

BCI QUARTERLY REPORT

1 January – 31 March 2017

BCI Better Cotton Initiative™
BetterCotton.org



Q1 2017 Highlights



Image credit: Cotton Australia

2017 kicked off with exciting changes and new plans for expanding the scale and impact of BCI's work!

The report provides key highlights of the first quarter of 2017 and more details on BCI activities and finances in the second part of the report.

New Donation to the Growth and Innovation Fund by the German Ministry for Economic Cooperation and Development!

BMZ, the Federal Ministry for Economic Cooperation and Development of Germany granted €2,000,000 to the BCI Growth and Innovation Fund (GIF) to help augment capacity building activities in BCI countries!

Better Cotton Demand
More than 461,000 metric tonnes of Better Cotton lint were procured by 54 BCI RB members in over 11 months in **2016**. Uptake for the upcoming months is expected to grow to 1 million metric tonnes by the end of 2017!

Membership increase
A key milestone reached during this quarter is that BCI [membership](#) exceeded 1000! There are 62 new members that joined in the first quarter 2017. We are delighted to report that the first Indian retailer Aditya Birla Fashion and Retail Ltd. joined BCI.

Retailers and Brands Communicate Impact

One of the main priorities for BCI in 2017 is to develop tools for Retailer and Brand members to communicate impact related to their own cotton sourcing practices. Members are looking for tools to measure and effectively communicate positive impacts from their Better Cotton sourcing.

A workshop will be held in June with BCI Members and external experts to help determine the best way forward and identify tools needed to communicate impacts.

Media Preparedness and Communication

With increases in brand claims and in the number of Members, BCI is becoming more visible in the media. In light of this, BCI plans to develop new processes and frameworks to meet increased scrutiny and manage communications issues and opportunities in 2017 and beyond with BCI members.

Retailer and Brand Member Claims
During the first quarter, 12 On-Product Marks were approved for BCI Retailer and Brand Members' use.

Changes in the BCI Council
In February [Barry Clarke](#) was elected to the BCI Council. Barry succeeds Susi Proudman, Vice President of the

Global Apparel and Equipment Materials at Nike. Susi has done an outstanding job for BCI. Additional changes on the BCI Council include the election of Phil Townsend of Marks & Spencer as vice-Chair, and the nomination of Michelle Miracle, Senior Director, Global Apparel at Nike as a Council member.

Progress on the Second Revision of the BCI Standard

On 29 January 2017, public consultations for the BCI [Standard Revision](#) closed and the Standard Review Committee completed reviewing all submissions. There were 67 comment forms submitted on the revised standard, with 83% coming from BCI Members. Suggested changes will be presented to the BCI Council at its 2017 May meeting, in Berlin.

Communications

A new BCI Communications Task Force was established with members of the BCI Growth and Innovation Fund (GIF) Buyer and Investor Committee and the BCI Communications Team. The kick-off meeting was held at the Tommy Hilfiger offices in Amsterdam, in March.

Following the kick-off meeting of the new Task Force, the Communications Team held a Crisis Communication Workshop with retailer and brand members to discuss process and procedures on how to work together in high risk situations.

In the first quarter of 2017, a newly updated [Better Cotton Claims Framework](#) for communicating Better Cotton uptake was launched on the BCI website. The launch took place after an extensive feedback and consultation period with BCI Members.

Country Programmes

A key component of the BCI Standard System is continuous improvement. Training courses and refresher trainings were regularly carried out by the country teams and BCI Implementing Partners (IPs) throughout the first quarter of 2017. In addition to refresher training courses for IPs, second party verification party checks were conducted and new local government partnerships formed to help mainstream the Better Cotton Standard.

Regional Members meeting

The USA Regional Members meeting took place in February 2017, in Tennessee, with 76 participants.

BCI Information infrastructure coordination and compatibility

The Demand team are focussing new efforts on enhancing the BCI Secretariat internal systems to improve support to members and recruitment of new members.

