

# BCI Gin Monitoring Guidance

2018

## Introduction

This document sets out the basic process for verifying that a gin meets relevant requirements from the *Better Cotton Chain of Custody Guidelines v1.3*<sup>1</sup>. This document is applicable for BCI staff or consultants carrying out second-party monitoring visits on gins, as well as designated third-party auditors carrying out gin audits.

Individuals carrying out gin visits or audits ('assessors') are expected to follow the general guidance in this document. However, not all sections or questions may be relevant, and the specific records or evidence requested may also vary, depending on the context and any findings during the visit.

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<sup>1</sup> Available at <https://bettercotton.org/about-better-cotton/better-cotton-standard-system/chain-of-custody>

## Planning the visit

Assessors should provide the gin with written notification of a standard gin monitoring visit or audit 5-7 calendar days ahead of the scheduled visit.<sup>2</sup> The notification should clearly state the purpose of the visit, the names and roles of those who will be carrying out the audit or monitoring visit, the expected schedule, and any requirements for access to staff/ workers or documents.

The notification should include a copy of the following documents:

- Better Cotton Chain of Custody Guidelines v1.3
- BCI Gin Agreement 2018
- BCI Gin Monitoring Protocol (this document)
- BCI Gin Monitoring Reporting Template

Gins may also be asked to provide (or confirm) basic operating information at this time, such as contact names and details, procurement processes for Better Cotton, and total production capacity. If non-conformities had been identified during a previous monitoring visit, the gin may also be requested to provide a copy of the corrective action plan ahead of the visit.

Assessors should review the gin's purchase/ sales history in the Better Cotton Platform (BCP) ahead of the visit and identify in advance any transactions that appear unusual or where additional explanation may be required (e.g. high volumes, late season purchases, unusual suppliers, etc). Assessors should ensure they have access to the BCP during the monitoring visit and may also bring a print-out of the gin's transaction history.

## Opening meeting

All gin monitoring visits or audits should start with an opening meeting with the designated BCI Contact and/or Gin Manager present. During this meeting, assessors should cover the following points:

1. Clearly explain the purpose of the visit, with a reference to the *BCI Chain of Custody Guidelines v1.3*
2. (Optional) Invite the gin to give a brief overview of their business and the current ginning season, and any issues they are facing. Note: this may also be covered during the management interview in the next section
3. Explain the confidentiality of information collected during the visit, noting that all documents, worker/staff interviews and related information will be shared only with BCI for the purposes of ensuring the Chain of Custody requirements are met. Information will not be shared with any third parties.
4. Review the components and expected schedule for the visit, including the management interview, document review, site visit/ worker interviews, and closing meeting

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<sup>2</sup> Note that BCI may commission short-notice audits or monitoring visits with a minimum 24 hours' notice – for example in the case of suspected risk areas or non-conformities. Refer to the Better Cotton Chain of Custody Guidelines v1.3 requirement 4.7.1; available at <https://bettercotton.org/about-better-cotton/better-cotton-standard-system/chain-of-custody/>

5. Explain that during the site visit, assessors may request permission to speak with workers or staff directly to understand how processes are implemented at site level – during these visits the Gin Manager/ BCI contacts will be asked not to be present.
6. Explain that in some cases, assessors may cross-check gin purchase records through interviews or documentation review of licensed BCI farmers. These cross-checks are designed to reassure BCI stakeholders that Better Cotton entering the supply chain can be traced back to licensed BCI farmers. Refer to Annex 1 (Farmer Interview Procedures)
7. Briefly explain next steps after the visit, including generating a follow-up report and timelines to close any identified non-conformities
8. Invite any questions, clarification, or comments from the BCI Contact or Gin Manager

In many cases the opening meeting will lead directly into the Management Interview/ Documentation Review. However, it is important that time is spent covering these points right at the beginning of the visit so that the gin management team fully understands the purpose and potential outcomes of the visit.

## Management Interview/ Document Review

This section of the gin visit includes an interview with the Gin Manager/ BCI Contact and other relevant staff responsible for implementing Chain of Custody requirements. For example, this might include individuals responsible for entering data into the Better Cotton Platform (BCP), managing procurement records, or handling sales of Better Cotton. This section of the visit also includes a review of relevant documents – refer to Annex 1 of the BCI Gin Agreement for further detail on the types of documents that may be reviewed.

