Cotton (net weight in kilos)
  - » Additional local identification numbers (e.g. vehicle numbers)
  - » Description of the product (quality parameters<sup>6</sup>)
  - » Origin of seed Better Cotton (license number and PU/ Large Farm)
- 5.4.4 The partner also ensures that farmers provide any additional relevant transport documentation to the ginner/trader.
- 5.4.5 The partner ensures that a mechanism is in place for handling non-conforming material/documents. In the event that non-conformity is identified, BCI will take appropriate action in line with the Partnership Agreement including application of penalties and associated dispute resolution mechanisms.

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<sup>6</sup> Information on quality is not compulsory and Better Cotton can be recognised as such in the absence of this information as long as all other requirements are fulfilled.

### Note on output records

To efficiently record the weight of seed cotton produced by an individual farmer, it is best to identify how the cotton moves from the farm to the gin during the project Formulation Stage, and identify where and how the cotton is weighed. This should also be reviewed prior to the commencement of each cotton-growing season. Issues to develop an understanding of are:

- » Existing places in the supply chain where the cotton is weighed; and
- » Who is responsible for the weighing; and
- » Documents where the weight is, or can be, recorded,

so that the relevant people / organisations can be approached and their support for providing the necessary information gained.

## 5.5 Better Cotton Traceability System

- 5.5.1 BCI creates a PU / Large Farm unique license number on the Traceability System for each compliant PU / Large Farm.<sup>7</sup>
- 5.5.2 Seed Better Cotton volumes are valid from the time at which a PU / Large Farm license is created by BCI on the Better Cotton Traceability System. These volumes remain valid until the corresponding quantity is claimed by buyers (ginner) on the Traceability System, and reconciled by BCI.

## 5.6 Physical Better Cotton

- 5.6.1 The partner ensures that seed Better Cotton is segregated stored and transported separately from conventional cotton.

### Note on physical Better Cotton

The planning for how segregation will be maintained at every stage of the movement of seed cotton from the farm to the gin should be undertaken well in advance of harvest, and also needs to be considered during project planning, and the approach to be taken outlined in the project proposal/plan. The Implementing Partner must ensure that PUs / Large Farms keep the Better Cotton segregated until it is delivered to the gin.

Factors to be considered in this planning should include:

**Logistics:** To avoid or minimise additional costs associated with segregating Better Cotton, it is important to compare the amount of cotton transported as a single lot (e.g. as a truckload), and the typical volume stored together, against the potential production of the farmers wanting to grow Better Cotton, so that the aggregation of Better Cotton can — wherever possible — match as closely as possible these existing transport lot and storage sizes. Consideration needs to be given to how Better Cotton should be aggregated, based on the transport logistics: is the cotton from a single PU / Large Farm sufficient to provide for economic transport and storage, or does cotton from multiple compliant PUs / Large Farms need to be combined for transport efficiency?

**Storage:** Storage of the cotton at all stages needs to allow for segregation of the Better Cotton

<sup>7</sup> Compliance and all related checks are carried out in line with the Better Cotton Assurance Model. The Traceability System is simply the System where compliant quantities are recorded for the purpose of creating a Chain of Custody for Better Cotton.

from other cotton. It is therefore important to understand –

- » How and where is the cotton stored before it reaches the gin (e.g. at market yards, with traders)?
- » What space is available for separate storage of Better Cotton? Is additional space required?
- » Who is responsible for decisions about how and where cotton is stored, and needs to be approached to discuss these requirements?

Particular attention needs to be paid to regions where cotton is sold via centralised markets and / or third parties (i.e. not directly to the ginner), and options for minimising the number of times that the seed cotton changes location between the farm and the gin should be explored. As well as considering this issue during the project development, the situation should be reviewed prior to each season to allow for sufficient time to make any necessary adjustments.

### Transport

Consideration needs to be given to the following factors –

- » How is the cotton transported from the farm to the gin? Who is generally responsible for organising transport? (Farmer or ginner? Is an independent contractor used?)
- » When and where is it weighed?
- » Is it combined with cotton from other farmers either before it reaches the gin or at the gin?
- » If it is combined, consideration needs to be given to how only Better Cotton from these different farmers can be combined so as to ensure that the conventional cotton is not mixed with Better Cotton during transport and storage.

Again, as well as considering this issue during the Formulation Stage, the situation should be reviewed prior to each season to allow for sufficient time to make any necessary adjustments.

Understanding these factors will help identify the critical organisations whose support will be required to implement the Supply Chain for Better Cotton.

As well as the physical segregation, the Implementing Partner also needs to consider and plan for the actual procurement logistics, and how they might facilitate the procurement of the cotton by the ginner. As the organisation closest to the farmer, the Implementing Partner is best placed to provide the practical support and information to the ginner to facilitate the procurement of Better Cotton from farmers — especially in the first few years of implementing the Better Cotton System, when people still need to become familiar with how the system works. Potential activities to facilitate procurement include:

- » To organise pre-season meetings between farmers and ginner in order to discuss, plan and agree on procurement logistics / processes from the farmers, as well as to emphasise the importance of Better Cotton procurement
- » To provide the ginner with details such as village routes, farmer locations, information about seed cotton availability (i.e. harvest timing)
- » To liaise with the ginner to receive from them details about procurement dates and times.
- » To inform the farmer of the ginner's procurement schedule (e.g. date / time of transport / purchasing) date and time
- » To provide support to the agents / staff of the ginner during procurement
- » To monitor the procurement process and keep track of the seed cotton price offered, weighing of seed cotton, and payment to farmers.

## 5.7 Outsourcing

- 5.7.1 If a PU / Large Farm, wishing to sell seed Better Cotton, outsources activities to a subcontractor or independent organisation (e.g. middlemen or consolidators for the purchase of seed cotton in South Asia) then the partner ensures that the subcontractor or independent organisation complies with the intent and requirements of the *Better Cotton CoC Guidelines*.
- 5.7.2 In the case of the use of third parties, all reporting to BCI regarding Better Cotton purchases and sales is the responsibility of the partner responsible for the PU/ Large Farm who has outsourced the activity.
- 5.7.3 The partner / PU / Large Farm ensures that the subcontractor or independent organisation is willing to provide unrestricted access to their operations and systems in line with the *CoC Guidelines*.
- 5.7.4 The partner records the names and details of all subcontractors or independent organisations that the PU/ Large Farm under his responsibility outsource work to.
- 5.7.5 Better Cotton claims may only be made by Better Cotton PUs/ Large Farm. Parties to whom work may be outsourced do not have the right to make a claim about Better Cotton.

## 5.8 Penalties

- 5.8.1 Partners are subject to the following penalties should they purposefully misuse or breach the rules of the Better Cotton Traceability System and the *Better Cotton CoC Guidelines*.
- 5.8.2 These penalties are defined in addition to the conditions of the *BCI Membership Code of Practice* and any applicable Partnership Agreement. Where the actor in question is a BCI member, all three documents may apply.
- 5.8.3 Penalties for partners (defined in greater detail in the Partnership Agreement) include –
  - » First misuse – Temporary suspension of BCI license on the Traceability System.
  - » Second misuse – Temporary suspension of BCI license on the Traceability System and formal warnings to the partner and to customers (gins).
- 5.8.4 Repeated misuse (more than two or gross as defined in Partnership Agreement) -
  - » Permanent removal of license and formal notice to customers.
  - » Permanent cancellation of participation as a Better Cotton partner.
  - » Withdrawal of membership
- 5.8.5 Partners may refer to the BCI Grievance Procedure in case of any disagreements with application of penalties.

