



Better Cotton Chain of Custody Guidelines

Version 1.4

Implementation is applicable from the beginning of the harvest season that begins on 1 August 2020, as defined by the International Cotton Advisory Committee (ICAC)

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Versions updated

Responsibility for the Better Cotton Chain of Custody (CoC) Guidelines is held by the Better Cotton Initiative (BCI). Readers shall use the latest copy of this (and other related documents). The definitive version of the requirements is maintained on BCI's website at www.bettercotton.org

| Version No | Issue Date | Amendments |
|-------------|--------------|---|
| Version 1.2 | 1 March 2015 | Major review of guidelines |
| Version 1.3 | 1 May 2018 | Revised version to update and clarify content. Key changes include: clarified requirements for Implementing Partners; revised requirements for gins around purchase records, documented procurement processes, and control over middlemen; clarified maximum timelines for entering data into the Better Cotton Platform (BCP, formerly the Better Cotton Tracer); added mandatory transaction reference numbers associated with entries in the BCP; expanded mandatory use of the BCP for all supply chain organisations buying and selling Better Cotton products by 2020; clarified requirements around supply chain monitoring, including remote document requests, non-conformities, and penalties for non-compliance. |
| Version 1.4 | 22 July 2020 | Revised version to provide clarity and completeness of CoC requirements. Key changes include: remove ODFs that are no longer in use; split the criteria into two for clearer understanding; moved requirements that were contained in the supporting guidance to criteria; further elaboration of some criteria to avoid confusion; added a list of definitions; strengthened the use of language for consistency and clarity (e.g. replaced 'Better Cotton products' with 'BCI orders'); changed of structure of the document; moved requirements from within the CoC to separate annexes. |

1.0 Introduction and Chain of Custody requirements

The Better Cotton Initiative (BCI), a global not-for-profit organisation, is the largest cotton sustainability programme in the world. BCI is a joint effort, working together with organisations from farms to suppliers, manufacturers, and brands, in order to transform cotton production worldwide by developing Better Cotton as a sustainable mainstream commodity.

The *Better Cotton Principles & Criteria (P&C)*¹ provide a global definition of Better Cotton and include social and environmental criteria that are applicable to farmers around the world.

The *Better Cotton Chain of Custody (CoC) Guidelines* set out requirements for organisations in the supply chain that are buying or selling Better Cotton or cotton-containing products as BCI Orders. Between the farm and gin level, this includes cotton produced by licensed BCI Farmers in accordance with the Better Cotton P&C (i.e. 100% seed Better Cotton or 100% Better Cotton bales) which must be kept segregated from conventional cotton. After the ginner level, BCI Orders are bought or sold together with 'Better Cotton' claims.

The CoC Guidelines is the key framework that connects demand with supply of Better Cotton and helps to support and incentivise farmers to adopt more sustainable practices.

1.1 Applicability

The Better Cotton CoC Guidelines are applicable for all supply chain organisations that are buying or selling Better Cotton or BCI Orders. These include ginners, traders/merchants, mills with spinning capabilities, suppliers without spinning capabilities (including fabric mills, dyeing mills, yarn and/or fabric traders, vertical mills), end-product manufacturers, sourcing agents, retailers and brands.

The Guidelines are divided into four additional sections: Chain of Custody for Ginners, Chain of Custody for Other Supply Chain Organisations, Rules for Retailers and Brands, and Requirements for monitoring compliance. Additional mandatory requirements are outlined in the Annex for Implementing Partners.

1.2 Better Cotton Chain of Custody (CoC) model requirements

The Better Cotton CoC Guidelines incorporates two different CoC models: product segregation and mass balance. Each model is applicable at a different stage in the supply chain (refer to [Figure 1](#)):

Between the farm and the ginner, BCI requires a [product segregation CoC model](#). This means that farmers and ginners are required to store, transport and process Better Cotton (seed cotton and lint cotton bales) separately from any conventional cotton. No mixing or substitution between conventional cotton and Better Cotton is permitted. This ensures that all Better Cotton bales produced by registered BCI gins are 100% Better Cotton and can be traced back to licensed BCI Farmers. The actual physical volumes of Better Cotton sold by ginners must match the volume of Better Cotton purchased, accounting for the turnout ratio.

After ginner level, BCI requires a [mass balance CoC model](#). Mass balance is a volume-tracking system that allows Better Cotton to be substituted or mixed with conventional cotton. However, it ensures that the quantity of physical cotton sold with a Better Cotton claim cannot exceed the quantity of cotton purchased with a Better Cotton claim (accounting for relevant conversion rates).²

Please refer to the *Better Cotton Claims Framework*³ for more detail on the claims that can be made when sourcing or selling products associated with Better Cotton claims.

¹ <https://bettercotton.org/better-cotton-standard-system/production-principles-and-criteria/>

² Additional guidance on conversion rates can be found at <https://bettercotton.org/better-cotton-standard-system/chain-of-custody/>

³ <https://bettercotton.org/better-cotton-standard-system/claims-framework/>

1.3 Scope of CoC implementation

The CoC Guidelines specify the requirements which apply to all registered BCI organisations operating in the Better Cotton supply chain. The supply chain begins at the licensed BCI farm where CoC requirements are covered in the Better Cotton P&C. These guidelines begin with the next link in the supply chain (i.e. ginners or middlemen).

Suppliers/ manufacturers shall implement the mass balance CoC model at site level. The CoC requirements and data will be maintained at each site owned by a supplier/ manufacturer. 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, provided it is owned by the spinner and located at the same site.

In some instances, there are regional differences between implementation of a CoC model. Cotton traders, which implement the mass balance CoC model, shall do so at the country level – this means they can substitute equivalent amounts of conventional and physical Better Cotton, but only provided those products have 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 cotton from Brazil, as long as it is owned by the trader. The trader cannot allocate claims from Brazilian Better Cotton to cotton from a different country of origin (e.g. Mali).

1.4 BCI membership

Some organisations handling or sourcing Better Cotton and BCI Orders are required to be BCI Members. All others are considered non-member BCP Suppliers. More information on the membership process can be found on the BCI website at: <https://bettercotton.org/get-involved/membership-offer/>

Cotton Traders and Spinning Mills:

BCI Membership is obligatory for commodities traders dealing in cotton (cotton traders or merchants) and mills with spinning capability (e.g. mills buying cotton bales and selling cotton yarns and/or fabrics) that want to sell cotton or cotton-containing products associated with a Better Cotton claim.

Ginning factories and Other Supply Chain Organisations without Spinning Capabilities:

Ginners and all other supply chain organisations, such as fabric mills (buying yarns and selling fabrics), end-product manufacturers, sourcing agents, are eligible for BCI Membership but it is not obligatory.

Retailers and Brands:

BCI Membership is obligatory for retailers and brands that want to purchase end-products with a Better Cotton claim.

1.5 Use of the Better Cotton Platform

To enter purchases, production (where applicable) and sales of Better Cotton and BCI Orders, ginners and supply chain organisations are required to use BCI's online Better Cotton Platform (BCP). Only sourcing agents and garment manufacturers may be exempt from using the BCP in specific situations.

In specific cases where physical segregation already takes place at field-to-ginner level, according to existing and well-established practices, ginners may not be required (at BCI's discretion) to use the BCP directly. These scenarios include, but are not limited to, those where seed-cotton is harvested mechanically into modules (i.e. large farms in the US and Israel), and those where ginners are verified to be processing 100% Better Cotton (or 100% certified cotton from a standard which has been benchmarked against the Better Cotton Standard System and recognised as equivalent).⁴

BCI assigns account types based on the organisation's buying and selling activities. Account types include: ginner, spinner, integrated spinner, non-lint trader, fabric mill, vertical mill, end-product manufacturer, sourcing agent, and retailer/ brand.