### 1. Background context

#### Sample interview questions

- 1.1. Conventional cotton ginning:
  - a. Do you gin both Better Cotton and conventional cotton?
  - b. Can you give us an idea about how much of each you plan to gin this year? (can ask about total volumes and percentages)
  - c. How much Better Cotton did you gin last year (as percentage of total)?
- 1.2. Capacity of your ginning operation – for example:
  - a. How many ginning machines does your factory have and what is the total ginning capacity of your facility? (i.e. number of bales/ day on full capacity).
  - b. How many days/ months a year do you run your factory? How many hours/ days?
- 1.3. When did your facility start ginning operations this season?
  - a. How many bales have you ginned so far? How many of these are Better Cotton?
  - b. How many Better Cotton bales do you currently have in stock (may also be covered during site interview)

## 2. Responsibilities, training, and record-keeping

### Sample interview questions

- 2.1. *[If not already covered in opening meeting]* Please confirm your designated BCI Contact responsible for ensuring compliance with the Chain of Custody (CoC) Guidelines
  - a. Which other individual(s) are responsible for implementing Chain of Custody guidelines? For example, this includes purchasing Better Cotton, entering data into the BCP, reviewing trucks on entry to identify Better Cotton, making decisions about where and how to segregate Better Cotton?
- 2.2. How do you ensure that these individuals are trained and competent to carry out their relevant responsibilities?
  - a. Do you have any training records or materials?
  - b. How do you inform them about their roles?
  - c. What happens if staff or workers leave or change positions?
- 2.3. Have the individuals responsible for using the BCP completed the mandatory training offered through BCI? Do you have any confirmation of this?
- 2.4. Do you have a system to maintain all purchase, handling and sale documents relevant for Better Cotton for a period of 2 years?
  - a. How are these documents stored? In what form?
  - b. Who is responsible for maintaining them?
  - c. How do you ensure that documentation relates to Better Cotton transactions?
  - d. How easily can they be accessed by BCI on request?
- 2.5. Have you had any recent changes in BCI contact person, your procurement processes, or outsourcing (subcontracting) arrangements?
  - a. If so, did you notify BCI of these changes?

### Sample documents

- Training records or materials
- Example purchase and sale records of Better Cotton from previous 2 years
- Evidence of BCP training completed
- Evidence of notifying BCI of any changes in contact persons, procurement or outsourcing (i.e. copy of email)

## 3. Purchasing of Better Cotton

### Sample interview questions

- 3.1. How are you buying Better Cotton?
- 3.2. Do you have a documented process showing how this works?
  - a. Can you explain this to me? Who developed the process?
  - b. When was the procedure last reviewed? Is it still up to date? Do you ever purchase Better Cotton through a different process?
- 3.3. How much cotton have you bought this season? How much of this was Better Cotton?
- 3.4. How can you link the Better Cotton you have bought back to licensed BCI farmers? What kind of records do you keep for this?

- 3.5. How do you ensure these are from licensed BCI farmers?
  - a. Do you go back to IP/PU staff to verify?
  - b. What kind of support is provided by them?
- 3.6. What records do you collect from either middlemen, markets/ agents, or farmers (as applicable)?
- 3.7. How you differentiate trucks arriving with Better Cotton and conventional cotton? Who is responsible for reviewing trucks upon arrival and determining which cotton is Better Cotton?
- 3.8. Do you ever purchase Better Cotton from a middleman?
  - a. If so, do you have a list of all middlemen you have purchased from? Does this include their contact information?
  - b. When was this list last updated?
  - c. Did your middlemen provide you with information on the list of licensed BCI farmers and purchase receipts?
  - d. How do you ensure that middlemen keep Better Cotton segregated from conventional cotton? Have they received any training on this?
- 3.9. How do you receive the Annual Authorized Volume (AAV codes)/ License codes to enter them into the BCP?

### Sample documents

- Purchase register – containing seller/ farmer name, volume, date
- Copies of purchase records/ receipts given to farmers and/or middlemen (where applicable) – enabling individual purchases to be traced back to licensed BCI farmers
- Gate Pass slip
- Weight Bridge slip
- List of middlemen (if applicable)

### Verification

- Review purchases in the BCP and select 3-5 transactions – representing at least one recent purchase, one from several months ago (if possible) and one from the previous season.
  - Include any potential outlier transactions (e.g. much higher volumes, late season purchases, etc) in the sample size
- Ask the gin to provide the relevant documents for 2-3 of these transactions that will allow them to be linked to licensed BCI farmers (i.e. from farm to gin)
  - Note that if the BCP entries are aggregated, the gin needs to be able to trace back to individual purchases from farmers (via middleman if applicable)
  - Sample sizes can be increased; for example, due to very high volume of purchases or if there are gaps/ questions with records provided for the initial transactions selected
- Verify that all documents can be linked, appear accurate and complete, and clearly show that purchases can be tracked back to licensed BCI farmers
- Verify that volumes in the BCP for aggregated transactions reconcile with all individual purchases
  - *Note that as the Better Cotton Chain of Custody Guidelines v1.3 only came into effect on 1 August 2018, transactions from previous season(s) may not comply with the (new) specific Chain of Custody requirements around tracing back to*

