

ANNUAL REPORT 2017

BCI Better Cotton Initiative™
BetterCotton.org



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OUR AIM, MISSION AND STORY

Aim

The Better Cotton Initiative (BCI) aims to transform cotton production worldwide by developing Better Cotton as a sustainable mainstream commodity.

Mission

BCI exists to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future.

The BCI Story

Look down. What are you wearing? Chances are that one or more items of your clothing are made from cotton. Or maybe it's your bed sheets, towels or the bank notes in your pocket. Nearly everyone on Earth uses or wears cotton products every day.

Cotton is a renewable natural resource, but the future of cotton production is vulnerable to environmental degradation, poor working conditions and unstable markets. In 2005, a group of visionary organisations came together to develop a practical solution that would secure the sustainable future of the industry. The result was Better Cotton.

BCI has since made significant progress. In the 2016-17 cotton season, Better Cotton was grown in 21 countries by 1.3 million licensed BCI Farmers and accounted for 14% of global cotton production. We are truly a joint effort – encompassing organisations all the way from farms to fashion and textile brands, and civil society organisations – driving the cotton sector towards sustainability. By 2020, our goal is to train 5 million farmers worldwide on more sustainable agricultural practices, and ensure that Better Cotton accounts for 30% of global cotton production.

In the 2016-17 season, cotton was produced to the Better Cotton Standard in Australia, Brazil, Burkina Faso, Cameroon, China, Cote d'Ivoire, Ghana, India, Israel, Kazakhstan, Madagascar, Mozambique, Pakistan, South Africa, Tajikistan, Tanzania, Turkey, Uganda, USA, Zambia and Zimbabwe.



MESSAGE FROM THE CEO

In a year of remarkable progress on multiple fronts, it is hard to single out one achievement in particular of which I'm most proud. In 2017, BCI's Retailer and Brand Members succeeded in doubling the uptake of Better Cotton, year-on-year, for the second year running. Better Cotton accounted for 14% of global production, bringing us ever closer to a tipping point. Our goal to mainstream Better Cotton – 30% of global production by 2020 – is now more realistic than ever.

But of everything we have achieved, we are delighted that in 2017, we completed the first comprehensive review of the Better Cotton Standard System, paving the way to further support BCI Farmers across the world in raising productivity in a sustainable way.

The revised Principles and Criteria of the Standard, approved by the BCI Council in November, 2017, were the culmination of a thorough and rigorous process, involving more than two years of stakeholder consultation. The result is an enhanced standard system that reflects the reality of social, economic and environmental challenges and best practices in cotton production today. Now begins a 12-month transition period as we prepare for the full roll-out of the revised Principles and Criteria.

This achievement owes a large part of its success to a hallmark of BCI: collaboration both across our organisation and with our partners. Throughout the consultation process, we were once again blown away by the level of commitment shown by BCI's Members and stakeholders.

Collaboration and partnerships have been integral to BCI from the outset, and in 2017 reached new highs. We have a strong strategic partner in the Sustainable Trade Initiative (IDH), 59 Strategic and Implementing Partners and nearly 1,200 member organisations, creating a robust global network to grow the production and uptake of Better Cotton. We also work closely with the organisations behind our three recognised equivalent standards: CmiA (Africa), MyBMP (Australia) and ABR (Brazil), building further momentum towards more sustainable cotton production.