⁴ More detail on recognised equivalent standards can be found at <https://bettercotton.org/where-is-better-cotton-grown/>

1.6 Chain of Custody documents

The following documents form a suite of tools to support organisations in implementing the Better Cotton CoC. These include:

- Better Cotton Chain of Custody Guidelines v1.4
- BCI Ginner Agreement (for ginner only)
- Better Cotton Platform – Training modules (available to BCI Members and registered non-member BCP suppliers)
- Better Cotton Claims Framework
- BCI Member Code of Practice (applicable to BCI Members only)
- Additional guidance and FAQs available on the [BCI website](#)⁵

Verbal forms for the expression of provisions

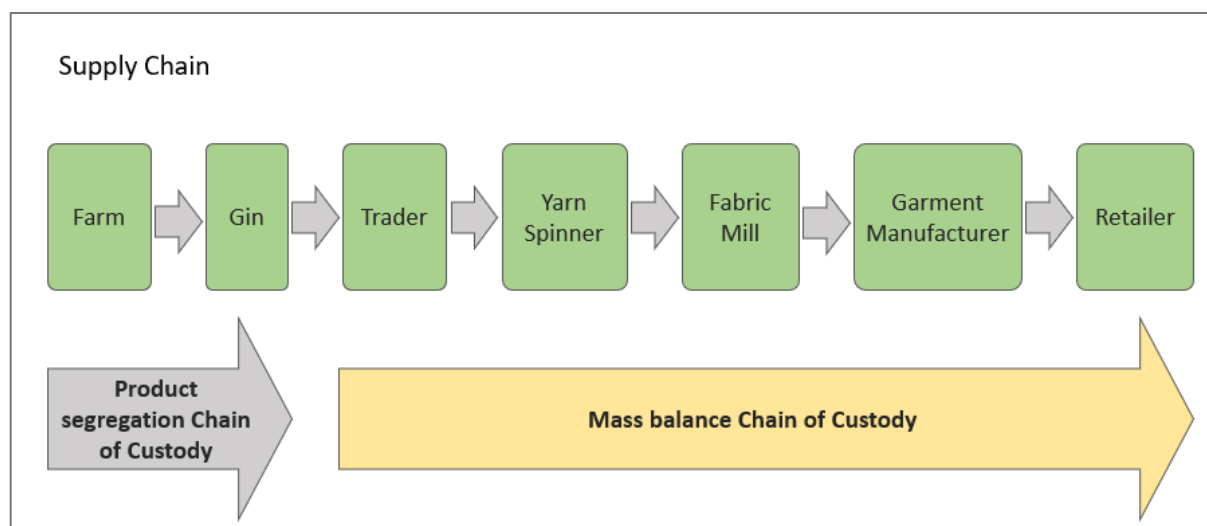
(Adapted from ISO/IEC Directives Part 2: Rules for the structure and drafting of International Standards)

“shall” indicates requirements strictly to be followed in order to conform to the requirements.

“should” indicates that among several possibilities one is recommended as particularly suitable, without mentioning or excluding others, or that a certain course of action is preferred but not necessarily required.

“may” indicates a course of action permissible within the limits of the document.

Figure 1: Better Cotton Chain of Custody (CoC) models in the supply chain



⁵ <https://bettercotton.org/better-cotton-standard-system/chain-of-custody/#>

2.0 Chain of Custody for Ginners

This section sets out requirements for ginners buying and ginning seed Better Cotton and selling lint Better Cotton.

2.1 Responsibilities, training and record-keeping

2.1.1 The ginner shall identify a designated representative(s) who has overall responsibility for ensuring compliance with the relevant Better Cotton CoC Guidelines requirements. The representative shall also be the primary contact on the BCI ginner registration form.

Guidance: As a good practice, ginners should have access to the BCI Ginner Agreement and/or Better Cotton CoC Guidelines at each premise where they are handling Better Cotton. Ginners can also keep other documents such as training materials or user manuals on-site. The intent is to ensure staff involved in maintaining the chain of custody can always refer to the documents.

2.1.2 The ginner shall ensure that all existing and new staff responsible for implementation of procedures are trained and competent. At minimum, the following trainings are required:

- a) The ginner's designated representative(s) shall participate in training provided by BCI
- b) All staff responsible for using the BCP shall complete the BCI training on the BCP

Guidance: If new staff members take on responsibility for compliance with Better Cotton CoC requirements or using the BCP, these individuals need to be trained.

The ginner should develop a training plan that includes all staff with responsibilities in maintaining Chain of Custody (CoC) of Better Cotton. The plan should specify frequency of training. Records and training resources should be maintained. Training will typically include workers responsible for recording the weight of Better Cotton received, unloading and storing Better Cotton, labelling seed and lint Better Cotton, managing the ginning process, and completing/ storing records related to the purchase, receipt, processing, and sale of Better Cotton. BCI provides bespoke trainings to ginners on the CoC Guidelines, please contact the country offices for details.

2.1.3 The ginner shall maintain the following relevant documents and records related to the purchase, handling, and sale of Better Cotton (where applicable):

- Supplier list
- Purchase slips, purchase records, or farmer pay slips
- Gate entry pass/slip
- Weighbridge slip (including seller information, date, time, and weight)
- Procurement or arrival register
- Heap registers
- Bale register/ pressing register
- Processing records/ confirmation of ginner outturn ratio
- Sales invoices and contracts
- Transport/ shipping documents
- Records of tax paid, or excise and taxation register
- For outsourced gins or those using subcontractors: copy of outsourcing arrangement and subcontractor declarations

Guidance: Documents can be maintained in paper form or electronic format.

2.1.4 Retention times for records relevant in demonstrating the organisation's conformity with all applicable CoC requirements shall be a minimum of two (2) years or two (2) full cotton seasons, whichever is greater. The ginner shall ensure that all documents are available for review by BCI and third-party auditors upon request.

Guidance: The record retention requirement extends outside of the ginner to include any subcontractors (currently active or inactive) that were used during this time.

- 2.1.5 The ginner shall communicate any changes in primary contact names, procurement processes, or outsourcing arrangements to BCI via email within 15 calendar days of the change occurring.

Guidance: Other changes may include: gin activity or inactivity. Please contact the BCI supply chain team in your country to communicate any changes.

2.2 Purchasing of Better Cotton

- 2.2.1 The ginner shall verify that seed cotton purchased as Better Cotton is traceable back to licensed BCI farmers.

Guidance: The ginner shall demonstrate how they verify seed cotton purchased as Better Cotton and keep relevant verification records. Acceptable verification may vary in different countries, please contact the BCI supply chain team in your country for further guidance.

- 2.2.2 The ginner shall maintain accurate and complete documentation of its process for procuring Better Cotton and the flow of Better Cotton from farmers to the gin (including the role of middlemen, markets, storage, transport, etc.).

Guidance: The process for procuring Better Cotton can be presented in a wallchart at the gin or maintained in an electronic or hard copy. Staff and workers should be familiar with the wallchart/ flowchart and be able to demonstrate an understanding of the process flow. The ginner shall make this information available to BCI staff and third-party auditors.

- 2.2.3 The ginner shall keep accurate records of all purchases of Better Cotton, including name of the direct seller, purchase date, volume, and Annual Authorised Volume (AAV) code or farmer code.