## 5.9 Claims

- 5.9.1 Partners only make claims in compliance with the *Better Cotton Claims Framework*.

## 6.0 Ginners

### 6.1 Documented procedures, training and responsibilities

- 6.1.1 The ginner maintains written procedures covering the requirements of the *Better Cotton CoC Guidelines*.<sup>8</sup>
- 6.1.2 The ginner keeps a copy of the *Better Cotton CoC Guidelines* and *Better Cotton Traceability System User Manual* on each of the premises where Better Cotton bales are produced (a soft copy is acceptable).
- 6.1.3 The ginner identifies the persons who are responsible for implementing each procedure and ensures that they have adequate training<sup>9</sup> and the qualifications to implement the procedure.
- 6.1.4 The ginner appoints a management representative with overall responsibility for the implementation of the Better Cotton CoC and recording relevant data on the Traceability System.<sup>10</sup>

### 6.2 Records

- 6.2.1 The ginner implements a record keeping system (CoC System) to maintain complete and up-to-date records covering all aspects of the Better Cotton CoC.
- 6.2.2 Records must be retained for at least five (5) years and open for verification by BCI in line with the *Ginner Monitoring Guidelines* (soft copy is acceptable).

### 6.3 Material input records

- 6.3.1 The ginner checks that the BCI license number and any supporting documentation are available and accurate to the best of his/her knowledge before entering this information on the Traceability System.
- 6.3.2 The ginner ensures that the quantity of seed Better Cotton received is in compliance with the supplied documentation before it is recorded on the Traceability System.
- 6.3.3 The ginner ensures that the seed Better Cotton (received from qualified Better Cotton farmers) is accompanied by all relevant information required for the Better Cotton CoC. This should include—
  - » Name and address of the seller
  - » Date of declaration
  - » Volume of seed Better Cotton delivered (weight in kilos)
  - » Description of product (quality parameters<sup>11</sup>)
  - » Origin of seed Better Cotton (BCI license number and country)

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<sup>8</sup> The detail in the procedures may vary in accordance with the size and complexity of the organisation.

<sup>9</sup> The level and structure of the training will depend on the size and complexity of the organisation. Training may include BCI training provided to non-member ginners interested in processing Better Cotton. BCI will train a maximum of three representatives per company. Any additional staffs requiring training are the responsibility of the organisation in question.

<sup>10</sup> All user details captured on the Traceability System can be edited by the BCI on request e.g. change in staff due to turnover, additional trained staff etc.

<sup>11</sup> Information on quality is not compulsory and Better Cotton can be recognised as such in the absence of this information as long as all other requirements are fulfilled.

- 6.3.4 The ginner ensures that a mechanism is in place for handling non-conforming material/documents. In the event that non-conformity is identified, BCI will take appropriate action in line with the *Ginner Monitoring Guidelines* including application of penalties and associated dispute resolution mechanisms.

#### 6.4 Material output records

- 6.4.1 The ginner ensures that the lint Better Cotton is accompanied by an Output Declaration. This should include –
- » Name and address of the seller and buyer
  - » Date of declaration
  - » Volume of lint Better Cotton (net weight in kilos)
  - » Number of bales
  - » Corresponding local identification numbers (e.g. lot numbers)
  - » Description of the product (quality parameters<sup>12</sup>)
  - » Origin of lint Better Cotton (gin code and country)
  - »
- 6.4.2 The ginner also provides any additional relevant transport documentation to the trader/spinner.

#### 6.5 Better Cotton Traceability System

- 6.5.1 A unique ginner code is required to create a gin account on the Traceability System. This may be an existing nationally-unique code of which the ginner needs to inform BCI of. If the gin doesn't have a nationally-unique code, BCI will provide one.
- 6.5.2 In the case of ginner who are also traders, two separate accounts are maintained on Traceability System with different functionalities as per the requirements of the *Better Cotton CoC Guidelines*.
- 6.5.3 The ginner ensures that the quantity of Better Cotton inputs and outputs (by weight) is monitored and updated on a real-time basis.
- 6.5.4 The ginner enters the required information on the Traceability System in real time. BCI reserves the right to conduct random gin checks (in line with the *Ginner Monitoring Guidelines*) to ensure that data is being entered on the Traceability System in a timely fashion.
- 6.5.5 The ginner ensures that the average gin turnout (volume of lint produced for a given volume of seed cotton processed, expressed in percentage) is accurately calculated, documented and communicated to BCI in advance of the creation of ginner profiles.<sup>13</sup>
- 6.5.6 The ginner only delivers lint Better Cotton/Better Cotton bales from a positive seed Better Cotton account, i.e. where volumes of seed Better Cotton are equal to or exceed volume of lint Better Cotton (taking into account the average gin turnout).

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<sup>12</sup> Information on quality is not compulsory and Better Cotton can be recognised as such in the absence of this information as long as all other requirements are fulfilled.

<sup>13</sup> The gin turnout is dependent on a range of factors and will vary between gins. The average turn out ratio allowed per country is determined by BCI in advance of gin account creation on the Traceability System.

- 6.5.7 Seed Better Cotton volumes are valid from the time at which they are entered on the Traceability System. These volumes remain valid until the corresponding lint quantity is claimed by buyers (spinner or trader) on the Better Cotton Traceability System, and reconciled by BCI.

## **6.6 Physical Better Cotton**

- 6.6.1 The ginner ensures that seed Better Cotton is segregated and stored separately from conventional cotton.
- 6.6.2 The ginner ensures that lint Better Cotton is segregated and processed into bales separately from conventional cotton. There is no requirement that the gin be cleaned down prior to commencing ginning of the Better Cotton.<sup>14</sup>
- 6.6.3 Ginners identify each physical Better Cotton bale with the standardised local bale identification number and may pass on a 'list of bales sold', alongside the Output Declaration accompanying the bales.

## **6.7 Outsourcing**

- 6.7.1 If a ginner, wishing to buy seed Better Cotton or sell lint Better Cotton, outsources activities to a subcontractor or independent organisation (e.g. middlemen or consolidators for the purchase of seed cotton in South Asia) then the ginner ensures that the subcontractor or independent organisation complies with the intent and requirements of the *Better Cotton CoC Guidelines*.
- 6.7.2 In the case of the use of third parties, all reporting on the Traceability System regarding Better Cotton purchases and sales is the responsibility of the ginner who has outsourced the activity.
- 6.7.3 The ginner ensures that the subcontractor or independent organisation is willing to provide unrestricted access to their operations and systems in line with the *Ginner Monitoring Guidelines*.
- 6.7.4 The ginner records the names and details of all subcontractors or independent organisations that the ginner outsources work to.
- 6.7.5 Better Cotton claims may only be made by BCI-registered ginners. Parties to whom work may be outsourced do not have the right to make a claim about Better Cotton.
- 6.7.6 Where the ginner is contracted by a Large farm to process Better Cotton, the ginner's compliance with the *Better Cotton CoC Guidelines* is the responsibility of the farmer who has contracted the gin.