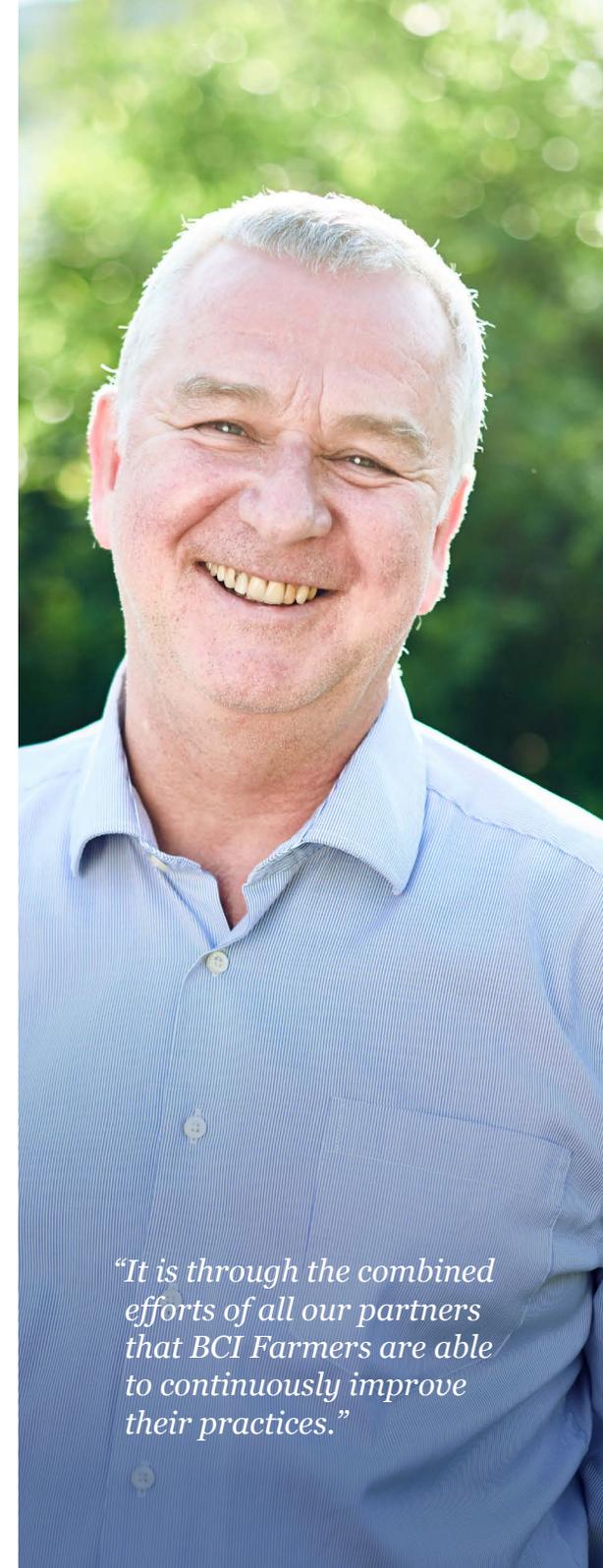
It is through the combined efforts of all our partners that BCI Farmers are able to continuously improve their practices. I'd like to take the opportunity to thank all our partners for their ongoing support in implementing the Standard System, including the 4,000 Field Facilitators who help BCI Farmers on the ground – at the front line of our capacity-building endeavours.

As we move closer to mainstreaming Better Cotton, we are developing our strategy beyond 2020. In particular, we will seek to align our ambitions with the UN's 2030 sustainable development vision. These are exciting times, and I look forward to sharing our plans in the years to come.

I wish all our partners continued success for the year ahead.



Alan McClay, CEO



“It is through the combined efforts of all our partners that BCI Farmers are able to continuously improve their practices.”

STORIES FROM THE FIELD

Take a Tour around the Globe and Meet Three People at the Heart of More Sustainable Cotton Production

As demand for sustainable cotton continues to rise, the Better Cotton Initiative (BCI) has made significant progress in making Better Cotton a mainstream commodity, with 1.3 million BCI Farmers growing 3.3 million metric tonnes of Better Cotton in 2017, in 21 countries. That is 14% of global cotton production. To reach 30% by 2020, we are collaborating with apparel and textile industry stakeholders worldwide. Importantly, we are supporting BCI Farmers across the spectrum – from smallholders, who farm the vast majority of the world's cotton, to co-operatives and large, mechanised farms. In every country where we work, we help BCI Farmers to improve their livelihoods, while addressing the particular climatic, environmental and social challenges they face.

Conducting training for millions of BCI Farmers worldwide is a major undertaking and relies on the support of trusted, like-minded partners on the ground in each country where Better Cotton is grown. We call these partners our Implementing Partners (IPs), and we take an inclusive approach to the types of organisation with whom we partner. They can be NGOs, co-operatives or companies within the cotton supply chain, and are responsible for helping BCI Farmers acquire the social and environmental knowledge they need to cultivate Better Cotton, and encourage uptake of Better Cotton in the cotton supply chain.

Each IP supports a series of Producer Units (PUs), a grouping of BCI Farmers (from smallholder or medium sized farms) from the same community or region. Their leader, the PU Manager, helps multiple, smaller groups, known as Learning Groups, to master best practice techniques, in line with the Better Cotton Principles and Criteria, our global definition of Better Cotton. Each Learning Group, in turn, is supported by a Lead Farmer, who organises training sessions for his or her members, creates regular opportunities to discuss progress and challenges, and encourages best practice in recording their results.