Guidance: Relevant records are outlined in requirement 2.1.3. Additionally, the Annex of the BCI Ginner Agreement includes an example template which ginner may use to record purchases and sales.

- 2.2.4 If the ginner purchases Better Cotton from a market or middleman (rather than a farmer), the ginner shall in addition:

- a) Maintain an up-to-date list of the names and contact information for all markets or middlemen from which Better Cotton is purchased.
- b) Ensure that all middlemen have systems in place to keep Better Cotton segregated from conventional cotton during purchase, handling, storage, transport between farm to gin and can trace Better Cotton back to licensed farmers through objective documentation such as purchase vouchers, weighbridge slips.
- c) Obtain records from each middleman of their relevant purchases from licensed BCI Farmers, including the farmer name and/or code, date of purchase, and volume.

Guidance: Ginner may also ask middlemen selling Better Cotton to sign a declaration stating that they have purchased Better Cotton only from licensed BCI farmers and that they have kept Better Cotton segregated from conventional cotton at every stage of handling. It is recommended that middlemen should issue a proof of purchase with three copies – one copy to be provided to the farmer, one kept with the middleman, and one provided to the ginner.

Ginner can contact BCI to get a support package on how to engage with middlemen to ensure that they comply with the CoC requirements. The support package includes training approach for ginner staff, sale/purchase data keeping format, information about staff trained etc. Please contact BCI local supply chain team for further information.

- 2.2.5 The ginner shall provide receipts to farmers where Better Cotton is purchased directly from licensed BCI farmers. Receipts shall include buyer/ seller name, AAV code and/or farmer's code, village, date and quantity.

2.3 Segregation and identification of Better Cotton

- 2.3.1 The ginner shall have a system in place to ensure that Better Cotton is segregated from other (conventional) cotton by physical separation and/ or temporal separation.

Guidance: If the ginner handles both Better Cotton and conventional cotton, it must have systems in place to maintain segregation if both types of cotton are on site at the same time. Examples: Temporal separation – where the gin processes seed Better Cotton for a distinct period of time, e.g. two weeks. Physical separation – where the gin segregates Better Cotton and conventional cotton bales in separate areas of the warehouse.

- 2.3.2 The ginner shall maintain visual identification of Better Cotton at every stage of purchase, storage, processing, transport, and handling.

Guidance: Better Cotton cannot be mixed with conventional cotton at any point during storage, processing, transport and handling by the gin. It is not required to clean down a gin prior to commencing ginning of Better Cotton. Identification can be done through signs, labels, tags, etc.

For example, clearly demarcated area/ platform on which Better Cotton will be heaped or bales will be stocked. The designated areas for heaping or storage should be clearly identifiable using sign boards or labels mentioning BCI in the case of Better Cotton bales. Staff/ workers involved in physical handling of Better Cotton should be aware of the requirement of separation. The gin should have clear lay down process mentioning how they maintain segregation.

- 2.3.3 The ginner shall ensure that all Better Cotton bales sold is clearly physically identifiable as Better Cotton and should be mentioned in invoices and shipping documents.

Guidance: The ginner must have a system in place so that 100% Better Cotton bales can be identified as such. This can be done through lot numbers, labelling on invoices and delivery notes, and/or visual identification on the bales (such as labels or colour-coded tape). Visual identification must be attached well.

2.4 Use of the Better Cotton Platform (BCP)

- 2.4.1 BCCUs shall not be transferred unless there is a corresponding purchase / sale of physical cotton products that are linked with these BCCUs.

- 2.4.2 The ginner shall identify a designated representative for recording relevant data on the Better Cotton Platform (BCP). The ginner shall not give access to the BCP to other third parties under any circumstances (e.g. including Implementing Partners or consultants hired by the ginner).

- 2.4.3 The ginner shall enter all purchases, lint production and sale of Better Cotton into the BCP, in a timely manner indicated as follows:

- Better Cotton purchases are entered within 30 calendar days of receiving seed Better Cotton.
- Lint productions are entered within 30 calendar days of lint Better Cotton being produced.
- Sales of lint Better Cotton are entered within 30 calendar days of shipment date.

Guidance: In the case of ginner who are also traders, two BCP accounts with different functionalities shall be maintained.

The volume of seed Better Cotton in the ginner's BCP account will remain valid until the ginner enters production of lint cotton into the BCP or BCI zeros all seed Better Cotton inventories at the end of the current cotton season. Lint cotton inventories in the BCP will remain valid until the corresponding lint quantity is claimed by or transferred to a spinner or a merchant account on the BCP or zeroed out by BCI at the end of the season.

- 2.4.4 Requests of transaction cancellations should be submitted within 30 calendar days of the sale being entered in the BCP.

Guidance: Under exceptional and justified circumstances, BCI may process a cancellation request received after 30 days of the sale being entered in the BCP. A transaction entered into the BCP with a status "awaiting acknowledgement" can be withdrawn within 30 days of entering it into the BCP. Transactions with a status "acknowledged" can be cancelled within 30 days after the date of acknowledgement.

In order to cancel a transaction with "acknowledged" status, the supplier needs to write an email to the BCI team with transaction details, copy this mail to their buyer/seller and ask the buyer/seller to provide no objection on cancellation. Only after receiving confirmation from the buyer/seller of no objection will BCI cancel the transaction.

- 2.4.5 The ginner shall ensure that all data entered into the BCP is genuine and can be verified against corresponding documentation (i.e. purchase receipt, invoice, production records):
- For each purchase of Better Cotton, the ginner shall enter the corresponding purchase date or date range, and transaction reference (such as gate pass number, purchase vouchers/ receipts or any unique document number) into the BCP.
 - For each sale of Better Cotton, the ginner shall enter a valid transaction reference number(s) corresponding to the contract, invoice or shipping document that corresponds to each sale entered in the BCP. If one entry in the BCP relates to multiple sales, a reference number or range must be entered for each separate sale.
- 2.4.6 If requested to provide an average ginner turnout ratio, the ginner shall ensure that this ratio (volume of lint produced for a given volume of seed cotton processed, expressed in percentage) is accurately calculated and can be verified through documentation.⁶

Guidance: Annual 'zeroing out' of ginner inventories in the BCP

All ginner inventories are 'zeroed out' in the BCP at the end of the season. Ginners' lint cotton inventories increase as they enter their production of Better Cotton lint into the BCP. As they enter sales of Better Cotton bales into the BCP, buyers will acknowledge the transactions, and these inventories are decreased accordingly. When Better Cotton bales are sold as conventional cotton, there are no entries made into the BCP to reflect this deduction in real inventory terms. To eliminate the discrepancy between a ginner's actual (physical) Better Cotton lint inventory and its cotton lint inventory in the BCP, BCI resets all ginner inventories back to zero prior to the beginning of a new cotton crop season. The timing of this 'zeroing out' differs by country, depending on the cotton crop season. Each year, BCI informs ginners, by e-mail, one month prior to actual zeroing of their cotton lint inventories from the BCP. Ahead of this deadline, ginners are expected to enter all Better Cotton sales into the BCP.

2.5 Subcontractors

- 2.5.1 If the ginner subcontracts any handling of Better Cotton (excluding transportation) to a subcontractor, the ginner shall:
- Document the nature of the subcontracting agreement, including the name, address, and contact details of the subcontractor, and share with BCI in writing prior to outsourcing.
 - Ensure that only the ginner (not subcontractors) have access to the Better Cotton Platform and are responsible for entering data into the system.
 - Require all subcontractors buying, selling, or handling Better Cotton to sign a declaration agreeing to comply with relevant Better Cotton CoC requirements and to provide access to their premises and records for any BCI staff or third-party auditors.
 - Ensure that all subcontractors are trained and competent to comply with relevant Better Cotton CoC requirements.

