

BCI COUNCIL AGREEMENTS 2018

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Actions & Decisions

- ✓ Finance Committee to assess 2018 finances and report to Council;
- ✓ Council Members to contact CEO if interested in taking part in the fundraising taskforce;
- ✓ The Council approved a policy on the use of surplus; the CEO will submit a proposal on the way to invest 250K;
- ✓ The Council appointed a Nominations Committee to appoint Members;
- ✓ The Council approved the IPUD proposal on a one-year basis;
- ✓ The Council approved the USA Group Assurance Model.

Summary of Decisions & Actions

The Chair opened the meeting. The agenda was approved with one slight change in the items order. Joost Oorthuizen, Marc Lewkowitz and Sandeep Hota were excused.

1. Finance update

1.1. Unaudited 2017 results

The numbers presented below are unaudited. BCI Secretariat audit will take place in March 2018. *Changes are unlikely but still possible until the audit takes place.*

2017 expenses were below original budget and yearend forecast. The international Finance Manager presented the headline variances in 2017.

Euro '000	Actuals	Budget		Forecast	
Income	7,064	6,926	138	7,565	(501)
Operating Expenses	(5,835)	(6,661)	826	(6,935)	1,100
Operating Result	1,229	265	964	630	599
Financial Expenses	(193)	(121)		(121)	
Net Result	1,036	144		509	

The variance in income (501 k) between the forecast and the actuals can be explained by the variation of 240 k in the income of VBF Demand Strategy and by the gap of 270 k in the income for the USAID projects. The VBF fees charged to GIF were lowered by 240k thanks to the surplus at BCI. The USAID funds recognition was reduced due to technical issues with the grant.

Operating expenses were lower than originally forecast. The last forecast was done end of September 2017 and some variances were observed in the last three months of the year.

	Euro '000
Bad debt recovery	240
Travel	170
Meetings	64
Consultancy & other 3 rd party fees	335
Payroll	235
Other	56
	1,100

The finance team has seen an increase of invoicing between 2013 and 2017 of over 700%. In 2016 it was decided to use Salesforce better to manage membership invoices. Due to the increase in transactions, a number of invoices at the end of Sept 2017 were old and the provision had been calculated on this.

- On the question of bad debt, the membership and finance team recovered a significant number of invoices between September and December. This was better recovery than anticipated. Because it was delivered mostly in the last quarter, it explains the reduction in the provision and a positive variance.
- The variance in travel and meeting can be explained by the underspend in India and Pakistan due in part to the local currency devaluation.
- The variance in payroll is explained by the recruitments which took place later than budgeted. The COO added that activities have been delivered as planned in the Annual Operating Plan and the variances are mainly explained by the other factors listed previously.

Stressing the need to improve the accuracy of budget and forecast, the finance team defined its 2018 objectives on working on the finance fundamentals, forecasting, Financial Force (FF) implementation and management accounting of foreign entities. In 2017, the efforts have been

focused on aligning management system to build a strong finance function both in Europe and overseas offices.

In Q1 2018, the Finance team will add personnel in accounts payable and accounts receivable and there will be further segregation between administration and oversight. On the forecasting side, FF has additional functionality to allow more accurate revenue recognition. Expense tracking will enable better forecasting capability. Development of dashboards for all managers will enable timely reporting on costs leading to a more stable, predictable, reliable, transparent and solid financial system. Attention will be given to foreign entities to ensure a transition to FF and, through training, ensure adequate finance capacity at a local level.

The Treasurer supported the proposals which will lead to more accountability and reliability of BCI finances. It was added the cash flow position was robust but the issue of exchange risk needed to be addressed. In addition, the Finance Committee and Finance team need to evaluate non-euro assets and liability more systematically.

Chair requested the Finance Committee to review the financial system and assess its robustness and fitness for purpose given the continuing rapid growth in BCI. He stated that the BCI Council needed accurate and reliable financial data throughout the year in order to exercise effective oversight. If necessary, the committee should be able to draw on external expertise / resource.

Actions:

- **Finance Committee to meet ideally in the last week of March. Agenda will include an assessment of whether the 2018 budget needs to be revised and an evaluation of the proposed financial management and reporting processes.**
- **Council to receive a report on the financial system at its meeting in June.**

1.2. Income generation (picking up on Geneva agreement to set up a task force)

The CEO reminded Council that the Secretariat was looking for a task force with some members to support BCI fundraising activities and requested volunteers to join the task force.