Our more than 4,000 Field Facilitators, employed by our IPs, form the backbone of the implementation system across the world. Often with backgrounds in agronomy, Field Facilitators deliver on-the-ground training (frequently through practical demonstrations in the field) and raise awareness of social issues.

This robust, proven approach to training is progressively helping BCI Farmers to raise productivity and improve their profits, in a way that is better for people and better for the environment. Here, we explore three very different stories of inspiring people at all levels of the BCI training world. We meet a Lead Farmer in Mozambique who has measurably improved his yields and his family's quality of life by adopting sustainable farming techniques. We hear the story of a pioneering female Field Facilitator in Pakistan, who has overcome cultural barriers to become a role model for girls and women in her community. And we speak to a young Chinese PU Manager, who has seized the opportunity to lead his family's cotton co-operative and help 277 BCI Farmers cultivate Better Cotton.

We hope you enjoy their stories!

LEAD FARMER

A BCI Farmer's Journey to Raising Yields in Mozambique

In Mozambique, smallholder farmers participating in the BCI programme manage 90% of the land under cotton cultivation, with 86% of the country's cotton farmers producing Better Cotton. BCI Farmers grow rain-fed cotton, largely by hand, with many growing their crops on plots inherited from their families. As the climate changes, irregular rainfall patterns are bringing significant challenges to farmers, with droughts leading in some cases to the complete loss of farmers' crops. Widespread poverty and a lack of transport and trading infrastructure can present further barriers to addressing these issues, preventing farmers from accessing the tools, finance, inputs and equipment they need.

Our four IPs in Mozambique support BCI Farmers in adopting sustainable, affordable techniques to help raise productivity and mitigate the impacts of climate change. They also procure inputs such as seeds and pesticides on BCI Farmers' behalf, further helping to reduce costs. From a social perspective, they raise awareness of the importance of Decent Work (a universal concept of fair, ethical work, defined by the International Labour Organization), focusing on important issues such as helping women in cotton-farming communities gain equal work and decision-making opportunities.

One BCI IP, Sociedade Algodoeira do Niassa – João Ferreira dos Santos (SAN JFS) has been supporting BCI Farmer Manuel Maussene

since 2013. 47-year-old Manuel manages his 2.5-hectare cotton smallholding in Niassa Province. And with eight children, the family depends on his ability to achieve a plentiful, healthy crop. Since participating in the BCI programme, Manuel has taken significant steps to boost productivity on his farm, focusing on more efficient approaches to managing pests, maximising his use of rainwater, and improving soil health and fibre quality. In 2016, he achieved a record crop of 1,500kg of cotton per hectare, 50% higher than his 2015 crop, significantly higher than the average BCI Farmer in Mozambique.

Manuel's attention to detail and precision in applying best practice techniques has led to him becoming a Lead Farmer. In this role, he has assisted in training sessions for 270 BCI Farmers from within his community, lending his own plot for best practice demonstrations, and communicates regularly with them to share knowledge and listen to their concerns. In 2017, he was involved in an IP-led, digital initiative to measure exactly how much land is being cultivated by BCI Farmers in Niassa Province. He received a tablet from SAN JFS to conduct measurements, with the IP superimposing satellite imagery over the recorded area. He also uses the tablet to show training videos to the BCI Farmers in his PU, sharing best practice techniques from Mozambique and other BCI production countries.

“47-year-old Manuel manages his 2.5-hectare cotton smallholding in Niassa Province. And with eight children, the family depends on his ability to achieve a plentiful, healthy crop.”



Managing the risks posed by pests such as bollworm and jassids (which attack the bolls and foliage respectively), presents an ongoing challenge for Manuel and his fellow BCI Farmers. Taking a more precise approach to pesticide application can help to keep pests under control while reducing costs and environmental impact. Instead of spraying every two weeks, Manuel has learnt to check whether the number of pests has surpassed a certain threshold before spraying. He also grows his plants more closely together, moving away from traditional practices, which allows him to apply pesticides more efficiently and cultivate more plants on the same land area, making better use of his plot.