⁶ In some countries, gins are asked to declare their average gin turnout at the time of setting up an account in the Better Cotton Platform; in other cases, an average turnout ratio may be used by BCI for all gins in a given country or region.

3.0 Chain of Custody for Other Supply Chain Organisations

This section applies to all supply chain organisations after ginners who are buying or selling cotton or cotton-containing products to fulfil BCI Orders. This includes cotton traders/ merchants, mills with spinning capabilities, organisations without spinning capabilities (including fabric mills, dyeing mills, yarn and/or fabric traders and vertical mills), sourcing agents, and end-product manufacturers.

*Note that the term **BCI Orders** refers to any cotton or cotton-containing product (after ginner level) which is bought or sold with Better Cotton Claim Units (BCCUs) and for which BCCUs are transferred between two parties via the Better Cotton Platform (BCP).*

3.1 Responsibilities, training, and record-keeping

3.1.1 The organisation shall identify a designated representative(s) who has overall responsibility for ensuring compliance with the relevant Better Cotton CoC Guidelines requirements.

3.1.2 The organisation shall ensure that all existing and new staff responsible for implementation of procedures are trained and competent. At minimum, the following trainings are required:

- a) All staff responsible for using the BCP shall complete BCI training on the BCP.
- b) All staff buying and/or selling BCI Orders should attend BCI's Supplier Training Programme annually (face-to-face, online or recordings, or internal training organized by BCI representatives) provided by BCI local team

Guidance: BCI has developed mandatory online training modules, using the Mindflash platform, for users of the BCP. Access to these training modules will be given by BCI once a company's membership or usership application is accepted by BCI. If there is any change in BCP users, the organisation shall request access for a new BCP user. The new user is required to complete mandatory training modules for use of the BCP.

Documented records of training may include a training certificate, email correspondence, register with date, time, and presenter, and/or training resources (i.e. slides, videos, etc.).

3.1.3 The organisation shall maintain records related to the purchase and sale of BCI Orders. Every purchase or sale of BCI Orders shall be supported by documentation including purchase orders, invoices, delivery and shipping documents.

Guidance: Records can be maintained in paper or electronic format.

3.1.4 Retention times for records relevant in demonstrating the organisation's conformity with all applicable CoC requirements shall be a minimum of two (2) full years. The organisation shall ensure that all documents are available for review by BCI and third-party auditors upon request.

Guidance: Records can be maintained in paper or electronic format. Years may be calendar or fiscal, as long as they are full and consistent.

3.1.5 The organisation shall communicate any changes in primary contact names/ details, or any other significant changes related to BCI Orders, to BCI by email within 15 calendar days of the change occurring.

Guidance: Changes may include the organisation name, address, new staff members taking over BCI responsibilities, or mergers or acquisitions that affect company set-up in the BCP. Changes can be communicated to local BCI supply chain staff through email or at support@bettercotton.org

3.1.6 The organisation shall ensure that a mechanism is in place for handling non-conforming products to ensure they are not sold onward with a Better Cotton claim until their status can be verified. This includes any transfers of BCCUs and any cotton/ cotton-containing products bought or sold with a Better Cotton claim, which cannot be verified as legitimate.

Guidance: For example, an organisation might receive a BCI Order, however the transfer of BCCUs allocated to the order doesn't match the volume delivered. Or, in some cases BCCUs might be transferred without a corresponding purchase/ sale of physical Better Cotton

products. In these cases, the organisation must verify the legitimate status of the transactions with the supplier/ customer directly before accepting the BCCUs.

3.2 Use of the Better Cotton Platform (BCP)

3.2.1 Organisations shall identify a designated representative for recording relevant data on the Better Cotton Platform (BCP). Organisations shall not give access to the BCP to other third parties.

3.2.2 No entries shall be made in the BCP to transfer BCCUs without a corresponding transfer of physical cotton-containing products.

3.2.3 Supply chain organisations who are buying or selling BCI Orders are required to enter or acknowledge all purchases and sales in the BCP. Organisations who are lint traders as well as carrying out other core activities (i.e. trader and spinner) shall maintain two separate accounts on the BCP, one for trader activities specifically.

Guidance: Sourcing agents and garment manufacturers may be exempt from using the BCP in specific situations where the end buyer (Retailers/Brands) accepts BCCUs from indirect fabric suppliers.

3.2.4 Organisations shall only enter transactions and transfer BCCUs via the BCP to either the invoicing/billing organisation or consignee organisation (recipient of a shipment) mentioned on the sale invoice, with the exception of cases stated in 3.2.3.

Guidance: It is recommended that BCCUs should be transferred to the invoicing/ billing organisations. When BCCUs are transferred to the consignee organisation, the names and addresses of the invoicing organisation and consignee organisation should be included in the sale invoices.

3.2.5 Organisations using the BCP shall acknowledge purchase transactions and enter sale transactions in a timely manner as follows:

- a) Purchase transactions shall be acknowledged within 60 calendar days of data being entered into BCP.
- b) Sale transactions shall be entered within 60 calendar days of the shipment date.

Guidance: Organisations can enter sale transactions after final order confirmation (i.e. when they know the final order quantity) until 60 days after the shipment date.

Example 1: a supplier can enter sale transactions and transfer BCCUs when the purchase order is being confirmed by the buyer. Example 2: a supplier can enter a sale transaction on 3 May 2020 for a shipment of a BCI order dated 12 March 2020.

3.2.6 Requests of transaction cancellations should be submitted within 30 calendar days of sale being entered in the BCP.

Guidance: Under exceptional and justified circumstances, BCI may process a cancellation request received after 30 days of the sale being entered in the BCP. A transaction entered into the BCP with a status "awaiting acknowledgement" can be withdrawn within 30 days of entering it into the BCP. Transactions with a status "acknowledged" can be cancelled within 30 days after the date of acknowledgement.

In order to cancel transaction with "acknowledged" status, the supplier needs to write an email to BCI with transaction details, copy this email to their buyer/seller and ask the buyer/seller to provide no objection on cancellation. Only after receiving confirmation from the buyer/seller of no objection will BCI cancel the transaction.

3.2.7 Lint traders shall only enter sale transactions and transfer BCCUs with the correct country of origin, corresponding to purchase of Better Cotton bales. Lint traders shall not substitute Better Cotton bales and their associated BCCUs with conventional cotton bales from different countries.

- 3.2.8 The organisation shall ensure that all data entered into the BCP is genuine and can be verified against corresponding documentation (i.e. purchase receipt, invoice, production records), including:
- Purchase and sale volumes
 - Weight of raw materials used to make the BCI Order (e.g. total net weight of carded yarn used to make a specific fabric)
 - Type of raw materials used

Guidance: The organisation should ensure that purchase and sale of BCI Orders are clearly indicated as such through contracts, purchase orders, invoices and/or delivery notes. It is recommended to use net weights of cotton-containing yarn weight and yarn cotton percentage when entering sales transactions into the BCP for fabric suppliers and vertical mills.

- 3.2.9 The organisation shall enter a unique transaction reference number (e.g. purchase order, contract, invoice or delivery slip number) into the BCP for each individual purchase or sale of the BCI Order. If one BCP entry relates to multiple purchases or sales, a reference number or range shall be entered for each separate purchase or sale.