## **6.8 Penalties**

- 6.8.1 Ginners are subject to the following penalties should they purposefully misuse or breach the rules of the Better Cotton Traceability System and the *Better Cotton CoC Guidelines*.
- 6.8.2 These penalties are defined in addition to the conditions of the *BCI Membership Code of Practice* and the *Ginner Monitoring Guidelines*. Where the actor in question is a BCI member, all three documents apply.

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<sup>14</sup> It is optional for ginners to clean down the gin beforehand. If the 100 % Better Cotton bales are produced following a clean down, the ginner may wish to record this in case potential buyers are interested in knowing this information.



- 6.8.3 Penalties for ginnerers (defined in greater detail in the *Ginner Monitoring Guidelines*) include –
- » First misuse – Temporary suspension of access to the Traceability System accounts.
  - » Second misuse – Temporary suspension of access to the Traceability System accounts and formal warnings to the gin and to customers.
  - » Repeated misuse (more than two or gross as defined in *Ginner Monitoring Guidelines*) -
    - Permanent closure of the Traceability System account and formal notice to customers.
    - Permanent cancellation of participation as a Better Cotton ginner.
    - Withdrawal of membership (where the ginner happens to be a member).
- 6.8.4 Ginnerers may refer to the BCI Grievance Procedure in case of any disagreements with application of penalties.

## **6.9 Claims**

- 6.9.1 Ginnerers only make claims in compliance with the *Better Cotton Claims Framework*.

## 7.0 Traders (cotton lint/ bales only)

### 7.1 Documented procedures, training and responsibilities

- 7.1.1 The trader maintains written procedures covering the requirements of the *Better Cotton CoC Guidelines*.<sup>15</sup>
- 7.1.2 The trader keeps a copy of the *Better Cotton CoC Guidelines* and *Better Cotton Traceability System User Manual* on each of the premises from which Better Cotton is traded (a soft copy is acceptable).
- 7.1.3 The trader identifies the persons responsible for implementing each procedure and ensures that they have adequate training<sup>16</sup> and the qualifications to implement the procedure.
- 7.1.4 The trader appoints a management representative with overall responsibility for the implementation of the Better Cotton CoC and recording of relevant data on the Better Cotton Traceability System<sup>17</sup>.

### 7.2 Records

- 7.2.1 The trader implements a record keeping system (CoC System) to maintain complete and up-to-date records covering all aspects of the Better Cotton CoC.
- 7.2.2 Records must be retained for at least five (5) years and open for verification by BCI in line with these *CoC Guidelines* and the *BCI Membership Code of Practice* (soft copy is acceptable).

### 7.3 Material input records

- 7.3.1 The trader ensures that an Output Declaration containing all relevant information accompanies the lint Better Cotton (received from ginner). This should include –
  - » Name and address of the seller and buyer
  - » Date of declaration
  - » Volume of lint cotton (net weight in kilos)
  - » Number of bales
  - » Corresponding local identification numbers (e.g. lot numbers)
  - » A description of the product delivered (quality parameters<sup>18</sup>)
  - » Origin of lint Better Cotton (gin code and country)
- 7.3.2 The trader checks that the Output Declarations received from gins are accurate to the best of his/her knowledge before entering this information on the Better Cotton Traceability System.
- 7.3.3 The trader ensures that the documentation supplied accurately reflects the quantity of lint Better Cotton received. This is done prior to recording on the Better Cotton Traceability

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<sup>15</sup> The detail in the procedures may vary in accordance with the size and complexity of the organisation.

<sup>16</sup> The level and structure of the training will depend on the size and complexity of the organisation. Training may include BCI training provided to Registered supplier and manufacturer members. BCI will train a maximum of three representatives per company. Any additional staffs requiring training are the responsibility of the organisation in question.

<sup>17</sup> All user details (three per company) captured on the Better Cotton Tracer can be edited by the BCI on request e.g. change in staff due to turnover, additional trained staff etc.

<sup>18</sup> Information on quality is not compulsory and Better Cotton can be recognised as such in the absence of this information as long as all other requirements are fulfilled.

System. Weight is defined as “net landed weight” at the trader’s warehouse; not the total weight mentioned on the purchase/sale contract. Average weight loss during transportation due to moisture (8.5%) and any allowable +/- weight differentials indicated on the contract could be used in determining the net landed weight as per ICA rules and by-laws.

- 7.3.4 The trader ensures that there is a mechanism for handling non-conforming material/documents. In an instance where non-conformity is identified, BCI will take appropriate action in line with these *CoC Guidelines* and the *BCI Membership Code of Practice* including application of penalties and associated dispute resolution mechanisms.

## **7.4 Material output records**

- 7.4.1 The trader ensures that lint cotton with allocated Better Cotton Claim Units is accompanied by an Output Declaration generated via the Better Cotton Traceability System. This should include –
- » Name and address of the seller and buyer
  - » Date of declaration
  - » Volume lint cotton (weight in kilos)
  - » Volume of Better Cotton replaced (weight in kilos)<sup>19</sup>
  - » Number of bales
  - » Description of the product (quality parameters)
  - » Origin of lint Better Cotton (country of lint)

## **7.5 Better Cotton Traceability System**

- 7.5.1 The Better Cotton Traceability System generates a unique trader code for each trader.
- 7.5.2 In the case of traders who are also ginner, two separate accounts are maintained on the Traceability System with different functionalities as per the requirements of the *Better Cotton CoC Guidelines*.
- 7.5.3 The trader ensures that the quantity of Better Cotton inputs and outputs (by weight) is monitored and updated on a real-time basis<sup>20</sup>.
- 7.5.4 The trader enters the required information on the Better Cotton Traceability System in real time.
- 7.5.5 Lint Better Cotton volumes are valid from the time at which they are entered on the Better Cotton Traceability System. These volumes remain valid until they are claimed by buyers or declared as sold by traders.

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<sup>19</sup> As per the MBa CoC, traders can replace Better Cotton bales with conventional cotton bales as long as they originate from the same country. This field should be used to indicate the volume of Better Cotton that has been replaced with conventional cotton.

<sup>20</sup> “Real time” is defined as when a purchase/sale contract is fulfilled as a result of bale shipments by the seller to the trader; not when a contract is made between a trader and its supplier for a future agreed upon date. In case the bales were bought from a ginner, the ginner must have enough inventories to deliver against a sales contract in its Better Cotton Traceability account. If the purchase of bales is negotiated between two traders, sale/purchase declarations in the Better Cotton Traceability System can be entered by either party at any time, as long as the “seller” has enough inventories in its account for the “buyer” to declare the purchase against.

## **7.6 Physical Better Cotton**

- 7.6.1 The trader may substitute physical Better Cotton bales with conventional cotton bales as long as the conventional cotton bales originate from the same country e.g. a trader who has procured 1,000 kilos Better Cotton from Brazil and sold it without a Better Cotton claim, may at a later stage apply the 1,000 BCCUs to 1,000 kilos of conventional cotton from Brazil ONLY and so meet the demand for Better Cotton.
- 7.6.2 Traders are not required to identify individual Better Cotton bales with any particular information. However, they must provide an Output Declaration generated via the Better Cotton Traceability System per shipment.
- 7.6.3 Traders also have the option of providing an Output Declaration summary form, generated by the Better Cotton Traceability System, electronically, which summarises a set of transactions per customer between a defined range of dates.