*licensed BCI farmers – in these cases, observations (but not non-conformities) can be noted, provided that recent transactions meet all requirements*

- If the gin is using middlemen, select one middlemen name from the list and ask to see recent purchase records from that middleman – ensure these can be cross-checked against data in the BCP
- If applicable, a sample of middlemen can be contacted (in-person) to cross-check purchase records and contact information
- If applicable, carry out selected interviews with licensed BCI farmers to cross-check purchase information [refer to Annex 1]

## 4. Segregation and identification of Better Cotton

### Sample interview questions

- 4.1. What is your present ginner turnout ratio?
  - a. How is this calculated?
  - b. Has this changed at all from the turnout ratio provided to BCI at the start of the season?
  - c. Can you verify this with any sample of production records?
- 4.2. How do you ensure Better Cotton is kept segregated? Please describe how this system works at each stage of purchase, receipt, storage, ginning, transport, and handling of Better cotton.
- 4.3. Does the gin have any other storage facilities (or purchasing office) where Better Cotton might be kept?
- 4.4. What system do you have in place to identify seed Better Cotton?
- 4.5. What system do you use to identify Better Cotton while in heaps and bales?
- 4.6. Which workers are responsible for 'implementing' this system at each point? (i.e. deciding whether something is Better Cotton at receipt)
- 4.7. If buying from a middleman or market, how do you ensure the cotton is segregated during handling by the middleman or market?
- 4.8. How much inventory do you currently have in the form of seed cotton and lint?
- 4.9. How do you ensure that all staff handling Better Cotton are aware of this system for segregation and identification?
  - a. Have you carried out any training? Who conducted the training?
  - b. Do you have any records of this training? What was covered?
- 4.10. How do your buyers know that lint cotton bales are Better Cotton when they receive it? (e.g. on sales documents and physical bales)

### Sample documents

- Purchase register – containing seller/ farmer name, volume, date
- Gate Pass slip
- Weight Bridge slip
- Inventory records
- Production records
- Sales records

## Verification

- Check purchase register and gate receipts. Do truck volumes of Better Cotton received make sense compared with purchase records?
- Cross-check inventory records with purchase and sale records. Does the amount of Better Cotton in inventory currently make sense given recent purchases and production records?

## 5. Use of the Better Cotton Platform (BCP)

### Sample interview questions

- 5.1. Can you confirm who is responsible for entering data into the BCP?
  - a. What happens if that person is ill, away or unavailable?
  - b. How and when were these individuals trained on using the BCP?
- 5.2. *[Questions for the individuals responsible for BCP data entry]*
  - a. Please explain the process for entering data into the BCP?
  - b. How and when does this happen?
  - c. How do you decide when to aggregate individual purchases or sales to enter into the BCP?
  - d. How do you check enter transaction reference numbers and enter these into the BCP?
- 5.3. What do you do if you have any questions about how to use the BCP? Who do you contact?
  - a. Are there areas where you could use more training or support on how to use the BCP?
- 5.4. How do you ensure that data entered in the BCP always relates to an actual physical purchase/ sale of Better Cotton?
  - a. Do you carry out any checks? What do you do if you find any errors?

### Sample documents

- Purchase records (also covered in Section 3 [Purchasing of Better Cotton](#))
- Gate pass & weigh bridge slips
- Lint gate pass
- Lint sales invoices, sales contracts, and shipping documents

## Verification

- Select 3-5 sample transactions from the BCP to cross-check to ensure it corresponds to a physical transfer of Better Cotton.
  - a. Verify the individual(s) responsible for entering data and checking this in the BCP
  - b. Additional transactions can also be added to the sample – for example due to high volume in transactions or gaps/ questions with records provided for the initial transactions
- Review corresponding records for each selected transaction [note this may have already been covered in Section 3 [Purchasing of Better Cotton](#)]



- a. For sales transactions, ask to see delivery/ shipping documents as well as invoice/ contracts
- For each selected transaction:
  - a. Check BCP data entry vs actual purchase/ sale date (confirm these are within the 30-day timeframe specified in the Chain of Custody Guidelines)
  - a. Confirm dates and volumes are consistent across records and with BCP data
  - b. Confirm that transactions in the BCP can be linked to records via unique transaction reference numbers [for sales] and purchase dates/ date ranges [for purchases] *Note: these are mandatory only for transactions entered after 1 August 2018, when the revised v1.3 of the Chain of Custody Guidelines came into effect*
  - c. Check that for aggregated entries in the BCP; these can be linked back to individual purchase/ sale transactions
- Identify any unusual transactions in the BCP (or based on records) and ask specific questions to gather more context and understand any potential areas of non-compliance
- Review production records to verify if the gin turnout ratio as declared (i.e. as provided to BCI on gin registration forms) reflects production capacity