As the climate changes and pests migrate to new locations, farmers must also remain vigilant to evolving pest threats. For example, the mealybug pest (a sap-sucking insect) ravaged many crops in 2016, for example, spreading quickly due to the warm, dry conditions. We worked with our IPs to provide Manuel and his fellow BCI Farmers with information from the Cotton Institute of Mozambique (IAM) on how to tackle the pest effectively.

Where possible, Manuel uses natural substances such as neem leaves to make botanical pesticides, resulting in further savings, as well as perished weeds from his farm to create a nourishing cover for the top soil. This has the double benefit of providing nutrients to the soil while helping to maximise moisture retention by reducing evaporation and

ensuring more water is directed to the roots, essential in times of drought and irregular rainfall. Improving soil health is vital, with soil degradation a major issue for BCI Farmers in Mozambique and the majority of African countries. He further improves soil health by rotating his crops with maize, cassava and beans, giving the soil a chance to regenerate.

With shifting rainfall patterns continuing to pose a serious concern for cotton farmers in Mozambique, maximising use of rainwater is vital. When delayed rainfall obliges farmers to sow seeds a month or two later than usual (in December or January), this can create a less favourable timeframe for growing, with the days becoming shorter towards the summer months, depriving the crops of sufficient sunlight, just as they are entering the growth phase. To conserve as much rainwater as possible and prevent soil erosion, Manuel has built 'contours' (heaped piles of soil) along each row of cotton to act as barriers, helping to reduce water run-off and make the most of this precious resource.

Protecting fibre quality is another key priority. Manuel has learnt to begin picking when half of his plants are displaying their bolls of cotton, lowering the possibility of contamination from road dust. He immediately separates the harvested crop in two groups, graded A and B, before drying the cotton in sheltered, purpose-built driers, made from locally sourced tree branches and covered with grasses, further protecting the crop from dirt and dust. Finally, he maintains the

quality of the cotton en route to market by storing it in cloth bags rather than plastic. All these techniques combine to allow him to conserve as much of his crop as possible.

By participating in BCI, Manuel has gained respect and standing in the community, and used his increased profits to benefit his family. He has been able to send his children to school and bought school books to assist their learning, and strengthened the construction of his house, replacing the wooden branches with bricks and the grass roof with water-proof zinc plates. He has also bought a motorbike, which allows him to reach customers more easily to sell his food crops, find inputs for these crops or buy groceries for the family.

Manuel's BCI training on Decent Work is changing the way he and his family approach the division of tasks on the farm, too. His wife is now playing a greater role in the commercial side of their business, often going with Manuel to sell the family's cotton at local markets.

In the future, Manuel plans to continue improving productivity on his farm, and may even expand his farm to cultivate more Better Cotton. He will also continue investing his profits in activities to support his family, including by purchasing goats to sell milk, cheese and meat in his community.

To read more on BCI's work in Mozambique, please visit: bettercotton.org/mozambique

FIELD FACILITATOR

Female Field Facilitator Becomes a Role Model in Pakistani Cotton Community

In Pakistan, approximately 1.5 million smallholder farmers rely on cotton for a living. Cotton is the country's most widely cultivated crop and an important raw material for its growing textiles industry, representing 8.5% of GDP.¹ However, as cotton farmers contend with the effects of extreme weather and pest outbreaks damaging the crops, the future of Pakistan's cotton production will depend on men and women playing an equal role in fighting climate change and promoting sustainable farming practices.

Female cotton farmers can set a powerful example in their communities, inspiring more women to take on greater responsibilities in their family businesses and inspiring girls to pursue leadership opportunities in their communities. In rural Pakistan, this means overcoming entrenched attitudes towards the roles of men and women in the home and in the field. In particular, women often have little opportunity to influence farming practices or business decisions, and female cotton workers are often restricted to low paid, manual tasks, with less job security than men.