## **7.7 Outsourcing**

- 7.7.1 If a trader, wishing to buy or sell lint Better Cotton, outsources activities to a subcontractor or independent organisation (e.g. subcontractors for transport and storage) then the trader ensures that the subcontractor or independent organisation complies with the intent and requirements of the *Better Cotton CoC Guidelines*.
- 7.7.2 In the case of the use of third parties, all reporting on the Better Cotton Traceability System regarding Better Cotton purchases and sales are the responsibility of the trader who has outsourced the activity.
- 7.7.3 The trader ensures that the subcontractor or independent organisation is willing to provide unrestricted access to their operations and systems.
- 7.7.4 The trader records the names and details of all subcontractors or independent organisations that the trader outsources work to.
- 7.7.5 Parties to whom work may be outsourced do not have the right to use Better Cotton Claim Units. These claims are only allowed for use by the actor who has outsourced the activity.

## **7.8 Penalties**

- 7.8.1 Traders are subject to the following penalties should they purposefully misuse or breach the rules of the Better Cotton Traceability System and the Better Cotton CoC Guidelines.
- 7.8.2 These penalties are defined in addition to the conditions of the BCI *Membership Code of Practice*. Where the actor in question is a BCI member, both documents apply.

- 7.8.3 Traders are required to use the Better Cotton Traceability System in order to make a claim regarding their Better Cotton procurement. As such, specific penalties apply to this category of supply chain actor. Penalties include –
- » First misuse – Temporary suspension of access to Better Cotton Traceability System account.
  - » Second misuse – Temporary suspension of access to Better Cotton Traceability System and formal warnings to the trader and to customers.
  - » Repeated misuse (more than two or gross) -
    - Permanent closure of the Better Cotton Traceability System account and formal notice to customers.
    - Withdrawal of membership and all associated privileges (up to a maximum of 2 years or permanently depending of severity of misconduct).
- 7.8.4 Supply chain actors may refer to the BCI Grievance Procedure in case of any disagreements with application of penalties.

## **7.9 Claims**

- 7.9.1 Traders only make claims in compliance with the Better Cotton Claims Framework.

## 8.0 Spinners

### 8.1 Documented procedures, training and responsibilities

- 8.1.1 The spinner maintains written procedures covering the requirements of the *Better Cotton CoC Guidelines*.<sup>21</sup>
- 8.1.2 The spinner keeps a copy of the *Better Cotton CoC Guidelines* and *Better Cotton Traceability System User Manual* on each of the premises from which Better Cotton products are produced/ traded from (a soft copy is acceptable).
- 8.1.3 The spinner identifies the persons responsible for implementing each procedure and ensures that they have adequate training<sup>22</sup> and the qualifications to implement the procedure.
- 8.1.4 The spinner appoints a management representative with overall responsibility for the implementation of the Better Cotton CoC and recording of all relevant data on the Better Cotton Traceability System<sup>23</sup>.

### 8.2 Records

- 8.2.1 The spinner implements a record keeping system (CoC System) to maintain complete and up-to-date records covering all aspects of the Better Cotton CoC.
- 8.2.2 Records must be retained for at least five (5) years and open for verification by BCI in line with these *CoC Guidelines* and the *BCI Membership Code of Practice* (soft copy is acceptable).

### 8.3 Material input records

- 8.3.1 The spinner ensures that an Output Declaration containing all relevant information accompanies the lint Better Cotton when received from ginners/ traders.
- 8.3.2 This should include –
  - » Name and address of the seller and buyer
  - » Date of declaration
  - » Volume lint cotton (net weight in kilos)
  - » Number of bales
  - » Description of the product (quality parameters)
  - » Origin of lint Better Cotton (country of lint)
  - » Type of cotton: CmiA-BC or BC
- 8.3.3 The spinner checks that the Output Declarations received from gins/traders are accurate to the best of his/her knowledge before entering this information on the Better Cotton Traceability System.
- 8.3.4 The spinner ensures that the quantity of lint Better Cotton received is in compliance with the supplied documentation before it is recorded on the Better Cotton Traceability System.

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<sup>21</sup> The detail in the procedures may vary in accordance with the size and complexity of the organisation

<sup>22</sup> The level and structure of the training will depend upon the size and complexity of the organisation. Training may include BCI training provided for Registered supplier and manufacturer members.

<sup>23</sup> All user details (three per company) captured on the Better Cotton Tracer can be edited by the BCI on request e.g. change in staff due to turnover, additional trained staff etc.

- 8.3.5 The spinner ensures that there is a mechanism for handling non-conforming material/documents. In an instance where non-conformity is identified, BCI will take appropriate action in line with these *CoC Guidelines* and the *BCI Membership Code of Practice* including application of penalties and associated dispute resolution mechanisms.

#### 8.4 Material output records

- 8.4.1 The spinner ensures that yarn with allocated Better Cotton Claim Units is accompanied by an Output Declaration generated via the Better Cotton Traceability System. This should include –
- » Name and address of the seller and buyer
  - » Date of declaration
  - » Volume of lint cotton (consumed to make the yarn, net weight in kilos)
  - » Volume of yarn (net weight in kilos)
  - » Description of the product (quality parameters)
  - » Country of origin of yarn (and country of site location)
  - » Countries of origin of physical cotton<sup>24</sup>
- 8.4.2 If a spinner is making sales of cotton lint, the Output Declaration requirements in section 7.4.1 apply.
- 8.4.3 In case of blending with non-cotton fibre, or when waste material is used only the Better Cotton data allocated to the yarn should be declared e.g. if a spinner is spinning yarn which is 50 kilos cotton and 50 kilos viscose then the spinner should only use 50 Better Cotton Claim Units towards that particular yarn shipment. Similarly in case a spinner is spinning a yarn with 40 kilos waste (combrenoil etc.) and 60 kilos virgin cotton then the spinner should use only 60 Better Cotton Claim Units towards that particular yarn shipment.

#### 8.5 Better Cotton Traceability System

- 8.5.1 The Better Cotton Traceability System generates a unique spinner code for each spinner.
- 8.5.2 In the case of spinners who are also traders, two separate accounts are maintained on the Better Cotton Traceability System with different functionalities as per the requirements of the *Better Cotton CoC Guidelines*.
- 8.5.3 The spinner ensures that the quantity of Better Cotton inputs and outputs (by weight) is monitored and updated on a real-time basis<sup>25</sup>.
- 8.5.4 The spinner ensures that the percentage loss during processing is accurately calculated, documented and recorded in the spinner's data management system.

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<sup>24</sup> As per the administrative MBa CoC Guidelines, the spinner is not obliged to use physical Better Cotton in the production of Better Cotton products. Therefore, the indication of actual cotton origin relates to physical volumes used i.e. if a spinner procures ten kilos of physical Better Cotton from Mali, and uses ten kilos of conventional cotton from the US to meet customer demand, then the ten Mali Better Cotton Claim Units may be allocated to the products containing the US cotton. But the use of US cotton must be indicated on the Output Declaration.