## 6. Other Chain of Custody requirements

This section includes questions and documents related to subcontractors, use of Better Cotton claims, and supply chain monitoring and penalties

### Sample interview questions

- 6.1. Do you use any subcontractors to handle or process Better Cotton (aside from transport companies)?
  - a. If so, do you have a documented outsourcing agreement or contract?
  - b. Do you have a signed declaration in place with subcontractors handling Better Cotton?
  - c. Was there any change if the subcontracting terms and condition or change of subcontracting party?
  - d. Do any subcontractors have access to the BCP?
  - e. How do you ensure that subcontractors fully understand the relevant Better Cotton Chain of Custody requirements and are competent to follow these? Please give examples? Do you provide any type of training and who does the training for them?
- 6.2. Have you had any non-conformities observed during a previous gin monitoring visit or audit?
  - a. If so, what actions did you take to close them?

### Sample documents

- List of subcontractors
- Outsourcing contracts
- Signed subcontractor declarations
- Non-conformity reports from previous audits/ monitoring visit, along with corrective action plan and evidence that corrective actions have been implemented



## Site visit and staff/ worker interviews

This section of the visit includes a walk-through of the ginning site and operations. The aim is to observe the segregation and identification of Better Cotton, and to cross-check (through visual observation and discussions with staff/ workers) that Chain of Custody-related procedures are implemented and working on the ground. The site visit also offers an opportunity to verify that workers handling Better Cotton are competent in carrying out their respective responsibilities.

### Components of the site visit:

1. Observe the process for seed cotton arrival and truck entry
  - a. How is seed Better Cotton identified on arrival?
  - b. Discuss with the responsible worker(s) – how does this process work in practice?
    - i. ‘What documents are checked when trucks arrive?’
    - ii. ‘What happens if trucks can’t be identified as Better Cotton when they arrive?’
    - iii. ‘Where is Better Cotton seed cotton sent after it is received?’
    - iv. ‘Who manages this process when workers change shifts?’
2. Review storage areas for Better Cotton seed cotton and lint cotton bales
  - a. Visual estimate of how much cotton is stored as Better Cotton in heaps and bales – do these volumes make sense given the recent purchase and production volumes?
  - b. Do signs or identification for Better Cotton look brand new or recently added?
3. Observe the system for segregating and labelling Better Cotton in practice - is it working how it was described during the management interview?
  - a. Follow Better Cotton through every stage of storage and handling - who is responsible for segregation at each part of this process?
4. Speak to workers in charge of segregating and labelling Better Cotton (for both seed cotton and lint cotton)
  - a. ‘How do you know if a shipment is Better Cotton when you receive it? Who else is responsible for this process (for example, if you’re not on site)?’
  - b. ‘What process do you follow for unloading of Better Cotton and conventional cotton and making heaps?’
  - c. ‘Are the Better Cotton signs/ labels up all the time? Who is responsible for placing them?’
  - d. ‘How do you confirm if a bale is Better Cotton? What happens if you run out of labels or signs?’
  - e. ‘Who decides the storage slot for Better Cotton bales?’
5. Review number of ginning machines, type of pressing machines, and storage area
  - a. Verify that production capacity as previously stated aligns with visual inspection
6. Carry out visual inspection to check that bales (e.g. in storage and ready for dispatch) are clearly identified as Better Cotton
  - a. Verify that the quantity of Better Cotton lint cotton in storage (as noted through visual observation) is similar to recorded quantities

## Closing Meeting

The aim of the closing meeting is to sit down with the Gin Manager/ BCI Contact and review the preliminary findings of the visit. It is critical that gins fully understand any *potential* non-conformities that have been identified, along with the evidence gathered, and the next steps after the visit.