Action: Council Members to contact the CEO by email by 09 March 2018 if they are interested in taking part in the task force.

1.3. Use of surplus – Operating Plan priorities and resources

Part of the surplus BCI generated in 2017 will be applied to reserves to enable achievement of the previously agreed target of three months of operating reserve. An additional 250 K is available for reinvestment and the CEO will submit a proposal on its application to Council before its next meeting.

Decision: Council approved the suggested approach on the use of surplus.

Action: CEO to submit a proposal on the way to invest 250 K by 24 April 2018.

2. Outcome of February vote on Statutes revision

The results of the Extraordinary General Assembly (EGA) 6&7 February 2018 were presented to the Council. The revised Statutes were accepted by 98% of the members voting. Quorum was met for all caucuses.

It was confirmed that a Nomination Committee should be constituted from among Council members. The Committee would be responsible for the enforcement of more stringent criteria for both election and nomination of Council Members and for co-opting candidates. Other items under discussion:

- There was a consensus on the need to co-opt candidates after the election takes place. The right experience and skills set that Council need could be evaluated only after members are elected.
- On the election process, it was confirmed that both a forum with Yammer and webinars will be available to allow members from each caucus to ask questions and present themselves.
- The co-option process has not been designed to re-elect candidates who have completed their two mandates. However, it was suggested that in exceptional circumstances, and in the absence of qualified members standing for election, the Nomination Committee could decide to co-opt a member who had already served two terms. The key point is to ensure the candidate has the required skills and contributes to the breadth and diversity of the Council.

Action: The Secretariat to revise timeline and ensure the timing is sufficient for the nomination committee to vet candidates.

Decisions:

- **The Council agreed on the establishment of the Nomination committee.**
- **The possibility of co-opting a member who served twice will remain open but should not be used systematically.**

(Note: During the subsequent call, members of the Governance Working Group were requested to propose members of the Nomination Committee.)

3. IPUD

Leon Picon left the meeting for this item because of a possible conflict of interest.

The BCI Executive Team proposes to expand its direct engagement in Turkey to promote further growth and reach in the country. The proposal focuses on setting up a Service Level Agreement (SLA) mechanism with its Strategic Partner, IPUD, whereby BCI will provide financial support to IPUD in exchange for IPUD fully representing BCI in Turkey according to strategic directions provided by BCI. This would increase BCI's influence over the Turkey Country Plan and allow IPUD to strengthen its profile and support base, eventually leading to more independent financial operations.

Following the establishment of The Good Cotton Practices Association (IPUD) in 2013, BCI has operated in Turkey through a Strategic Partnership Agreement (SPA) with IPUD.

Until now, IPUD has largely self-financed its own secretariat (through fundraising from various sources and building up a modest membership base). Field-level projects have been supported by the BCFTP / GIF.

Since 2013 the programme has expanded from its original 280 farmers and 13,000 MT lint to around 374 farmers and 30,000 MT, but this falls considerably short of the planned targets - based on current data for Turkey, the programme currently accounts for less than 4% of the country's cotton production.

Turkey is considered a country of strategic importance for BCI, and urgent action is required to adjust the model to ensure that the Turkish Better Cotton programme has every opportunity to succeed and thrive.

- In term of quality of implementation, IPUD is considered a very reliable partner. The risks on site are considered low.
- The estimated cost of the proposal is 93 k EUR for one year.
- Some concerns were raised on the length of the agreement. 2 years was suggested to have more time to evaluate the future model.
- Secretariat was requested to evaluate strategically whether Turkey should become a fourth country in which to base BCI operations and to consider all possibilities carefully.

Decision: The Council approved the proposal on IPUD on a one year basis and requested the Secretariat to assess within 6 months if the agreement should be extended.

It was requested that more background be provided in the pre-reads. In addition, some risk assessment as well as worst case / best case scenarios should be included in any proposals in the pre-reads.

4. Group assurance model (USA)

A proposal to transition the US Large Farm (LF) Group Assurance Model pilot phase into a formal element of the Better Cotton Assurance Programme was submitted to Council.

- June 2015: start of the group assurance model pilot in the US
- 3 years of piloting: growing from 37 to 366 farms
- Recommendation: formalise the LF group assurance model within the BCI assurance Programme.
- In the short term, only applicable to the US.