Guidance: A unique reference number can be a number indicated in contracts, purchase orders, invoices, delivery slips, shipping documents, file name of data management system like ERP, Oracle or internal Excel systems. Based on the transaction reference number, both buyer and seller can verify the authenticity of transaction and accuracy of the number of BCCUs, providing all documents (contracts, invoices, delivery slips, production records for auditors or BCI verification).

- 3.2.10 If a fabric mill or end-product manufacturer needs to transfer BCCUs directly to its indirect client—the end buyer, retailer or brand – at the retailer and brand’s request, the organisation shall ensure that it includes the name and contract number of the direct customer in the transaction reference and other unique transaction reference requested by the retailer and brand.
- If a fabric mill fulfils a BCI Order from an end-product manufacturer, the names of the end-product manufacturer/ direct buyer shall be entered into the transaction reference box in the BCP. A unique document reference requested by the retailer/ brand (e.g. purchase order, contract or invoice number) for the shipment shall also be included in the entry.
 - If an end-product manufacturer fulfils a BCI Order from a sourcing agent, the names of the sourcing agent/ direct buyer shall be entered into the transaction reference box in the BCP. A unique document reference requested by the retailer/ brand (e.g. purchase order, contract or invoice number) for the shipment shall also be included in the entry.

- 3.2.11 In case of blended products

- The spinners shall use the total weight of yarn, percentage of cotton in the yarn, and the percentage of Better Cotton indicated in the order as the basis for declaring their purchase and sales entries in the BCP.

Guidance example: A spinner sells 100 Kgs of 50% cotton 50% viscose yarn. The total net weight of the yarn sold is 100 Kgs. For a 100% BCI order, the percentage of Better Cotton allocated to the yarn is 50%. For a 30% BCI order, the percentage of Better Cotton allocated to the yarn is 15%. The ‘percentage of Better Cotton allocated to the yarn’ as indicated in BCP equals to the yarn cotton percentage multiplied by the percentage of Better Cotton indicated in the order by the buyer.

- The fabric mill or vertically integrated mill shall use the total weight of yarn used to make fabric, percentage of cotton in the yarn used, and the percentage of Better Cotton indicated in the order as the basis for declaring their purchase and sales entries in the BCP.

Example 1: A fabric mill sells 900 Kgs Cotton/Elastane knitted fabric made from 950 Kgs of 100% cotton-combed yarn and 50 Kgs Elastane. The total net weight of the cotton-containing combed yarn used is 950 KGs and the percentage of cotton in the yarn used is 100%. For a 100% BCI order, the percentage of Better Cotton allocated to the fabric is 100%. For a 30% BCI order, the percentage of Better Cotton allocated to the fabric is 30%.

Example 2: A fabric mill sells 900 Kgs of 50% cotton 50% polyester fabric made from 1000 Kgs of 50% cotton 50% polyester combed yarn. The total net weight of the combed yarn used is 1000 KGs and the percentage of cotton in the yarn used is 50%. For a 100% BCI order, the fabric mill shall allocate 100% of Better Cotton to the fabric. For a 30% BCI order, the fabric mill shall allocate 30% Better Cotton to the fabric.

Guidance: Conversion rates in the BCP

One of the functions of the BCP is to allow retailers and brands to make credible claims about the volume of Better Cotton sourced into their supply chains as a percentage of their total cotton footprint.⁷ To calculate the cotton footprint for each sale entry made in the BCP and to allow suppliers and manufacturers to report this volume accurately to their customers, BCI uses two average rates to calculate the volume of cotton lint required for each product: one rate if combed yarn is used, and one rate if carded yarn is used. For more detail on conversion rates and examples, please refer to the BCI website at: <https://bettercotton.org/better-cotton-standard-system/chain-of-custody/>

Please note that BCI is in the process of developing new conversion rates and will update this information on the website once it is available.

- 3.2.12 All suppliers/ manufacturers that have negative inventory of BCCUs shall recover their 'short positions' within 120 calendar days of when their account became negative.

Guidance: This option is available to traders, spinners, integrated spinners, fabric mills, non-lint traders, and vertical mills only. The overdraft facility allows a company to fulfil BCI Orders up to a maximum of 500,000 BCCUs, even if the organisation does not have sufficient BCCUs in their BCP account inventory. When an organisation overdraws its BCP account, its inventory will show a negative figure to reflect the volume by which its account is overdrawn by. Organisations have up to 120 days to purchase cotton or cotton-containing products as BCI Orders to cover their 'short positions' (negative inventory).

For example, your company just became a BCI member and gained access to the BCP. You have outstanding BCI Orders from customers; however, you have not yet sourced any cotton-containing products as BCI Orders. You can still fulfil BCI Orders that require the maximum allocation of up to 500,000 BCCUs right away by entering these sales transactions into the BCP. By doing so, you will have overdrawn your account. You will now have 120 days to purchase cotton or cotton-containing products as BCI Orders to bring your account balance to a positive balance.

3.3 Better Cotton claims

- 3.3.1 Organisations shall only make claims about Better Cotton in compliance with the Better Cotton Claims Framework.

Guidance: The latest version of the Better Cotton Claims Framework can be found on the BCI website at: <https://bettercotton.org/resources/better-cotton-claims-framework/>

3.4 Subcontractors

- 3.4.1 If an organisation subcontracts an activity (other than transport) related to the handling and/or processing of BCI Orders, the organisation shall:
- a) Maintain an up-to-date list of all subcontractors (excluding transport subcontractors), including their contact details and the scope of their responsibilities related to the handling and/ or processing of BCI Orders.
 - b) Ensure that all subcontractors comply with relevant Chain of Custody requirements.

⁷ The cotton footprint for a specific order or a collection of product orders is the volume of total cotton lint consumed by the spinner who made the yarns which were used to make the fabrics in an end-product. Cotton footprint always refers to a volume (in KG) of cotton lint consumed by spinners.

- c) Ensure that all subcontractors will provide BCI or designated third-party auditors with access to their premises or documentation for the purposes of supply chain.
- d) Maintain sole responsibility for entering all purchase and sale transactions on the Better Cotton Platform.

4.0 Rules for Retailers and Brands

4.1 Use of the Better Cotton Platform

- 4.1.1 Retailer/ brands shall review the accuracy of the transaction details and acknowledge sales entered by suppliers within 30 calendar days of the sale being entered in the BCP.

Guidance: Retailer/ brands do not need to acknowledge transactions if they correspond to end product sale by suppliers, e.g. from sourcing agents or end-product manufacturers. BCCUs are directly transferred from their direct suppliers to the accounts of Retailer/ brands, with no need for acknowledgement. Please note that Retailer/ brands are still required to check transaction details, and if they are incorrect, request an amendment within 30 days of the sale being entered in the BCP.

- 4.1.2 Requests of transaction cancellations should be submitted within 30 calendar days of the sale being entered in the BCP.

Guidance: BCI may grant an exception for requests received later than 30 days from date of sale entry.

4.2 Annual reconciliation for Retailers/ Brands

- 4.2.1 Retailers/ brands shall ensure that all “awaiting acknowledgement” transactions and their associated BCCUs are acknowledged via the BCP by 31st December.

Guidance: Retailers/ brands are invoiced once a year based on the volumes of Better Cotton they declare. This is determined by the sum of all BCCUs added to and accumulated in their account inventories between January 1st and December 31st (inclusive) of each year. Ensuring that all data is up-to-date in the BCP by 1st January is essential to enable timely and accurate invoicing. In general, BCI does not help cancel any valid transactions from the previous year.