During the closing meeting, the assessor should cover the following points:

1. Thank the gin management team for their time and support during the visit
2. Explain first any areas where the gin is performing well – for example, staff that clearly understood their responsibilities, effective record-keeping systems, etc.
3. Identify any areas where further improvement may be needed to fully meet the relevant Chain of Custody requirements
4. Clearly explain any *potential* non-conformities observed during the visit, including a summary of the objective evidence discovered
  - a) Clarify that non-conformities are only marked as potential until the final report and evidence has been reviewed by Senior BCI Management; the gin will receive the final report within 2 weeks of the visit.
5. Provide an overview of the follow-up process to address minor and/or major non-conformities (if relevant), covering the following points:
  - a) The gin will receive a Corrective Action plan template along with the final report within 2 weeks; this is to be completed and sent back to BCI within another 2 weeks
  - b) The gin is expected to carry out an investigation to understand the root cause of any non-conformities before identifying corrective actions
  - c) BCI or third-party auditors may follow up directly (either remotely or in-person) to request evidence that corrective actions have been implemented
6. Confirm next steps, including:
  - a) The gin will receive the final report (including any non-conformities) within 2 weeks
  - b) If there are any questions, the gin can get in touch with the local BCI Supply Chain team
  - c) If the gin feels they disagree with the findings of the audit or monitoring visit (after the final report is received), they can refer to the Appeals process outlined in the *Better Cotton Chain of Custody Guidelines v1.3*

# Annex 1: Farmer Interview Procedures

## Introduction

This section outlines the procedure for carrying out farmer interviews during a BCI gin monitoring visit or third-party gin audit. This activity can provide a valuable cross-check between purchase records as reported by a gin and sales records (or verbal evidence) directly from licensed BCI farmers.

Farmer interviews are not required as a mandatory component of gin monitoring visits/ audits. In most cases farmer interviews won't be necessary or feasible to carry out – for example due to time/ logistical considerations. However, assessors have the right to carry out farmer interviews when necessary, for example in response to specific risk areas identified.

It should be noted that because only a small sample of farmers can be interviewed, the findings must be taken in the broader context of a gin's purchasing activity (where purchases might be made from hundreds of farmers over the course of a season).

All gins should be made aware of the *possibility* to cross-check records with farmers during the opening meeting of the visit (refer to [Opening Meeting](#) section of this document). This way, if the assessor determines that farmer interviews are required, the gin will already be informed.

## Process steps

- 1) During the opening meeting at the beginning of the gin monitoring visit, assessors must mention the possibility to cross-check purchases with farmers during the visit (whether they do in fact speak to farmers or not). For example: *'BCI is taking extra steps to ensure that the Better Cotton flowing into the supply chain can be linked back to licensed BCI farmers. As a part of this work, we may carry out interviews with selected farmers in order to cross-check a sample of your purchase records. If this is the case we will let you know during the visit and will work with the Producer Unit to identify relevant farmers, and we will ensure that a member of the Implementing Partner (or local partner) is present during all interviews'*
- 2) Farmers should be identified with the help of the PU staff and farmer contact details should be based on a documented list of farmer names and contact information
- 3) Assessors must only conduct farmer interviews with the inclusion of a member of the IP present and interviews should be carried out in person, not via telephone
- 4) At the completion of the interviews, assessors should write down a short summary of all farmers interviewed and a summary of their response. The Implementing Partner representative must sign a statement on this document confirming that he/she was a witness and verifies the information presented is an accurate representation of the interviews.
- 5) Assessors should at no time during the gin visit or farmer interviews indicate any blame for records that cannot be cross-checked between farmers or gins.
- 6) If assessors decide to interview farmers during a gin visit, they should aim to speak to a minimum of 5-7 farmers (generally not more than 10) – it should be made clear to the gin that this is a small sample only

- a. Assessors should keep detailed written records of the farmer names and interview findings; records can be signed by the Implementing Partner representative to confirm accuracy
- 7) If two or more farmers cannot cross-verify the legitimacy of gin purchases, the assessor should communicate to the gin (during the monitoring visit) that these findings indicate a *potential* non-conformity with requirements 4.1.3 and 4.4.2 of the Chain of Custody Guidelines<sup>3</sup>:
- a. The assessor should explain that following the gin monitoring visit, the findings will be discussed with senior management at BCI. Depending on the nature of any discrepancies found, it could lead to an observation, a minor or major non-conformity, or (in serious cases only) a recommendation to suspend the gin's Better Cotton Platform account
  - b. Note that a gin's BCP account may not be blocked until the monitoring/ audit report has been reviewed by BCI Senior Management and findings have been communicated to the gin
- 8) Any gins where farmer interviews have raised concerns about validity of purchases will be identified as higher-risk for future gin monitoring and auditing activities

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<sup>3</sup> Requirement 4.1.3: *The gin shall keep accurate records of all purchases of Better Cotton, including name of the seller, purchase date, volume, and AAV or farmer code (if purchasing directly from a farmer); Requirement 4.4.2 The gin shall only enter or acknowledge transactions in the BCP if they correspond to a genuine purchase or sale of physical Better Cotton*