PRIORITIES – TOWARDS 2020 TARGETS

Global Indicators

Global Indicator	2016 - Licensed	2017 - Planned	Change*
Total Farmers	1,400,000	1,900,000	+36%
Total Hectares	3,300,000	5,200,000	+58%
Total Volume (MT lint)	3,100,000	4,800,000	+55%
Uptake by Retailers (MT)	500,000	1,000,000	+100%
Number members	986	1,237	+25%
Number Tracer Users	792	1,442	+82%
Earned Income % of global costs	87%	85%	-2%

* Ignores 2017 licensing rates

BCI Farmer Support (€000)

	2016 forecast	2017 forecast
Expense	-5,440	-9,486
Public Sector contribution	3,000	4,350
Private Sector contribution	2,380	3,726
Others (self-fund, match-fund)	-	-
Brought forward	1,770	1,910
Balance	1,910	500

BCI Secretariat (€000)

	2016F	2017P	Change
Income	5,661	6,926	+22%
Op. Expense	-5,454	-6,782	+24%
Cash at year-end			
Financial Reserves	577	721	+25%

Organisational Priorities

Priority	
1	Bring demand to 1m MT declared by Retailers and Brands
2	Secure '17 – '20 funding for BCI and the GIF
3	Develop and launch a field-level Innovation Framework to support continuous improvement
4	Reinforce robustness of implementation through learning
5	Roll-out revised Standard and training programme
6	Develop tools for Retailers and Brands to communicate about impact
7	Clarify and reinforce BCI brand position to support uptake and communications
8	Develop frameworks to meet increased scrutiny and manage potential communications crises
9	Centralise ICT: integrate systems and develop the Project Database as a priority

BETTER COTTON INITIATIVE QUARTERLY REPORT



Barry Clarke

BMZ awards €2million to the BCI Growth and Innovation Fund (GIF)

BMZ, The Federal Ministry for Economic Cooperation and Development of Germany provided a grant of €2,000,000 to the BCI Growth and Innovation Fund (GIF).

The funding will be invested in training and capacity building and will address sustainability issues in cotton farming, including pesticide use, water efficiency, gender equality, and severe working conditions including child labour.

The BCI GIF is a vital mechanism for advancing BCI's 2020 commitments of reaching 5 million farmers, accounting for 30% of global cotton production. In 2016, the BCI GIF invested more than €5 million in projects.

The BMZ contribution will enable a significant scaling-up of capacity building and training globally!

New Chairperson for BCI Council

Barry Clarke was elected as the new Chairperson for the BCI Council in February. Barry, who was vice chair of the Council, succeeds Susi Proudman, Vice President of the Global Apparel and Equipment Materials at Nike.

Barry Clarke has specialised in strategic planning for multi-stakeholder sustainability initiatives including the Sustainable Agriculture Network and the

ISEAL Alliance. He serves on the Board of the Alliance for Water Stewardship and was previously Chair of Save the Children UK and the International Save the Children Alliance.

Additional changes on the BCI Council include the election of Phil Townsend of Marks & Spencer as vice-Chair, and the nomination of Michelle Miracle, Senior Director, Global Apparel at Nike as a Council member.

MARK YOUR DIARY! PARTICIPATE IN UPCOMING BCI EVENTS

Global Cotton Conference

The Global Cotton Conference will be held in Berlin on the 17-18 May 2017.

Prior to this public conference, BCI will host a half-day members' only meeting on 16 May 2017 at which relevant organisational updates on membership benefits, governance, and strategic direction will be covered, as well as the Annual Report will be released.

For more information and to register for the Global Cotton Conference, please visit the conference website.



Donors and Supporters Meeting, 15 May 2017, Berlin

For the first time, a Donors and Supporters Meeting will be held prior to the Global Cotton Conference. **The purpose of the First BCI Donors and Supporters meeting** is to discuss the unique aspects of the Better Cotton Initiative, progress to date in meeting the 2020 targets, and to share with you BCI plans beyond 2020. It is also an opportunity for donors and supporters to discuss their commitments to BCI and express their views on the future of delivering better cotton.

Contact sandra.fong@bettercotton.org for information about the meeting.

GROWTH AND INNOVATION FUND (GIF)

In the **Northern Hemisphere**, the first quarter project funding applications were reviewed by the BCI GIF committees and after the customary minor adaptations to original plans, contracts were issued and the first grant instalments paid out. BCI Country Managers organised a host of refresher trainings for existing Implementing Partners (IPs) and comprehensive trainings for any new Implementing Partners. IPs are kicking off the season by organising farmers into learning groups and new Producer Units, confirming participation and planning the delivery of the robust capacity building programme at farm-level.