¹All Pakistan Textile Mills Association



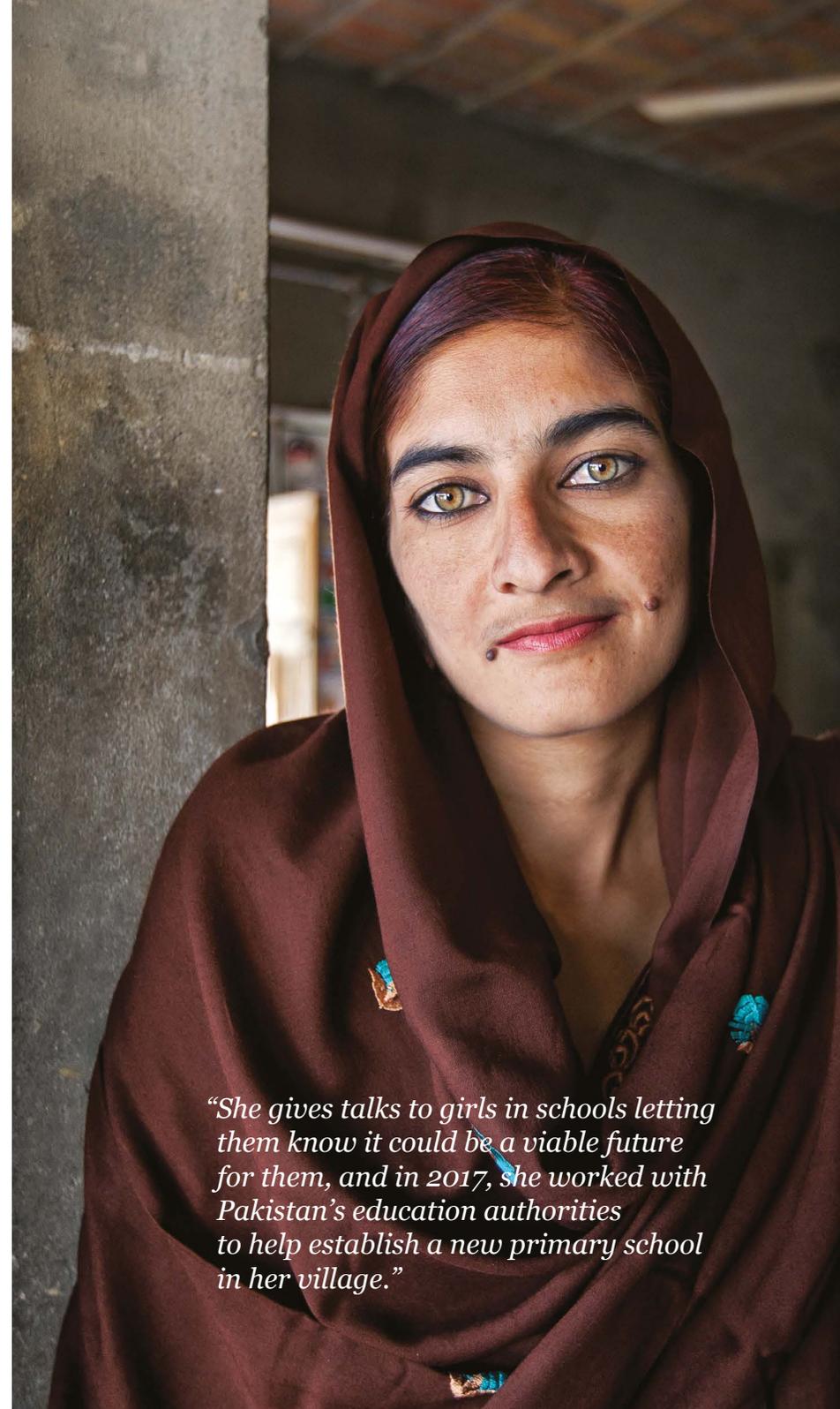
Our six IPs in Pakistan are helping to empower women to take on greater responsibility in the fields, and even to become independent farmers. They hold educational events for female farmers, known as Rural Women's Days, and run women's Learning Groups among BCI PUs. Together, our IPs in Pakistan currently reach more than 117,500 female cotton workers and 140 female farmers in the Punjab and Sindh provinces. (Workers are defined as people who work on cotton farms but do not own the farm and are not the main decision makers.) In this way, they help women to overcome cultural, financial and practical challenges, and learn how to farm cotton more sustainably.

"BCI IPs bring women together so that female BCI Farmers can share their experiences," says Afshan Sufyan, Senior Programme Officer, BCI Pakistan. "Through these events, they promote the message that women should be able to fulfil their dreams, and explain that as a BCI Farmer, they can access the tools, knowledge and opportunities they need to succeed."