Key results and benefits are the pilot are listed below:

- Enabled rapid uptake of BCI in the US
- USA: risk of non-compliance is very small (< 0.5%)
- Strong but not waterproof regulatory framework
- USA performance level is "advanced" but significant room for improvement
- Leverage existing relationship between growers and group managers (trust)
- Shift the admin (and cost) burden from growers to group managers
- Leverage the goodwill, local expertise and management capacity of gins, coops, and merchants
- Enable better spread of verification over the years
- Second party credibility checks enable BCI to strengthen relationships with growers and get better field level insights.

Secretariat requested the Council to formalize the Group Assurance Model as an integral part of the better Cotton Assurance Programme.

Decision: Council approved the proposal stressing that the approach could be expanded to other countries with strong governance following an assessment of relevant regulations and enforcement, similar to that undertaken in the USA. Secretariat was requested to make sure that intent is reflected accurately in the assurance programme document.

Items 5 to 9 were adjourned due to the time restriction. Council members were requested to send their comments and question by email to the CEO directly.

Action: Council members to send question on item 5 to 9 of the agenda by email by 09 March.

Next Council Call:

Council Call: Tuesday 24 April 2pm CET

CALL, 24 APRIL

Agenda ITEMS

1. Introduction: 1st quarter overview
2. Finance - Approval of final 2017 Accounts
3. GDPR in the European Union and BCI preparedness
4. Governance & Council Election Update
5. Update on ongoing independent research on BCI
6. Conference planning and sponsorship
7. AOB

Actions & Decisions

- ✓ Approval of 2017 accounts;
- ✓ Creation of a BCI policy on data protection;
- ✓ Minutes from the Nominating Committee to be sent to the Council;
- ✓ Council members to mobilise their networks in promoting the Global Cotton Conference in Brussels in June 2018.

Summary of Decisions & Actions

The chair opened the meeting. Phil Townsend (Marks and Spencer) and Pramod Singh (IKEA) were excused.

1. Introduction: 1st quarter overview

Three main issues were mentioned by the CEO:

- The formation of a committee by the IFC which will meet for the first time in Taskhent;
- New BCI staff:
 - Alice Tall (Geneva), who will be the direct point of contact as governance and council coordinator. She will be replacing Fanny Udin who will be specialising in HR and for whom this is the last council call;
 - Alia Malik (London), who will act as the new Director of Implementation;
 - Jerome Kerouedan (Geneva), who started earlier this month as a Finance AP Intern and will be looking after accounts payable in Geneva.

The chair welcomed new arrivals and thanked Fanny both personally and on behalf of the Council for her great organisational skills and outstanding work for the Council.

Q1 2018 SUMMARY INCOME STATEMENT

- Finance update:
 - A new internal reporting system with monthly financial monitoring reviews will, in tandem with the introduction of new software, improve financial reporting.
 - The 400K€ increase in projected expenses are partially offset by funding obtained from the Swedish development lottery to finance development work.
 - The Finance Committee will review in detail the report for the next quarterly review call on the 8th May 2018.

Income Statement Euro K				
	2018 Actual Q1	2018 Annual Budget	2018 Annual Forecast	2017 Actual Q1
Total Income	5,494	8,562	8,779	4,500
Operating Expenses	(1,477)	(8,032)	(8,451)	(1,182)
Financial Expenses	(10)	(121)	(121)	(44)
Surplus	4,007	409	207	3,274

2. Finance - Approval of final 2017 Accounts

- Accounts are now audited for the 2017 results. The auditors (Deloitte) were satisfied by the processes examined. The chair reiterated that Deloitte has not identified any weakness in bookkeeping and financial requirements.
- The net result was twice what had been forecasted, a gap in forecasting which BCI will endeavour to avoid next year, thanks to new financial monitoring processes.

Decision: The council approved the accounts for 2017.