In the **Southern Hemisphere**, the first quarter of the year is mid-season, with most of the planting done and farmers busy nurturing the growing crop. BCI and Implementing Partners carry out periodic visits to the fields to check-in on activities and IPs deliver continuous training programmes to farmers, with topics aligned to field activities.

For the 2017 season, the BCI GIF is supporting projects covering more than 1,000,000 (one million) farmers in 7 countries. Further to the BCI GIF-funded projects, an additional 800,000 farmers participate in capacity

building programmes delivered by BCI Implementing Partners or Strategic Partners such as the Aid by Trade Foundation. In total, supply chain actors are able to source Better Cotton from 24 countries in 2017.

BCI Growth and Innovation Fund (GIF) Project Reviews

In early January 2017, the BCI Supply Team (Country Managers and Coordinators) and the BCI Growth and Innovation Fund Secretariat team from IDH, came together over three days to review the annual country and BCI GIF plans, assess strengths and weaknesses in 'field performance' and identify interventions to improve it. 'Field performance' includes the performance of an IP (in delivering relevant and valuable training programmes, collecting and reporting results indicator data and managing projects) and the performance by farmers (on drafting and implementing continuous improvement plans, IPM plans, water plans, etc.).

A taskforce on performance was established, which will look at the role of the BCI GIF as a funder, the BCI framework for managing partnerships and the BCI capacity building programme for partners.





Buyer and Investor Committee (BIC)

The GIF Buyer and Investor Committee (BIC) held their first meeting for 2017 in Bangkok, which was hosted by VF Corporation.

The meeting agenda included ratifying the GIF 2017-18 project portfolio, encouraging learning opportunities amongst Retail, Brand and donor members, and identifying and communicating opportunities to increase uptake.

To qualify for membership of the BIC, a Retailer, Brand or Donor needs either to

contribute a minimum of €150,000 (up-front, before their procurement) through a volume based fee (VBF), via direct funding, or have a public commitment to uptake more than 50% of their cotton demand as Better Cotton by 2020.

Current Members include adidas, ASOS, Levi Strauss & Co., BESTSELLER, VF Corporation, Nike, Inc., H&M, IKEA, M&S, C&A, Tommy Hilfiger (observer), IDH, BMZ and the Australian Department of Foreign Affairs and Trade.

Field and Impact Innovation Committee

The Field, Impact and Innovation Committee (FIC) met during the 1st quarter to review applications from BCI Implementation Partners for 2017-2018 project funding.

GIF investments into Better Cotton projects for 2017 aims to reach over 1million farmers across India, China, Pakistan, Tajikistan, Turkey, Mozambique, Mali and Senegal.

Innovation Framework

One of the priorities for 2017 is the development and launch of the Innovation framework for BCI and the BCI GIF. The aim of the innovation framework is to support the mainstreaming, impact and scale of BCI globally, as well as serve to attract new contributors to the GIF.

A working group consisting of the IDH cotton team and the BCI global supply team is developing a framework and process for sourcing, evaluating and piloting new ideas and innovations.

COUNTRY UPDATES

China

A 3-day **Implementing Partners (IP) Workshop** was held in Sanya, Hainan Province with 35 IP representatives and PU managers.

The workshop focused on best practices with regards to farmer capacity building, results indicators collection, water management, fibre quality, and promotion on decent work. IPs were able to provide feedback on the Standard. There was also a day training on the revised water management principles and indicators.

The **online BC Tracer training** was conducted with over 60 participants in China. As of the end of March 2017, China has 250 members and 540 BC Tracer users.

In Yuli County, a Better Cotton Steering Committee headed by the vice mayor was successfully established. Yuli County is one of the key regions for Better Cotton implementation and future embedding on BCSS in Xinjiang.

India

The very first Indian Retailer Aditya Birla Fashion and Retail Ltd joined BCI during the 1st quarter of 2017!

During this first quarter, Implementing Partners (IPs) refresher trainings were conducted. The training took place in 3 different locations (each was three days

long) wherein key Implementing Partner representatives were trained by BCI staff and leading cotton scientists of the country

An MOU with Junagadh Agricultural University is under negotiation and expected to be signed soon. The aim of the MOU is to have the University's team of scientists train and build capacities of BCI Implementing Partners.

Senegal

By the start of the 1st Quarter, there are 4500 BCI licensed producers.