In the Vehari district of Punjab, our IP the Rural Education Economic and Education Development Society (REEDS) helped an ambitious, capable

young woman called Almas Parveen to raise productivity on her own cotton smallholding and become a BCI Field Facilitator. 27-year-old Almas is one of four siblings, and has been running her family's nine-hectare farm since 2009, in place of her elderly father. Instead of deferring the management to a third party male farmer, as is often the custom in Pakistan, Almas was determined to run the farm herself, cultivate healthy crops and produce the best possible yields to sustain her family.

Almas' farm was too small to qualify for REEDS' BCI programme, which initially focused on medium-sized farms, but she was still offered the opportunity to join its BCI training sessions and learn sustainable farming techniques. As her interest and competence grew, Almas discovered that she wanted to do more than boost her own yields. She wanted to spread the word, and enable other farmers – both men and women – to benefit from the techniques she was learning. With support from REEDS, Almas completed the training and qualified to become a Field Facilitator and began a paid position training local BCI Farmers in March 2017.



"She gives talks to girls in schools letting them know it could be a viable future for them, and in 2017, she worked with Pakistan's education authorities to help establish a new primary school in her village."

“They promote the message that women should be able to fulfil their dreams, and explain that as a BCI Farmer, they can access the tools, knowledge and opportunities they need to succeed.”

Almas' transition to a position of responsibility in her community did not run smoothly. She experienced opposition from community members, who did not agree with a young woman working on her own and providing training to male farmers. The farmers too, were wary of Almas and questioned her right to train them. But Almas stood strong. Undeterred and supported by her family and REEDS, she continued to deliver BCI training. In time, the farmers' perceptions changed as her technical knowledge and sound advice resulted into tangible benefits on their farms. Anger turned into appreciation. She had won the community's respect.

Today, Almas trains 400 BCI Farmers, as well as supporting other cotton farmers outside of the BCI programme. In particular, she trains men and women in the same location, which is unique in her region.

In her field demonstration plots, Almas takes a hands-on approach to teaching. She helps BCI Farmers to minimise the use of conventional pesticides by taking a more precise, scientific approach to pesticide application, and making their own biological pesticides from the leaves of neem trees and herbs. She encourages them to identify and count particular types of pests before applying pesticides, and maximise the positive effect of beneficial insects (insects that naturally prey on certain insects that damage crops). BCI Farmers in her Learning Groups learn to conduct soil tests to identify which fertiliser to apply when, and in what quantities, and often use local compost and manure for organic fertiliser. In

Vehari, BCI Farmers can't rely on water from canals to irrigate their crops and usually they need to pump up ground water, which can be expensive. Almas encourages BCI Farmers to adopt more efficient irrigation techniques such as laser-levelling (the precision-levelling of fields, in order to distribute water more efficiently) and irrigating alternate furrows.

Almas raised yields and profits by 18% and 23% respectively on her own farm in 2017-18 (compared to 2016-17), and achieved a 35% reduction in pesticide use. With the additional profit, she has been able to support her family and pay for her brother's wedding. Importantly, Almas also wants to make a difference in her community, acting as a role model for female farmers and encouraging more girls and women into cotton farming. She gives talks to girls in schools letting them know it could be a viable future for them, and in 2017, she worked with Pakistan's education authorities to help establish a new primary school in her village.

Beyond her community, Almas continues to reach more people with her empowering messages, including through BCI Regional Members Meetings, where farmers and other cotton stakeholders gather to share their experiences. In June 2018, Almas will travel to Europe and share her inspiring story at the BCI Global Cotton Conference.

Afshan concludes: “At our global conference, Almas will be the voice of Pakistan, the voice of empowerment and gender quality.”

For more information on how we support BCI Farmers in Pakistan, please visit:

bettercotton.org/pakistan

PRODUCER UNIT MANAGER

Chinese Co-op Helps More Than 275 Smallholder Farmers Raise Their Yields and Profits

In remote, rural Yuli County, in China's Xinjiang region, the land is well suited to cotton farming, with 90% of the land dedicated to growing cotton. Generations of smallholder farmers have farmed cotton here for centuries amid widespread poverty, selling their yields to support their families. Three of BCI's 13 Implementing Partners (IPs) in China support 7,123 BCI Farmers in the region. Increasingly, BCI is collaborating with diverse local partners – including cotton co-operatives, ginners, NGOs, social enterprises and local authorities – to raise awareness of the benefits of growing Better Cotton and to encourage more cotton farmers to participate in the BCI programme.