<sup>25</sup> "Real time" is defined as when a purchase/sale contract is fulfilled as a result of bale shipments by the trader to the spinner; not when a contract is made between a trader and a spinner for a future agreed upon date. In case the bales were bought from a ginner, the ginner must have enough inventories to deliver against a sales contract in its Better Cotton Traceability account at the time of a purchase declaration by the spinner. If the purchase of bales is negotiated between two spinners, the sale/purchase transaction must be entered using each party's "trader" account in the Better Cotton Traceability System.

- 8.5.5 The spinner enters the required information on the Better Cotton Traceability System in real time.
- 8.5.6 Lint Better Cotton volumes are valid from the time at which they are entered into the Better Cotton Traceability System. These volumes remain valid until they are claimed by buyers.

## **8.6 Physical Better Cotton**

- 8.6.1 Spinners may substitute physical Better Cotton lint with any conventional cotton lint e.g. a spinner that has procured ten kilos Better Cotton lint from gins/ traders and sold them without making a Better Cotton claim, may at a later date apply the ten BCCUs to ANY yarn and meet the demand for Better Cotton products.
- 8.6.2 Spinners may receive cotton lint that has BCCUs allocated to it (e.g. substituted bales from traders) but contains no Better Cotton. They may pass on the corresponding lint equivalent claim e.g. a spinner who has procured ten kilos lint (replaced by a trader with conventional cotton) may apply the ten BCCUs to ANY yarn and meet the demand for Better Cotton products.
- 8.6.3 Spinners are required to identify shipments of Better Cotton products (with allocated BCCUs, not necessarily physical content) with an Output Declaration generated via the Better Cotton Traceability System per shipment.
- 8.6.4 Spinners also have the option of providing an Output Declaration summary form, generated by the Better Cotton Traceability System, electronically, which summarises a set of transactions per customer between a defined range of dates.

## **8.7 Outsourcing**

- 8.7.1 If a spinner, wishing to buy lint Better Cotton or sell Better Cotton products, outsources activities to a subcontractor or independent organisation (e.g. subcontractors for transport and storage) then the spinner ensures that the subcontractor or independent organisation complies with the intent and requirements of the *Better Cotton CoC Guidelines*.
- 8.7.2 In the case of the use of third parties, all reporting on the Better Cotton Traceability System regarding Better Cotton purchases and sales is the responsibility of the spinner who has outsourced the activity.
- 8.7.3 The spinner ensures that the subcontractor or independent organisation is willing to provide unrestricted access to their operations and systems.
- 8.7.4 The spinner records the names and details of all subcontractors or independent organisations that the spinner outsources work to.
- 8.7.5 Parties to whom work may be outsourced do not have the right to use Better Cotton Claim Units. These claims are only allowed for use by the actor who has outsourced the activity.

## **8.8 Penalties**

- 8.8.1 Spinners are subject to the following penalties should they purposefully misuse or breach the rules of the Better Cotton Traceability System and the *Better Cotton CoC Guidelines*.



- 8.8.2 These penalties are defined in addition to the conditions of the BCI *Membership Code of Practice*. Where the actor in question is a BCI member, both documents apply.
- 8.8.3 Spinners are required to use the Better Cotton Traceability System in order to make a claim regarding their Better Cotton procurement. As such, specific penalties apply to this category of supply chain actor. Penalties include –
- » First misuse – Temporary suspension of access to Better Cotton Traceability System account.
  - » Second misuse – Temporary suspension of access to Better Cotton Traceability System and formal warnings to the spinner and to customers.
  - » Repeated misuse (more than two or gross) -
    - Permanent closure of the Better Cotton Traceability System account and formal notice to customers.
    - Withdrawal of membership and all associated privileges (up to a maximum of 2 years or permanently, depending on the severity of the misconduct.)
- 8.8.4 Spinners may refer to the BCI Grievance Procedure in case of any disagreements with the application of penalties.

## **8.9 Claims**

- 8.9.1 Spinners only make claims in compliance with the Better Cotton Claims Framework.

## 9.0 All other supply chain actors (between spinner and retailer)

### 9.1 Documented procedures, training and responsibilities

- 9.1.1 The supply chain actor maintains written procedures covering the requirements of the *Better Cotton CoC Guidelines*.<sup>26</sup>
- 9.1.2 The supply chain actor keeps a copy of the *Better Cotton CoC Guidelines* on each of the premises from which Better Cotton products are produced/ traded (a soft copy is acceptable).
- 9.1.3 The supply chain actor identifies the persons responsible for implementing each procedure and ensures that they have adequate training<sup>27</sup> and the qualifications to implement the procedure.
- 9.1.4 The supply chain actor appoints a management representative with overall responsibility for the implementation of the Better Cotton CoC.

### 9.2 Records

- 9.2.1 The supply chain actor implements a record keeping system to maintain complete and up-to-date records covering all aspects of the Better Cotton CoC.
- 9.2.2 Records must be retained for at least five (5) years and open for verification by BCI or retailer customers (soft copy is acceptable).

### 9.3 Material input records

- 9.3.1 The supply chain actor ensures that the yarn/ other cotton products with allocated BCCUs received is accompanied by an Output Declaration. This should include –
  - » Name and address of the seller and buyer
  - » Date of declaration
  - » Volume of lint cotton (consumed to make the yarn, net weight in kilos)
  - » Volume of yarn (net weight in kilos)
  - » Description of the product (quality parameters)
  - » Origin of cotton (country of site location)
  - » Origin of physical cotton<sup>28</sup>
- 9.3.2 The supply chain actor checks that the Output Declaration received from spinners/ other supply chain actor is accurate to the best of his/her knowledge.
- 9.3.3 The supply chain actor ensures that the quantity of yarn/ other cotton products received is in compliance with the supplied documentation.

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<sup>26</sup> The detail in the procedures may vary in accordance with the size and complexity of the organisation.

<sup>27</sup> The level and structure of the training will depend upon the size and complexity of the organisation. Training may include BCI training provided for Registered supplier and manufacturer members.

<sup>28</sup> As per the administrative Mass-Balance Guidelines, the supply chain actor is not obliged to use physical Better Cotton in the production of Better Cotton products. Therefore, the indication of actual cotton origin relates to physical volumes used i.e. if a spinner procures ten kilos of physical Better Cotton from Mali, and substitutes ten kilos of conventional cotton from the US to meet customer demand, then the ten Mali Better Cotton Claim Units may be allocated to the products containing the US cotton. But the use of US cotton must be indicated in the Output Declaration.

- 9.3.4 The supply chain actor ensures that there is a mechanism for handling non-conforming material/documents. In an instance where non-conformity is identified, BCI will take appropriate action in line with these *CoC Guidelines* and the *BCI Membership Code of Practice* including application of penalties and associated dispute resolution mechanisms.
- 9.3.5 Non-members are not liable under the *BCI Membership Code of Practice*. Any liability arising from false declarations will be the responsibility of the supply chain actor involved.

#### **9.4 Material output records**

- 9.4.1 The supply chain actor ensures that all Better Cotton products with allocated Better Cotton Claim Units are accompanied by an Output Declaration. This should include –
- » Name and address of the seller and buyer
  - » Date of declaration
  - » Volume of lint cotton (net weight in kilos)
  - » Description of the product
  - » Spinner code (from spinner Output Declaration)
- 9.4.2 The supply chain actor concerned also provides any additional relevant transport documentation to the next supply chain actor.