Mozambique and South Africa

With the season further ahead in the south, Mozambique already has all farm-level self-assessments for monitoring and evaluation submitted and 2nd party verifications have been scheduled. IP training continues as new courses and refresher courses are conducted.

Staff additions. A new programme officer was recruited to support to ongoing work in Mozambique and South Africa.

United States

On February 23, 2017, BCI US hosted a **full Regional Member Meeting** for 74 registered members and interested guests in the US. The objective of the meeting was to convene top leaders of the US cotton industry and emphasise the rapidly growing momentum for the

supply of, and demand for, US Better Cotton.

All the major national cotton organisations were represented at the meeting, - including the heads of Cotton Inc., the Cotton Board and senior staff of the National Cotton Council. All US Implementing Partners and third party verification agencies participated. Several trader members expressed interest in forming new grower groups in 2017. Retail and brand members such as Nike Inc., Levi Straus & Co, Converse, adidas, GAP Inc., and WestPoint Home attended.

Regional Member Meetings planned for 2017

Regional Member Meetings serve as a platform for BCI members and key partners to network, learn, and advance their Better Cotton procurement, in addition to the annual members' meeting in Berlin in May 2017, there will be:

- » Hong Kong Regional members meeting will be held on Friday, 7 April. For more information please visit this [link](#).
- » Pakistan Regional Members meeting is planned for September / October 2017. Please check [BCI website](#) for update.



STANDARDS AND ASSURANCE

Implementation through learning

BCI's credibility relies on the strengths of its processes and procedures along with its learning mechanisms and partnership approach. BCI depends heavily on the capacity and performance of Implementing Partners (IPs) to foster positive change in farming practices.

BCI continuously supports the capacity building and knowledge uptake of BCI Implementation Partners, ensuring cotton producers continuously learn and have refresher courses on the BCI Standard and system and by sharing together their own achievements and those from others as well as facilitating the sharing of knowledge.

Progress on Revising the Standard

As part of the continuous improvement process, the 2nd public consultation of

the BCI standard closed on 29 January 2017. The Standard Review Committee is currently reviewing the full set of comments from the consultation. Due to issues and comments surrounding decent work and soil health and management, the review and finalisation of the second revision will be completed later than expected. It is expected that the final draft of the standard revision will be completed by the 3rd quarter of 2017.

Following the technical review of the Standard by the Standard Review Committee, recommendations on principal changes will be submitted to the BCI Council agreement. Proposed changes will be discussed at their upcoming meeting, in Berlin, 15 -16 May.