One such IP is the Zhong Wang Cotton Cooperative, established by the Zhong Wang family in 2015. It has also been a BCI IP since 2017 and manages one Producer Unit (PU) of 277 BCI Farmers, the entire membership of the co-op. In particular, the co-op seeks to attract more local cotton farmers to participate in BCI, and encourage more ginners to source more Better Cotton (ginning separates cotton fibre

from the raw cotton bolls). The Zhong Wang family has also been running its own ginning factory, Zhong Wang Textile Company, for three generations. 28-year-old engineering graduate Zhang Biao is proud to be leading his family's efforts to support BCI Farmers through the co-op and the family ginning factory.

"It's an unconventional choice when many young people in China are moving to cities, but I believe agriculture is the foundation of all things in our country, and there are still many opportunities for young people [in farming]. I'm pleased to be helping farmers in Yuli County to grow their cotton more sustainably."

As a PU Manager, Zhang Biao's goal is to help the 277 farmers in his PU deliver high quality cotton to the supply chain, and so far, he has achieved considerable success. The Zhong Wang Cotton Co-operative has nearly doubled its membership in two years, and with each of its 277 BCI Farmer members representing a family of four or five people, the benefits of membership have a multiplier effect.



Through the co-op, BCI Farmers have access to resources such as drip irrigation equipment and information on obtaining funding and government subsidies. The co-op purchases high quality pesticides, fertilisers and seeds on their behalf, helping them to benefit from bulk discounts.

It supports capacity-building at many levels: hosting training for Field Facilitators, offering larger knowledge exchange events for all members and providing advice on individual farms. As a co-op, Zhong Wong also buys its members' cotton crop at the end of the season and sells it on to ginners. The family's own ginning factory now sources approximately 70% Better Cotton.

"It's my job to ensure that all our members learn best practice in respecting the BCI Principles and Criteria, while reinforcing the benefits of Better Cotton among our members, local cotton farming communities and through my daily interaction with other ginning factories [in the region]," says Zhang Biao.

With water scarcity becoming an increasing challenge in Yuli County — due to low rainfall, declining ground water levels and stricter government controls on ground water use — Zhang Biao is advising the BCI Farmers in his PU to optimise water use.

Using efficient drip irrigation techniques, BCI Farmers are delivering water to the roots more quickly and reducing evaporation, compared to flood irrigation.

"It's an unconventional choice when many young people in China are moving to cities, but I believe agriculture is the foundation of all things in our country, and there are still many opportunities for young people in farming. I'm pleased to be helping farmers in Yuli County to grow their cotton more sustainably."

In the same way, BCI Farmers take a precise approach to improving soil health, with the co-op recommending different fertilisers depending on the soil's needs. To improve pest control and reduce pesticide costs, Zhang Biao encourages BCI Farmers to grow crops such as corn and sesame around the fields, in order to attract more beneficial insects onto their farm, which also helps to promote biodiversity.

As a result of the co-op's support, BCI Farmers have raised their yield by 370 kg of seed cotton/ hectare annually since 2015 — to 5,400kg/ hectare in 2016-17 — and increased their profits by \$471 USD since 2015. With the additional income, many of the BCI Farmers buy farming tools and agricultural equipment, and help further raise their yields and increase their profits. To help them further boost their yields, Zhang Biao is keen to explore how his members could share machinery, so that they can implement mechanised farming techniques and make further productivity gains.

Importantly, Zhang Biao is seeing increased interest in Better Cotton among ginners, as demand for more sustainable cotton grows further up the supply chain, and wants to continue helping to accelerate the uptake of Better Cotton.

“Overall, I am optimistic about the future of Better Cotton in China,” he concludes. “Demand [for Better Cotton] is growing, people here are more environmentally conscious, and the government is pushing for improved environmental performance. Young farmers in particular are taking advantage of the opportunity to learn more precise, scientific farming approaches through BCI.”

For more information on how we support BCI Farmers in China, please visit bettercotton.org/china

“Demand for Better Cotton is growing, people here are more environmentally conscious, and the government is pushing for improved environmental performance.”