#### **9.5 BCI Traceability System**

- 9.5.1 Supply chain actors between spinner and retailer are not required to use the Better Cotton Traceability System.

#### **9.6 Physical Better Cotton**

- 9.6.1 Supply chain actors may receive products (yarn, fabric etc.) that are allocated to Better Cotton Claim Units but contain no Better Cotton. They may pass on the corresponding lint equivalent claim e.g. a fabric manufacturer that has procured yarn using ten BCCUs and substituted it for a non-Better Cotton order, may at a later date apply the ten BCCUs to ANY fabric and meet the demand for Better Cotton products.
- 9.6.2 Supply chain actors are required to identify shipments of Better Cotton products (with allocated Better Cotton Claim Units, not necessarily physical content) with an Output Declaration.

#### **9.7 Outsourcing**

- 9.7.1 If a supply chain actor, wishing to buy or sell Better Cotton products, outsources activities to a subcontractor or independent organisation (e.g. subcontractors for transport and storage) then the actor ensures that the subcontractor or independent organisation complies with the intent and requirements of the *Better Cotton CoC Guidelines*.
- 9.7.2 All reporting regarding Better Cotton claim allocation in the case of use of third parties is the responsibility of the supply chain actor outsourcing the activity.
- 9.7.3 The supply chain actor ensures that the subcontractor or independent organisation is willing to provide unrestricted access to their operations and systems.
- 9.7.4 The supply chain actor records the names and details of all subcontractors or independent organisations that the supply chain actor outsources work to.

- 9.7.5 Parties to whom work may be outsourced do not have the right to use Better Cotton Claim Units. These claims are for use by the customer outsourcing activities only.

## **9.8 Penalties**

- 9.8.1 All supply chain actors between spinner and retailer are subject to the following penalties should they purposefully misuse or breach the rules of the Better Cotton Traceability System and the *Better Cotton CoC Guidelines*.
- 9.8.2 These penalties are defined in addition to the conditions of the BCI *Membership Code of Practice*. Where the actor in question is a BCI member, both documents apply.
- 9.8.3 All other supply chain actors are strongly encouraged to, but not required to sign up for BCI membership or use the Better Cotton Traceability System in order to make a claim regarding their Better Cotton procurement. As such, limited penalties apply to this category of supply chain actor. Penalties include –
- » Formal warnings to the supply chain actor and to customers (especially retailers).
  - » Restriction on joining membership and access associated privileges (for a fixed number of years).
- 9.8.4 Supply chain actors may refer to the BCI Grievance Procedure in case of any disagreements with the application of penalties.

## **9.9 Claims**

- 9.9.1 Supply chain actors only make claims in compliance with the *Better Cotton Claims Framework*.

## 10.0 Retailers and brands

### 10.1 Documented procedures, training and responsibilities

- 10.1.1 The retailer maintains written procedures covering the requirements of the *Better Cotton CoC Guidelines*.<sup>29</sup>
- 10.1.2 The retailer keeps a copy of the *Better Cotton CoC Guidelines* and *Better Cotton Traceability System User Manual* and is responsible for making it available to any of their offices/ premises on request (a soft copy is acceptable).
- 10.1.3 The retailer identifies the persons responsible for implementing each procedure and ensures that they have adequate training<sup>30</sup> and the qualifications to implement the procedure.
- 10.1.4 The retailer appoints a management representative with overall responsibility for the implementation of the Better Cotton CoC.

### 10.2 Records

- 10.2.1 The retailer implements a record keeping system (CoC System) to maintain complete and up-to-date records covering all aspects of the Better Cotton CoC.
- 10.2.2 Records must be retained by the entity (retailers/brands, holding company etc.) making declarations on the Better Cotton Traceability System, for at least five years rolling from date of document (in any desired format examinable by BCI if required).

### 10.3 Material input records

- 10.3.1 The retailer ensures that the Better Cotton product received is accompanied by all relevant Output Declaration forms. This should include –
  - » Name and address of the seller and buyer
  - » Date of shipment
  - » Volume of lint Better Cotton consumed (net weight in kilos)
  - » A description of the product delivered (e.g. yarn type, PO/lot number)
  - » Spinner ID
- 10.3.2 The retailer verifies that the Output Declaration received from spinners/ other supply chain actor is accurate to the best of his/her knowledge before entering this information on the Better Cotton Traceability System.
- 10.3.3 The retailer ensures that the quantity of BCCUs received is in compliance with the supplied documentation.
- 10.3.4 The retailer ensures that there is a mechanism for handling non-conforming material/documents. In an instance where non-conformity is identified, BCI will take appropriate action in line with these *CoC Guidelines* and the *BCI Membership Code of Practice* including application of penalties and associated dispute resolution mechanisms.

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<sup>29</sup> The detail in the procedures may vary in accordance with the size and complexity of the organisation

<sup>30</sup> The level and structure of the training will depend upon the size and complexity of the organisation. BCI will train a maximum of 3 nominated representatives of each retailer. A record of trained personnel per retailer is maintained by BCI.

## 10.4 Better Cotton Traceability System

- 10.4.1 The Better Cotton Traceability System generates a unique retailer code for each retailer.
- 10.4.2 The retailer enters the required information into the Better Cotton Traceability System on a quarterly basis.
- 10.4.3 Lint Better Cotton volumes are valid from the time that purchase orders placed by retailers are completed by suppliers and shipped to them.
- 10.4.4 These volumes are then entered on the Better Cotton Traceability System. The volumes remain valid until such time as they are verified by BCI and invoiced.
- 10.4.5 Invoices based on lint Better Cotton volumes are generated annually at the end of January and August.

## 10.5 Outsourcing

- 10.5.1 If a retailer, wishing to buy or sell Better Cotton products, outsources activities to a subcontractor or independent organisation (e.g. subcontractors for transport and storage) then the retailer ensures that the subcontractor or independent organisation complies with the intent and requirements of the *Better Cotton CoC Guidelines*
- 10.5.2 The retailer ensures that the subcontractor or independent organisation is willing to provide unrestricted access to their operations and systems.
- 10.5.3 Parties to whom work may be outsourced do not have the right to use Better Cotton Claim Units. These claims are only for use by the actor outsourcing the activities.