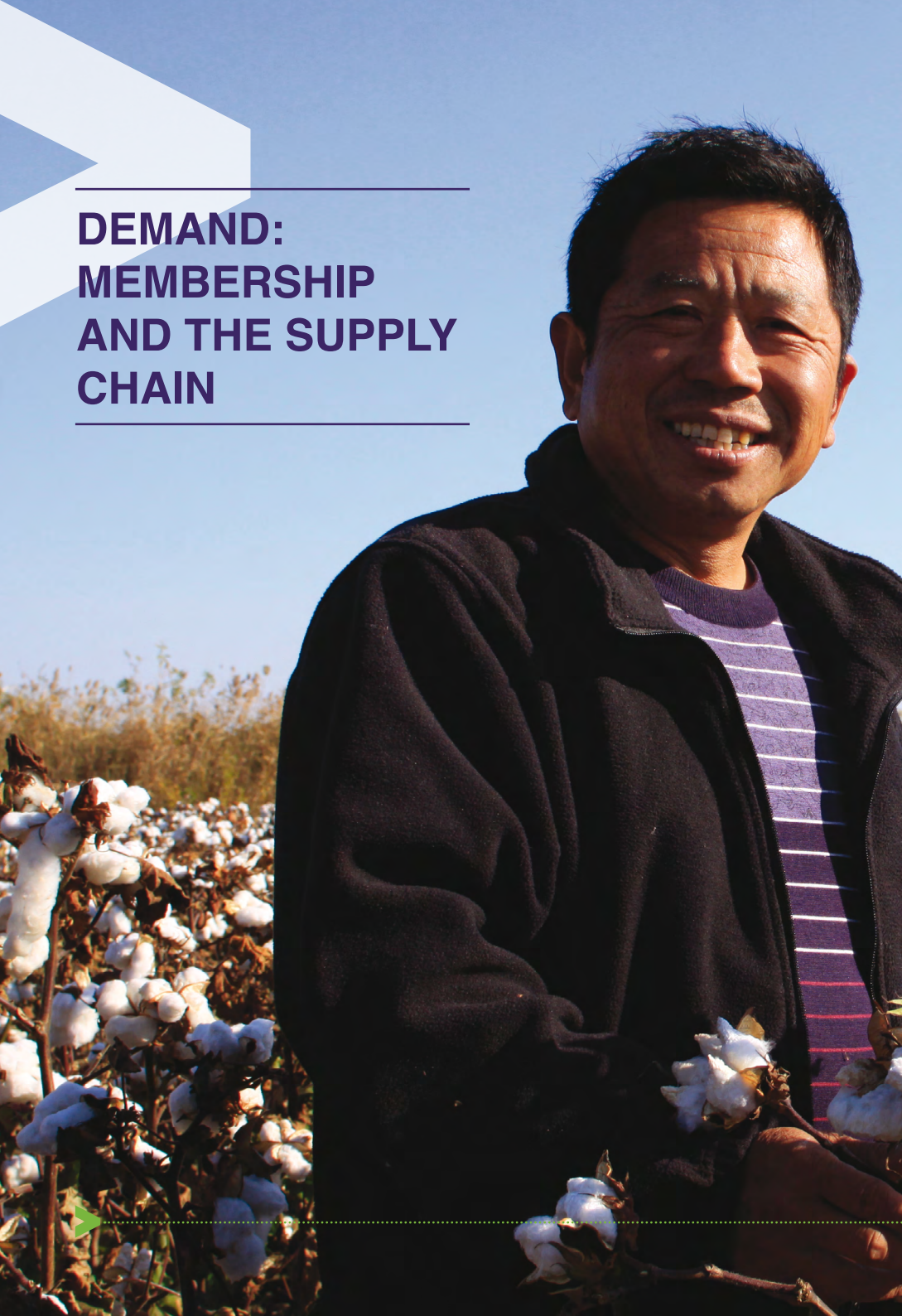
Two pilot projects designed to assess

the applicability of new approaches on water stewardship and land use changes in the revised standard are progressing. Together with the WaPRO ('Water and Productivity Project') managed by Helvetas and co-funded by the Swiss Development Cooperation Ministry, BCI will test the new Principle 2 on water stewardship in projects in India and Pakistan.

An agreement on a pilot project collaboration with the High Conservation Value Resource Network was reached for conducting the pilot projects. Projects are expected to be launched in May 2017.



DEMAND: MEMBERSHIP AND THE SUPPLY CHAIN



Membership has increased in the first quarter. BCI now has 1048 members!
The Membership team is on target for its 2017 goals.



Membership Numbers (as of 31.03.2017)

Data collected 31.03.2017	Producer Organisations	Associate Members	Civil Society	Brands & Retailers	Suppliers & Manufacturers	Total
Members	32	10	34	71	901	1048

Better Cotton Demand

The demand and uptake for Better Cotton increased in the first quarter of 2017 compared to the same time period last year.

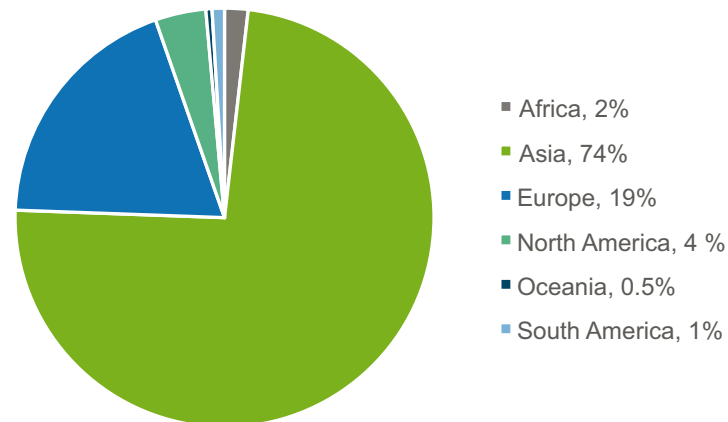
BC tracer users	1034 users
Spinner Uptake	352K MT lint declared
RB Uptakes	143K MT lint declared

More than 461,000 metric tonnes of Better Cotton lint were procured over 11 months by 54 BCI RB members in 2016. Uptake for the upcoming months is expected to grow.