4.3 Better Cotton claims

- 4.3.1 Retailer/brands shall only make claims about BCI in compliance with the Better Cotton Claims Framework.

Guidance: The latest version of the Better Cotton Claims Framework can be found on the BCI website at: <https://bettercotton.org/better-cotton-standard-system/claims-framework/>

5.0 Requirements related to compliance monitoring and audits

Guidance: BCI carries out regular monitoring of Better Cotton supply chains, through a combination of remote audits (e.g. document verification requests) and on-site verification through BCI second-party monitoring visits, and third-party audits. These measures are designed to help ensure the overall compliance of Better Cotton supply chains and to protect the credibility of Better Cotton claims made by BCI stakeholders.

*This section applies to all organisations implementing the Better Cotton Chain of Custody Guidelines, including ginners and other supply chain organisations. Unless otherwise specified, requirements and guidance are applicable to all organisations. Note the term **organisation** is used throughout this section and includes both ginners and other supply chain organisations.*

See the BCI website for information regarding BCI monitoring and third-party audit procedures.

5.1 Monitoring and Audit Procedures

5.1.1 The organisation shall provide BCI staff and appointed third-party auditors access to all sites handling or selling Better Cotton, and access to any records or documentation related to purchasing, handling, or sales of Better Cotton and BCI Orders.

- a) Documents requested remotely by BCI or third-party auditors shall be provided within two weeks of the written request.
- b) Within 3 business days of being notified of a short-notice audit, the organisation shall provide access to the site for BCI or designated third-party auditors.

Guidance: In some cases, BCI or third-party auditors may request documents (e.g. invoices and delivery slips) associated with purchases or sales of Better Cotton and BCI Orders, in order to monitor the integrity of the Chain of Custody and ensure correct use of the BCP. If documents or site access is not provided within the specified timelines, BCI will issue a written warning, and reserves the right to suspend the organisation's use of the BCP. If there is still no action after issuance of a warning letter, the account should be suspended within 10 calendar days of letter sent.

Regarding audit scheduling, if the organisation does not respond to BCI or third-party auditors after 3 email reminders and 1 phone call, then the BCP user access shall be temporarily blocked until the auditee responds to the audit request.

Note for ginners: If a ginner has been outsourced for one season and then in the next season the outsourcing agreement is nullified, the ginner is still required to provide access for a site visit for ginner monitoring or third-party audit. This should be part of the contract clauses.

5.1.2 If during monitoring visits or audits, BCI staff or third-party auditors identify non-conformities (NCs) with Chain of Custody requirements, the organisation shall submit their Corrective Action Plan (CAP) within two weeks after receipt of final audit reports. The organisation shall correct these NCs within the specified timeframe below.

Guidance: If the organisation fails to submit their CAP within the timeline, BCI will temporarily suspend their BCP account until it provides a valid reason for delay, or submits the CAP.

Applicable to ginners:

- a) For Minor NCs: the ginner shall correct the NC within 6 months or before the start of the next ginning season (whichever is shorter) and provide evidence to BCI or the third-party auditor demonstrating how the issue has been addressed. If not addressed within 6 months or before new season, a Minor NC shall escalate to a Major NC.
- b) For Major NCs: the ginner shall correct the NC within 30 calendar days and provide evidence to BCI or the third-party auditor demonstrating how the issue has been addressed. If not addressed within 30 calendar days, a Major NC shall lead to the suspension of the Better Cotton Platform (BCP) account. The Duration of a suspension period will be a minimum of 3 months, and is defined by BCI considering the NC's situation.

Guidance for ginners: When the new season starts, ginners with pending NCs should be denied access to BCP until they have taken corrective action. They can be invited to Ginner

training and submit required documents, but access to BCP is provided only once evidence of corrective action taken is provided.

Applicable to other supply chain organisations:

- a) For Minor NCs: the supply chain organisation shall correct the NC within 12 months and provide evidence to BCI or the third-party auditor demonstrating how the issue has been addressed. If not addressed within 12 months, a Minor NC shall escalate to a Major NC.
- b) For Major NCs: the supply chain organisation shall correct the NC within 30 calendar days and provide evidence to BCI or the third-party auditor demonstrating how the issue has been addressed. If not addressed within 30 calendar days, a Major NC shall lead to the suspension of the Better Cotton Platform (BCP) account. The Duration of a suspension period will be a minimum of 3 months, and is defined by BCI considering the NC's situation.

Guidance: Non-conformity Grading

A non-conformity (NC) is graded as Minor if it is an isolated event that is limited in temporal and spatial scale, and where an effective internal management system was in place that should have prevented or detected the issue. A NC can also be graded as Minor if it does not result in a fundamental failure to achieve the objective of the relevant requirement. An example of a Minor NC could be a case where an organisation entered some transactions into the BCP after the specified deadline; however, the majority of data was entered on time, and a detailed internal procedure was in place around data entry.

A non-conformity (NC) is graded as Major if it results in, or is likely to result, in a fundamental failure to achieve the objective of the relevant requirement (either alone or in combination with other NCs). Major NCs typically continue over a period of time or are repeated or systematic in nature. An example of a Major NC would be a case where an organisation enters the majority of its transactions into the BCP well after the deadline; the individuals entering data are not trained on the relevant requirements, and an effective internal procedure has not been defined.

- 5.1.3 BCI retains the right to cancel the ginner agreement and/or suspend use of the BCP (for ginners and other supply chain organisations) at any time due to the following cases:
 - a) A Major NC has not been corrected within the specified timeframe.
 - b) Multiple Major NCs were identified, suggesting a fundamental lack of compliance with the Better Cotton CoC Guidelines.
 - c) BCI or a designated third-party auditor has evidence of a NC that was induced purposefully, grossly negligent, systematic, and/or which imposes a severe reputational risk to BCI stakeholders. The NC can be identified through second party monitoring visits, third-party audits or any random checks.
 - d) No response to submit a Corrective Action Plan (CAP) within two weeks of receiving the final audit report and CAP template.

Guidance: The minimum period of suspension for cases a)-c) above is 3 months, the maximum is 12 months. In the case of c), or in the case of continued non-compliance, BCI membership may also be suspended if the organisation is also a BCI member. Use of the BCP can also be suspended due to non-payment of membership or system fees. For case d), BCI will re-activate the account once CAP template is submitted.

- 5.1.4 If the ginner agreement is cancelled and/or use of the BCP is suspended (for ginners or other supply chain organisations), the gin or other supply chain organisation shall not sell any cotton as 'Better Cotton' or BCI Orders or enter any transactions into the BCP until it is reinstated.

Guidance: BCI will ensure that written notice is provided to the ginner and supply chain organisation (including the terms of the suspension and any impacts on account inventories in the BCP).

In the specific case that BCP access is suspended due to non-payment of membership or system fees, the user's account will be zeroed out before system use can be reinstated.

If the user's account inventory is negative, the negative inventory will be added if company ever decides to reapply in the future.

Note for ginners: BCI retains the right to zero out existing account inventories (both seed and lint) under the ginner's account as a result of this suspension.

Note for other supply chain organisations: BCI retains the right to reduce the organisation's BCP account inventory as a result of the suspension.

- 5.1.5 If purchases or sales of Better Cotton and/or BCI Orders cannot be verified through supporting documentation (or documents are not authentic or accurate), or if there is evidence of fraudulent use of the BCP, BCI retains the right to reduce the organisation's BCP account inventory up to the total volume of unverified or fraudulent transactions.