## 10.6 Penalties

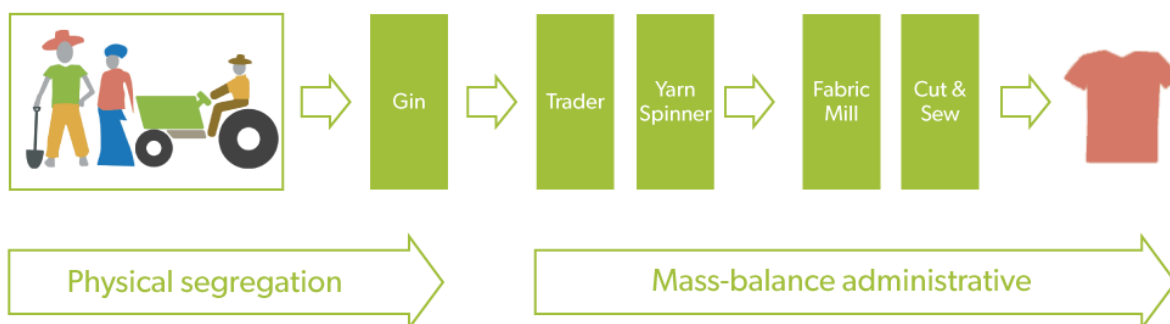
- 10.6.1 Retailers are subject to the following penalties should they purposefully misuse or breach the rules of the Better Cotton Traceability System and the *Better Cotton CoC Guidelines*.
- 10.6.2 These penalties are defined in addition to the conditions of the BCI *Membership Code of Practice*. Both documents are applicable to all BCI retailer members.
- 10.6.3 Retailers are required to use the Better Cotton Traceability System in order to make a claim regarding their Better Cotton procurement. As such, specific penalties apply to this category of supply chain actor. Penalties include –
  - » First misuse – Temporary suspension of access to Better Cotton Traceability System account.
  - » Second misuse – Temporary suspension of access to Better Cotton Traceability System and formal warning.
  - » Repeated misuse (more than two or gross) –
    - Permanent closure of the Better Cotton Traceability System account.
    - Withdrawal of membership and all associated privileges (up to a maximum of 2 years or permanently depending of severity of misconduct).
- 10.6.4 Retailers may refer to the BCI Grievance Procedure in case of any disagreements with the application of penalties.

## 10.7 Claims

10.7.1 The retailer only makes claims in compliance with the Better Cotton Claims Framework.

## Annex 1 – Segregation & Administrative Mass-Balance

### Supply Chain



#### Segregation Chain of Custody:

- » Better Cotton and conventional cotton must be kept segregated at all times. BCI applies this CoC system only to ginners.
- » The claims about, and actual physical volumes out must match the volume of Better Cotton purchased by the ginner taking into account the turnout ratio.
- » All bales of Better Cotton must be 100% Better Cotton in composition.
- » This is a system of physical traceability. Actual amounts of physical Better Cotton must accompany any claims.

#### Administrative Mass-Balance Chain of Custody:

- » Better Cotton and conventional cotton may be substituted with each other. BCI applies this CoC system to all actors after ginner and up to and including retailers.
- » The claims about volumes out must match the volume of Better Cotton claim/data or physical product purchased by the supply chain actor.
- » This balance will be calculated continuously in the case of Better Cotton, but may be calculated over a period of time e.g. 1 year for other commodities<sup>31</sup>.
- » This is a system of administrative traceability. An actual amount of physical Better Cotton need not accompany claims about Better Cotton.

<sup>31</sup> This implies that in other commodity schemes, supply chain actors may deliver MBa products from negative inventories on a given day as long as in and out volumes match over a period of 1 year. For Better Cotton, supply chain actors may not deliver any MBa products from a negative inventory.



## Annex 2 – Output Declaration *SAMPLE*



### INDIVIDUAL TRANSACTION OUTPUT DECLARATION (Farmer selling example)

Output Declaration Number <transaction number>

**Seller**

Name  
Project or Address  
Country

**Buyer**

Name  
Address  
Country

BCI ID number <ID number>

**Important - Please note**

The transaction listed in this declaration is <transaction status>

#### Declaration

As the buyer I declare that the transaction details provided below are accurate to the best of my knowledge. This data corresponds to actual transactions of physical cotton made between the seller and the buyer named above, and is in compliance with the Better Cotton Chain of Custody Guidelines.

Any misrepresentation or anomalies in data following confirmation of the transaction are the sole responsibility of the buyer. The seller does not assume any liability for false declarations.

Date of declaration (dd-mm-yy)	Total net weight of seed cotton in kilos (Kg)	Country of origin
03-02-13	98	China



## SUMMARY OUTPUT DECLARATION (Farmer selling seed cotton example)

### Seller

Name

Project or Address

Country

### Buyer

Name

Address

Country

BCI ID number <ID number>

### Important - Please note

Transactions listed in this declaration are <transaction status>

### Declaration

As the buyer I declare that the transaction details provided below are accurate to the best of my knowledge. This data corresponds to actual transactions of physical cotton made between the seller and the buyer named above, and is in compliance with the Better Cotton Chain of Custody Guidelines.

Any misrepresentation or anomalies in data following confirmation of the transaction are the sole responsibility of the buyer. The seller does not assume any liability for false declarations.

### Period from <start date> to <end date>

Total net weight of lint in kilos (Kg) OR Number of BCCUs is <volume>

Date of declaration (dd-mm-yy)	Output Declaration Number	Total net weight of seed cotton in kilos (Kg)	Country of origin
3-2-13	1004666	98	India
20-3-13	1018654	12	India
24-3-13	1028965	989	India



## Individual transaction output declaration (Ginner selling lint example)

Output Declaration Number <transaction number>

### Seller

Name  
Address  
Country

### Buyer

Name  
Address  
Country

BCI ID number <ID number>

BCI ID number <ID number>

### Important - Please note

The transaction listed in this declaration is <transaction status>

### Declaration

As the seller I declare that the transaction details provided below are accurate to the best of my knowledge. This data corresponds to actual transactions of physical cotton made between the seller and the buyer named above, and is in compliance with the Better Cotton Chain of Custody Guidelines.

Any misrepresentation or anomalies in data following confirmation of the transaction are the sole responsibility of the seller. The buyer does not assume any liability for false declarations.

Date of declaration (dd-mm-yy)	Type of cotton	Total net weight of lint in kilos (Kg) OR Number of BCCUs allocated to shipment*	Country of origin
03-02-13	BCI	98	Pakistan

\*1 BCCU (Better Cotton Claim Unit) = 1 kilo of lint cotton



## SUMMARY OUTPUT DECLARATION (Ginner selling lint example)

### Seller

Name

Address

Country

### Buyer

Name

Address

Country

BCI ID number <ID number>

BCI ID number <ID number>

### Important - Please note

Transactions listed in this declaration are <transaction status>

### Declaration

As the seller I declare that the transaction details provided below are accurate to the best of my knowledge. This data corresponds to actual transactions of physical cotton made between the seller and the buyer named above, and is in compliance with the Better Cotton Chain of Custody Guidelines.

Any misrepresentation or anomalies in data following confirmation of the transaction are the sole responsibility of the seller. The buyer does not assume any liability for false declarations.

### Period from <start date> to <end date>

Total net weight of lint in kilos (Kg) OR Number of BCCUs is <volume>

Date of declaration (dd-mm-yy)	Output Declaration Number	Type of cotton	Total net weight of lint in kilos (Kg) OR number of BCCUs allocated to shipment*	Country of origin
3-2-13	1004666	BCI	98	India
20-3-13	1018654	BCI	12	India
24-3-13	1028965	BCI	989	India

\*1 BCCU (Better Cotton Claim Unit) = 1 kilo of lint cotton



## INDIVIDUAL TRANSACTION OUTPUT DECLARATION (Trader selling lint example)

### Seller

Name

Address

Country

### Buyer

Name

Address

Country

BCI ID Number <ID number>

BCI ID number <ID number>

### **Important - Please note**

The transaction listed in this declaration is <transaction status>

### **Declaration**

As the seller I declare that the transaction details provided below are accurate to the best of my knowledge. This data corresponds to actual transactions of physical cotton made between the seller and the buyer named above, and is in compliance with the Better Cotton Chain of Custody Guidelines.