3. GDPR in the European Union and BCI preparedness

- The GDPR is a very strict regulation about data protection from the EU coming into effect on 25th May 2018. BCI is concerned insofar as it has activities, stakeholders and employees in the EU.
- For BCI, three categories of contacts will be concerned by the regulation:
 - BCI personnel and individuals directly involved in BCI, including Council members and candidates applying to BCI.
To a certain extent, data that is part of an employment contract can be held by BCI. Otherwise consent must be sought and given. BCI contracts and correspondence will be amended accordingly
 - Members and users: membership and user forms and correspondence will be amended accordingly
 - Address books on individual phones and laptops, social media lists, lists of prospects (donors for instance), and other such lists constitute a grey area (for all organisations, not only BCI) and legal advice will be sought to ensure we comply.
- A comprehensive IT audit is scheduled for 8th May and we shall use this opportunity to determine what BCI's exposure is in terms of the data we hold.
- There were queries about:
 - BCI's ability to be compliant by the time the regulation comes into place.
 - The CEO was confident that BCI would be ready by the 25th May 2018.

- Whether the changes to data management would only apply to EU related business or would apply to all.
 - The CEO confirmed that BCI will endeavour to treat all data in a similar manner, especially since once the data enters the EU, it should be treated according to regulations.

Decision: The council agreed and decided on the creation of a BCI policy on data protection.

4. Governance & Council Election Update

- The election process has begun and 20 applications for seats in the council were received.
- The Nominations Committee was to meet right after this call to agree on processes. The Committee will be responsible for:
 - Setting the criteria for candidates for election and vetting their applications against the criteria;
 - Guiding the four categories on the election process although, as previously, the caucuses will manage their own elections;
 - Identifying and recommending candidates for co- option since under the new process there will be one co-opted member per category.

Decision: Minutes from the Nominating Committee will be sent to the Council.

5. Update on ongoing independent research on BCI

- BCI's Monitoring and Evaluation Manager gave a summary of four independent research projects focused on BCI and currently taking place in India and Pakistan. Projects are being undertaken by the Copenhagen Business School (*Multi-Stakeholder Initiatives in the Cotton Value Chains of South Asia*); the National Resources Institute of Greenwich University (*Demonstrating and Improving Poverty Impacts (DIPI)*); Thinkstep India (*Life Cycle Assessment (LCA) of Cotton Cultivation Systems: BCI, Organic and Conventional Cotton*); and the American Institute of Research (*Socio-Economic Assessment of Cotton Farming in Madhya Pradesh, India*).
- BCI and Council members were very much aware of the potential opportunities and consequences of independent publications. The CEO confirmed that BCI would ensure to the best of its abilities that the facts are accurate.
- Council members expressed positive encouragement for BCI to engage in such work as this generally strengthens the case for BCI.
- On the other hand, Council members also expressed concerns about:
 - the narrow focus of some of the studies which do not take usage, environmental practices, etc. into account;
 - the potential effect on BCI's image in the media and reiterated the need to provide as much support as possible to researchers and to reinforce BCI's communication flow. The chair advised that BCI should prepare, ahead of time, informed responses and/or informed media management
- There was an agreement on the necessity to identify additional studies in other regions and on a wider range of issues, which has so far been a challenge for BCI's M&E team.

6. Conference planning and sponsorship

- BCI's Membership Engagement and Marketing Manager informed the Council that the theme of the Global Cotton Conference taking place in Brussels in June would be *Towards 2030: Scaling Impact Through Collaboration*. The conference is a collaboration platform for sustainable cotton.
- This year, a networking app will be made available to delegates; a videographer will capture highlights; and the programme will emphasise opportunities for interactive engagement.
- Council members queried whether the conference would be engaging towards non-BCI people. The CEO confirmed that the conference should be understood as going beyond BCI – open and inclusive to the whole sector and including non-members.

Call for Action: Council members were encouraged to mobilise their networks, including non-BCI members to register for the conference.

Soft copies will be distributed to support council members in promoting the conference.

7. AOB

- Council members did not raise AOB points.
- The CEO proposed for Bilal Israel Khan (Secretary) to give a summary of his recent trip to Australia which was funded by Cotton Australia and BCI.
 - The Secretary reported that Australian Cotton Farmers are currently much further ahead than Pakistan and experiencing consistent progress.
 - The trip enabled much peer learning, notably in terms of sustainable ways to control harmful pest such as whitefly, by letting their natural enemies control them.

Next Council Meeting:

Council Meeting: Monday 25th and Tuesday 26th June 2018

SPECIAL NOTE: the dates and venue for the November Council meeting have been changed in order to support and participate in the 10th Anniversary of our Strategic Partner, IDH.

The Council meeting will be held in Amsterdam on November 13 and 14. IDH is helping secure a location and the venue will be confirmed in due course.