Guidance: The ginner or supply chain organisation will be informed of the volume deduction in writing. If the deduction exceeds the current quantity of BCCUs in the BCP account, the inventory will become negative.

Note for ginners: BCP account inventory adjustments may be made to seed and/or lint inventory, where applicable.

- 5.1.6 Upon notification of changes to gin activity, the use of the BCP may be deactivated.

Guidance: Notifications such as that a gin stops processing Better Cotton in the middle of the season temporarily or permanently for the remainder of the cotton season and has leased out the site to another ginner for processing conventional cotton, shall result in the deactivation of the BCP.

- 5.1.7 If a supplier/manufacturer has a negative inventory of BCCUs for more than 120 calendar days, BCI reserves the right to issue a major non-conformity or suspend their BCP account.

5.2 Appeals

- 5.2.1 If an organisation wishes to file an appeal against the outcome of a BCI or third-party monitoring or audit process, the organisation shall send a full description of the appeal (including supporting evidence) to compliance@bettercotton.org with the subject line clearly marked 'Appeal'. The appeal must be filed within 10 calendar days of receiving notice of the outcome of the audit or monitoring process.

Guidance: Appeals will be reviewed and decided by BCI's Membership and Supply Chain Director. To be considered valid, appeals must include objective evidence supporting the appeal, such as documentation, photo evidence, etc. The outcome of the appeal will be provided in writing to the appellant within 30 days of receipt.

Annex A: Terminology and Definitions

| Term | Definition |
|-------------------------------------|--|
| Annual Authorised Volume (AAV) code | The AAV code is a unique number generated by BCI for licensed Producers (Large Farms or Producer Units). AAV codes allow ginner buying from licensed BCI Farmers to enter purchases of seed Better Cotton into the Better Cotton Platform (BCP) and allocate the volumes back to the corresponding Producer. |
| BCI Member | A company that has applied for and been approved as a member of BCI. A full list of members is available at: https://bettercotton.org/find-members/ BCI requires membership of cotton traders, suppliers with spinning capabilities, and retailers/brands. More details on membership can be found at: https://bettercotton.org/get-involved/membership-offer/ |
| BCI Order | Any cotton or cotton-containing product (after ginner level) which is bought or sold with a 'Better Cotton' claim and for which Better Cotton Claim Units (BCCUs) are transferred between two parties via the Better Cotton Platform (BCP). <i>Examples of cotton-containing products are yarn, fabric, etc.</i> <i>Note 1: Under the mass balance CoC model used after ginner level in the supply chain, BCI Orders may refer to a product that does not contain any physical cotton from licensed BCI farmers.</i> <i>Note 2: For example, a sale of yarn from a BCI Spinning Mill Member is considered a BCI Order if it is sold with a Better Cotton claim (i.e. to fulfill a BCI order), and if the sale is entered into the BCP and corresponding BCCUs are allocated to the buyer.</i> |
| Benchmarked Partner | Other Cotton growing standards which are similar in nature and are aligned with the Better Cotton Principles and Criteria. Farmers growing cotton in accordance with these standards can sell their cotton as Better Cotton. <i>Note: More detail on recognised equivalent standards can be found at https://bettercotton.org/about-better-cotton/where-is-better-cotton-grown/</i> |
| Better Cotton | Cotton produced by licensed BCI Farmers under the Better Cotton Standard System or recognised equivalent standards. <i>Note 1: the term 'Better Cotton' refers to the production method (i.e. the Producer must meet all relevant core indicators in the Better Cotton Principles & Criteria); it does not refer to specifications or quality parameters of the cotton itself.</i> <i>Note 2: Better Cotton is required to be kept segregated from conventional cotton at the farm and ginner level (e.g. 100% Better Cotton bales).</i> <i>Note 3: More detail on recognised equivalent standards can be found at https://bettercotton.org/where-is-better-cotton-grown/</i> |
| Better Cotton Chain of Custody | The chronological documentation, paper trail and electronic evidence that relates to the movement of Better Cotton and BCI Orders through the supply chain, and which ensures the volume of Better Cotton claimed by BCI Retailer and Brand Members does not exceed the volume of Better Cotton produced by licensed BCI Farmers in any given time period (accounting for relevant conversion rates). |
| Better Cotton Claim Unit (BCCU) | The designated unit that corresponds to 1 KG of Better Cotton lint produced from seed Better Cotton and procured from a participating BCI ginner by a cotton merchant or a spinning mill. |

| Term | Definition |
|--|--|
| | <p>After the ginner level, any purchases or sales of BCI Orders must have a corresponding transfer of BCCUs (from supplier to buyer/ recipient) through the Better Cotton Platform (BCP). The allocation of BCCUs enable supply chain organisations to report how much Better Cotton was sourced as a result of customer BCI Orders.</p> <p><i>Note 1: Once received by a supply chain organisation (any type of supplier and manufacturer other than a ginner), BCCUs do not expire. BCCUs are not attached to a specific crop season or calendar year.</i></p> <p><i>Note 2: BCCUs cannot be purchased or sold as separate credit units and can only be transferred in the BCP if they correspond to a genuine physical sale or purchase of a BCI Order.</i></p> <p><i>Note 3: BCCUs continue to be valid if the BCI Member and Non-Member BCP Supplier continue to renew their BCP account access. If validity expires and the company does not renew for more than 6 months past the validity end date, then they need to apply for a new account and the BCCUs will become invalid in the inactive account.</i></p> |
| Better Cotton Platform (BCP) | BCI's online system for tracking purchases/ sales of Better Cotton and associated BCCUs. The BCP is a trademarked online system used only by BCI and registered supply chain organisations that are buying, selling, or sourcing BCI Orders. It enables suppliers and manufacturers to report to their customers how much Better Cotton lint was sourced through the sale of a physical cotton-containing product. |
| Broker | Persons or organisations involved in arranging deals between buyers and sellers of BCI Orders, but do not take physical ownership of the products. This definition excludes middlemen, who buy Better Cotton from farmers and sell to ginner. |
| Conventional cotton | <p>Refers to any cotton that was <i>not</i> produced by licensed BCI Farmers in compliance with the Better Cotton Principles and Criteria, or farmers in compliance with benchmarked standards recognised by BCI.</p> <p><i>Note 1: The Better Cotton CoC Guidelines require that Better Cotton must be kept segregated from conventional cotton at the farm, during transit from farm to gin and within the gin.</i></p> <p><i>Note 2: As defined in the Better Cotton CoC, 'conventional cotton' can include organic cotton or cotton certified under other sustainability standards.</i></p> |
| Cotton trader | 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 companies (e.g. supplier, trader, mill), the cotton lint may cross international borders. |
| End-product manufacturers/ garment manufacturers | Processors of textile fabrics and making them into end-products. End-product manufacturers buy fabric and sell end-products. |
| Fabric mills | Processors of textile yarn and/or filaments and making them into fabric. Fabric Mills buy yarn and sell fabric. |
| Gin turnout ratio | <p>Amount of lint produced on an average from 100 kgs of seed cotton during the ginning process.</p> <p><i>Note: a gin turnout ratio may vary throughout the year based on the quality parameters of cotton however it is fixed as a certain average in the BCP for a whole year at the beginning of season when the gin registers.</i></p> |
| Ginner | A company that buys seed cotton, gins it, and sells cotton lint bales. |