Any misrepresentation or anomalies in data following confirmation of the transaction are the sole responsibility of the seller. The buyer does not assume any liability for false declarations.

Date of declaration (dd-mm-yy)	Type of cotton	Volume of lint cotton sold (kg)*	Country of origin	Volume of Better Cotton replaced (kg)*
03-02-13	BCI	98kg	USA	12kg

### **Transaction Reference:**

Example transaction reference

### **Quality Parameters:**

Example quality parameters

\*1 BCCU (Better Cotton Claim Unit) = 1 kilo of lint cotton



## SUMMARY OUTPUT DECLARATION (Trader lint example)

### Seller

Name  
Address  
Country

### Buyer

Name  
Address  
Country

BCI ID Number <ID number>

BCI ID number <ID number>

### **Important - Please note**

Transactions listed in this declaration are <transaction status>

### **Declaration**

As the seller I declare that the transaction details provided below are accurate to the best of my knowledge. This data corresponds to actual transactions of physical cotton made between the seller and the buyer named above, and is in compliance with the Better Cotton Chain of Custody Guidelines.

Any misrepresentation or anomalies in data following confirmation of the transaction are the sole responsibility of the seller. The buyer does not assume any liability for false declarations.

### **Period from <start date> to <end date>**

Total volume of Better Cotton declared (net weight in Kg) is <total net weight> kg

<b>Date of declaration</b> (dd-mm-yy)	<b>Type of cotton</b>	<b>Volume of lint cotton sold</b> (kg)*	<b>Country of origin</b>	<b>Volume of Better Cotton replaced (kg)*</b>
3-2-13	BCI	98kg	USA	67kg
16-2-13	CMIA	112kg	Burkina Faso	100kg
20-3-13	BCI	12kg	India	0kg
24-3-13	BCI	989kg	Pakistan	566kg

\*All volumes are expressed as net weight in kg



## INDIVIDUAL TRANSACTION OUTPUT DECLARATION (Spinner yarn example)

### Seller

Name  
Address  
Country

### Buyer

Name  
Address  
Country

BCI ID Number <ID number>

BCI ID number <ID number>

### **Important - Please note**

The transaction listed in this declaration is <transaction status>

### **Declaration**

As the seller I declare that the transaction details provided below are accurate to the best of my knowledge. This data corresponds to actual transactions of physical cotton made between the seller and the buyer named above, and is in compliance with the Better Cotton Chain of Custody Guidelines.

Any misrepresentation or anomalies in data following confirmation of the transaction are the sole responsibility of the seller. The buyer does not assume any liability for false declarations.

Date of declaration (dd-mm-yy)	Type of cotton	Volume of yarn (kg)*	Volume of lint Better Cotton used to make yarn/BCCU applied (kg)*	Country of origin of yarn	Country of origin of physical cotton used
3-2-13	BCI	250kg	98kg	Turkey	India China Turkey

### **Transaction Reference:**

Example transaction reference

### **Quality Parameters:**

Example quality parameters

\*1 BCCU (Better Cotton Claim Unit) = 1 kilo of lint cotton



## SUMMARY OUTPUT DECLARATION (Spinner yarn example)

### Seller

Name  
Address  
Country

### Buyer

Name  
Address  
Country

BCI ID Number <ID number>

BCI ID number <ID number>

### **Important - Please note**

Transactions listed in this declaration are <transaction status>

### **Declaration**

As the seller I declare that the transaction details provided below are accurate to the best of my knowledge. This data corresponds to actual transactions of physical cotton made between the seller and the buyer named above, and is in compliance with the Better Cotton Chain of Custody Guidelines.

Any misrepresentation or anomalies in data following confirmation of the transaction are the sole responsibility of the seller. The buyer does not assume any liability for false declarations.

### **Period from <start date> to <end date>**

Total volume of Better Cotton declared (net weight in Kg) is <total net weight>kg

Date of declaration (dd-mm-yy)	Type of cotton	Volume of yarn (kg)*	Volume of lint Better Cotton used to make yarn/BCCU applied (kg)*	Country of origin of yarn	Country of origin of physical cotton used
3-2-13	BCI	98kg	250kg	Turkey	India
16-2-13	CMIA	112kg	540kg	India	China USA Australia Pakistan
20-3-13	BCI	12kg	44kg	India	India
24-3-13	BCI	989kg	1074kg	Pakistan	China USA

\*All volumes are expressed as net weight in kg





## INDIVIDUAL TRANSACTION OUTPUT DECLARATION (everyone else example)

### Seller

Name

Address

Country

### Buyer

Name

Address

Country

### Declaration

As the seller I declare that the transaction details provided below are accurate to the best of my knowledge. This data corresponds to actual transactions of physical cotton products made between the seller and the buyer named above, and is in compliance with the Better Cotton Chain of Custody Guidelines.

Any misrepresentation or anomalies in data following confirmation of the transaction are the sole responsibility of the seller. The buyer does not assume any liability for false declarations.

Type of Product	Grey fabric, finished fabric, denim, garments, t-shirts, etc...
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Date of declaration (dd-mm-yy)	Type of cotton	Net Weight of shipment (kg)	Net Weight of lint Better Cotton used in this shipment/BCCU applied (kg)	Country of origin of products	Country of origin of physical cotton used
3-2-13	BCI	250kg	98kg	Turkey	India China Turkey



## SUMMARY OUTPUT DECLARATION (everyone else example)

### Seller

Name  
Address  
Country

### Buyer

Name  
Address  
Country

### Declaration

As the seller I declare that the transaction details provided below are accurate to the best of my knowledge. This data corresponds to actual transactions of physical cotton products made between the seller and the buyer named above, and is in compliance with the Better Cotton Chain of Custody Guidelines.

Any misrepresentation or anomalies in data following confirmation of the transaction are the sole responsibility of the seller. The buyer does not assume any liability for false declarations.

**Period from <start date> to <end date>**

Total net weight of Better Cotton declared is <total net weight>kg

Date of declaration (dd-mm-yy)	Type of cotton	Net Weight of Shipment (kg)*	Volume of lint Better Cotton used in this shipment/BCCU applied (kg)*	Country of origin of products	Country of origin of physical cotton used in these products
3-2-13	BCI	98kg	250kg	Turkey	India China
16-2-13	CMIA	112kg	540kg	India	USA Australia Pakistan
20-3-13	BCI	12kg	44kg	India	India
24-3-13	BCI	989kg	1074kg	Pakistan	China USA



## INDIVIDUAL TRANSACTION OUTPUT DECLARATION (Retailer example)

### Seller

Name  
Address  
Country

### Buyer

Name  
Address  
Country

BCI ID Number <ID number>

BCI ID number <ID number>

### **Important - Please note**

The transaction listed in this declaration is <transaction status>

### **Declaration**

As the buyer I declare that the transaction details provided below are accurate to the best of my knowledge. Any misrepresentation or anomalies in data are the sole responsibility of the buyer.

Date of declaration (dd-mm-yy)	Volume of Better Cotton declared as sourced from seller*
3-2-13	98kg

\*All volumes are expressed as net weight in kg