Verified BC sourcing from BCI RB members generates fees which are reinvested in farmer training on BC projects through the BCI GIF. In 2016, the retailers and brand members' contribution to farmer training exceeded €4,000,000

To read the list of who is procuring the most Better Cotton, please visit this [link](#)

Geographical representation of members (as of 31.03.2017)



COMMUNICATIONS

Media Coverage

For the first quarter of 2017, BCI has had 77 media impressions, and 96% were positive.

Press Highlights have been in The Economist, WWD, Daily Mail, Ecotextile News, and Textile Exchange.

Media Preparedness

BCI plans to develop frameworks to meet increased scrutiny of global efforts to effectively and efficiently manage potential communications issues in 2017.

A Communications Task Force was established that involves participants from the GIF Buyer and Investor Committee and the BCI Communications Team. The kick off meeting was held at Tommy Hilfiger in Amsterdam, with many participants phoning in to the meeting. The majority of the meeting was dedicated to Crisis Preparedness. As a result of the meeting, the following action items were set out:

- » BCI to engage with media experts.
- » BCI to nominate a media spokesperson/s and constitute a crisis response group with the subject matter expert and the Communications Team.
- » BCI Media spokesperson/s to have media training and coaching.

- » BCI to communicate to Retailer and Brand Members when they foresee a crisis building in the media, in order that all Retailer and Brand Members are notified and provided with consistent messaging. Likewise, individual Retailer and Brand members should notify BCI when they become aware of a potential issue building up that concerns BCI.
- » RB Members to send BCI suggestions on creative agencies, and crisis communications specialists.

Retailers and Brands Communicate Impact

One of the core BCI priorities for 2017 is to develop tools for Retailers and Brands to communicate about impacts related to their own sourcing practices. A workshop will be held in June 2017 to identify tools needed to effectively communicate impact through Better Cotton uptake.

Claims Framework

Following extensive consultation with Members, BCI launched the newly updated [Better Cotton Claims Framework](#) on its website.

The framework exists to allow Members to make positive and credible claims about their own Better Cotton activities that are directly linked to the measurable achievements of BCI.

This update details the ways in which BCI Members can communicate about their commitment to BCI, including rules around use of the [On-Product Mark](#), and live examples of Member Claims.

The Communications team conducted 15 induction training meetings with BCI Retailer and Brand Members on the BCI Claims Framework and how to effectively communicate their uptake and use of Better Cotton.

Retailer and Brand Member Claims

During first quarter 2017, 34 On-Product Marks were approved for BCI Retailer and Brand Members' use on end-product swing tags.

A total of 41 off product claims were approved for BCI Retailer and Brand Members, spanning websites, in-store signage, print materials, social media, sustainability reports, and video. These materials are an important facet of the overall communication of Better Cotton.

Annual Report

BCI will launch its 2016 Annual Report at the start of the Global Cotton Conference on 17 May 2017. The web-based report highlights efforts at Secretariat and field-level aimed at making cotton production more socially, economically and environmentally sustainable.



A new section is added to the 2017 report, Stories from the Field, which highlights farmers from four countries and shows the diversity of issues that characterise Better Cotton production.

The Global Harvest Report section includes global and country-level reach figures that demonstrate progress being made towards the 2020 targets.

Centralisation of BCI's Information Infrastructure

BCI has expanded quickly over the past few years and with this expansion, the volume of data on membership, transactions, projects and farmer results has increased rapidly. Until now, most data is managed through a mixed collection of individual software packages and most often cannot be linked. This has resulted in a high proportion of manual data management.

The efficient and effective application of ICT tools is at a critical stage for BCI's ability to effectively manage projects, members and the supply chain. In a development shared with many other standards systems, BCI is gradually becoming a data manager.

In the first quarter, BCI recruited an in-house IT Project Manager to start in June, and who will lead BCI's work to integrate our various platforms, source new tools to automate data entry and

analysis where this makes sense and to develop the Online Project Database (OPD) for collecting and analysing field-level data (e.g. Global Reach Indicators and Results Indicators). The Online Project Database (OPD) will be available to partners for direct data input, thus, greatly improving efficiency, accuracy and comprehensiveness

STORIES FROM THE FIELD

**"My daughter
used to pick
cotton in the
fields or carry
water for her
father. Now all
of my children
go to school."**

**— Aasiya, wife of a cotton farmer,
Punjab, Pakistan**