| Term | Definition |
|-------------------------------------|--|
| Implementing Partner | An organisation responsible for the implementation of the Better Cotton Standard System in their operational area, including a programme of cotton production according to the Better Cotton Principles and Criteria. |
| Integrated Spinners | Processors of textile fibres and/or filaments and making them into yarn, fabric and end-product. Integrated spinners buy fibres and sell yarn/fabric/end products. |
| Mass balance chain of custody model | <p>A chain of custody model based on volume reconciliation, which allows mixing of cotton-containing products sourced as BCI orders and conventional cotton, provided the total volumes are controlled and the amount of certified outputs does not exceed inputs (accounting for conversion rates). This allows suppliers and manufacturers to mix equivalent amounts of conventional cotton and Better Cotton, as long as the volumes are controlled and the total amount of cotton in products sold with a Better Cotton claim is less than or equal to the amount purchased (accounting for conversion rates).</p> <p>Note 1: Under the Better Cotton CoC Guidelines, cotton traders are only permitted to mix conventional and Better Cotton if the cotton comes from the same country of origin.</p> |
| Middlemen (seed cotton trader) | An individual or organisation buying seed cotton from farmers and selling it to ginners. |
| Non-conforming products | Non-conforming product means any BCCU transactions between two parties on the BCP which cannot fully comply with corresponding CoC guidelines requirements. |
| Non-lint traders | A company that buys and sells yarns and fabrics without further processing or converting the materials. |
| Non-member BCP Suppliers | Organisations required to use the Better Cotton Platform (BCP) for purchase and sale of BCI Orders with BCCUs, such as fabric mills, non-lint traders (yarn/ fabric traders), vertical mills, end-product manufacturers, or sourcing agents, that are not members of the Better Cotton Initiative. More information on membership can be found at: https://bettercotton.org/better-cotton-platform/ |
| Producer Unit | A number of Learning Groups (LG) and/or large farm employers (depending on their size) form a Producer Unit (PU). The size of a PU will depend on local circumstances (e.g. farm size, the volume of Better Cotton needed by the ginner for a gin run). For individual large farms, the PU may be the national organisation representing producers. Ideally the PU consists of 4000 farmers, but this may vary based on number of LGs. |
| Retailers and Brands | Any for-profit organisation selling goods or services directly to consumers or, intended for direct use of consumers. |
| Segregation chain of custody model | A chain of custody model that requires physical segregation of Better Cotton and conventional cotton at ginner level and does not allow mixing or substitution between Better Cotton and conventional cotton. In the context of the Better Cotton CoC, product segregation is required between the farm and the gin level – this means that Better Cotton from licensed BCI farmers must be harvested, stored, transported, and ginned separately from conventional cotton, and cannot be mixed or substituted at any point. |
| Short Position | The negative inventory or amount of BCCUs/ mass (Kgs) an organisation has overdrawn by. |

| Term | Definition |
|------------------------|---|
| Site | A single functional unit of an organisation or a combination of units situated at one locality, where a supply chain organisation carries out production or processing. Organisation may have multiple sites. All sites involved in the CoC for Better Cotton or BCI Orders shall be registered with BCI. |
| Sourcing agent | A company that buys finished products from end-product manufacturers and sells these products to retailers and brands. |
| Spinners | Processors of textile fibres and/or filaments and making them into yarn. Spinners buy fibres and sell yarn. |
| Subcontracting | The act of employing an outside company to complete internal business activities or tasks. |
| Subcontractor | An independent company contracted by an organisation for any activities covered by the organisation's Chain of Custody requirements. Middlemen are not considered subcontractors. |
| Supplier/ manufacturer | An organisation that processes or manufactures intermediary or finished products. It excludes ginners, retailers, brands and cotton traders. |
| Vertical mills | Processors of textile yarn and/or filaments and making them into fabric and end-product. Vertical mills buy yarn and sell fabric/ end-products. |

Annex B: Chain of Custody for Implementing Partners

Guidance: This section outlines requirements for Implementing Partners (IPs) related to working with farmers and ginners. The term Implementing Partner (IP) in this section can refer to either IP representatives or staff (e.g. Producer Unit Manager), depending on how roles are divided within a specific IP. Complete requirements for IPs are included in the IP Roles and Responsibilities and IP agreement signed between the IP and BCI.

B1 Connecting farmers and ginners

- B1.1 Implementing Partners (IPs) shall identify a sufficient number of local ginners to gin the seed Better Cotton produced by participating farmers.
- B1.2 IPs shall provide the BCI Supply Chain team with the details of these ginners on an annual basis at least three months ahead of the start of the harvest season.

Guidance: IPs are responsible for helping to connect licensed BCI farmers with participating ginners, through providing ginners with information on licensed farmers and providing farmers with the details of participating ginners well ahead of the harvest season.

Ginners can be identified based on their proximity to licensed BCI farmers, whether they are currently sourcing from BCI project areas, and their interest to engage with BCI.

IPs should provide ginners only with contact details such as farmer names, villages, and mobile numbers – IPs should not share sensitive information such as estimated yield with the ginners ahead of the season.

B2 Segregation and documentation of Better Cotton between farm and gin

- B2.1 IPs shall ensure that all IP staff and farmers associated with the IPs understand and comply with the relevant Chain of Custody requirements. This includes the farmer's responsibility to:
- keep Better Cotton segregated from conventional cotton at all points of harvest, storage, sale and transport.
 - where relevant, keep AAV/ farmer codes secure and only share these codes with buyers purchasing Better Cotton (such as a gin or middleman).
 - maintain records of their sales of seed Better Cotton (as required by the BCI Principles and Criteria, indicator 7.3.5/ 7.3.6).
- B2.2 IPs shall maintain records demonstrating that all participating farmers have been trained on the relevant Chain of Custody requirements as set out in clause B.2.1.

Guidance: Records can include training logs and training materials. As per B.2.1 c), sales records of seed Better Cotton should be maintained by farmers (not IPs or gins) – this is important so that cross-reconciliation of records can take place between farmers and ginners. Note that in the revised BCI P&C v2.0, indicators 7.3.5/7.3.6 are designated as 'transition indicators' – this means they will be effective from the 2019/2020 season.

B3 Distribution of Annual Authorised Volume (AAV) codes

- B3.1 Where relevant, IPs are responsible for sharing AAV codes with all Producers associated with the IPs and ensuring that Producer Units distribute AAV codes to farmers within two weeks of the IP receiving these codes.
- If Producer Units do not distribute AAV codes to farmers, the IP shall ensure there is a system in place for ginners to verify that they are purchasing Better Cotton from licensed BCI Farmers.

Guidance: In general, Producer Units distribute AAV codes to Farmers, who then provide these codes to a ginner at the time of selling seed Better Cotton. However, in specific cases or regions, codes may not be distributed directly to farmers. If this is the case, an alternate system must be in place (e.g. unique farmer codes and farmer lists) to ensure ginners can cross-check that they are buying from licensed BCI Farmers. In any case it is the responsibility of the IP to

ensure that ginners have an effective system in place to verify the authenticity of purchases of seed Better Cotton.

- B3.2 If the IP becomes aware of any potential misuse of AAV codes, it shall notify BCI within 3 days of learning about the issue and shall support BCI in taking necessary action to ensure the credible flow of Better Cotton between farm and ginner.

Guidance: IPs play a critical role in helping ensure that all Better Cotton entering the supply chain can be traced back to licensed BCI Farmers. If IPs are informed about, or observe, a misuse or potential misuse of AAV codes (e.g. an individual buying or selling AAV codes without associated purchases of Better Cotton or entering purchases into the Better Cotton Platform based on licensed volumes without purchase documentation), the IP must notify BCI so that it can be further investigated.