Looking Ahead

To further support cotton farmers around the world, we regularly explore ways to develop and enhance the Better Cotton Standard System — ensuring that it remains a relevant and effective framework for cotton producers around the globe. As we come closer to taking Better Cotton mainstream, reaching our 2020 goal, we are looking further ahead to define our strategy towards 2030 and beyond. We will continue to partner with like-minded organisations and focus on how the cultivation of Better Cotton can contribute to the United Nations Sustainable Development Goals.

“We will continue to partner with like-minded organisations and focus on how the cultivation of Better Cotton can contribute to the United Nations Sustainable Development Goals.”

GLOBAL HARVEST REPORT 2016-17



The BCI 2016-17 Global Harvest Report provides an overview of our engagement around the world and includes global and country-level figures demonstrating our reach. In the **2016-17 cotton season**, Better Cotton was grown in 21 countries by 1.3 million licensed BCI Farmers and accounted for 14% of global cotton production. Through our partners, BCI trained an additional 300,000 cotton farmers in two additional countries. These farmers are well on their journey to becoming licensed BCI Farmers.

The international cotton season runs from August to July, and therefore, spans a calendar year. The 2017 BCI Annual Report primarily focuses on the 2016-17 season and includes final reach figures for this season.



In both the 2015-16 and 2016-17 seasons, BCI's Implementing and Strategic Partners trained 1.6 million cotton farmers on more sustainable agricultural practices. For the 2016-17 season, however, a lower percentage of Producer Units – groupings of BCI Farmers in the same community or region – were licensed to sell Better Cotton under the Better Cotton Standard System.

BCI's Assurance Programme uses a combination of internal and external assessment to verify that producers remain compliant with all Minimum

Requirements for licensing. Under the Assurance Programme in 2016-2017, licenses were denied or cancelled for a number of reasons, including non-compliance with Minimum Requirements on pesticide application and producers not submitting accurate farm-level results data. The most notable reductions in licenses came from India and Mali.

Consequently, the total number of licensed BCI Farmers decreased compared to the previous year; however, the vast majority of these farmers have continued participating

in the BCI Programme, receiving training and support. They are eligible to apply for new licenses again the following year and will receive a mandatory external assessment before being re-licensed.

Despite fewer farmers earning licenses, the volume of Better Cotton increased globally. This is due to a number of high-yielding, large farm producers in countries like the USA joining the BCI Programme.

BCI Farmers

2016-2017: 1,299,243 farmers



2015-2016: 1,528,537 farmers



2014-2015: 1,220,843 farmers



2013-2014: 997,848 farmers



2012-2013: 193,656 farmers



2011-2012: 89,607 farmers



2010-2011: 28,368 farmers



Area (ha) under Better Cotton Cultivation

2016-2017: 3,309,000 hectares



2015-2016: 3,491,263 hectares



2014-2015: 2,599,356 hectares



2013-2014: 2,027,830 hectares



2012-2013: 699,566 hectares



2011-2012: 434,500 hectares



2010-2011: 94,542 hectares



Production (MT lint) Better Cotton

2016-2017: 3,262,000 MT



2015-2016: 2,504,613 MT



2014-2015: 1,945,699 MT



2013-2014: 1,529,266 MT



2012-2013: 665,789 MT



2011-2012: 454,500 MT



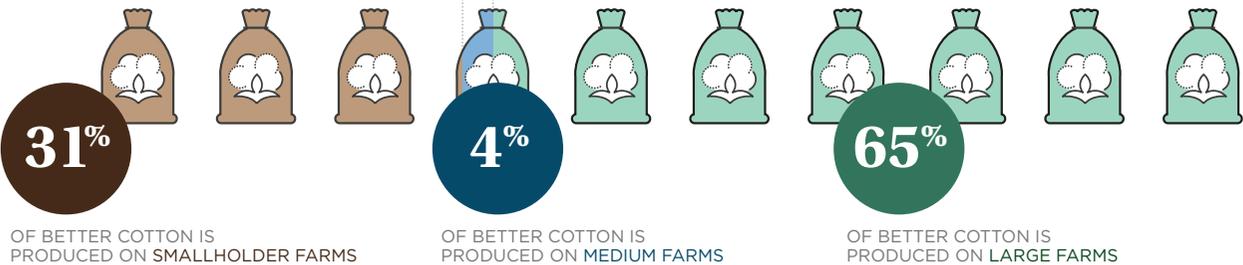
2010-2011: 73,647 MT



How Does a Farmer Become Licensed to Sell Better Cotton?

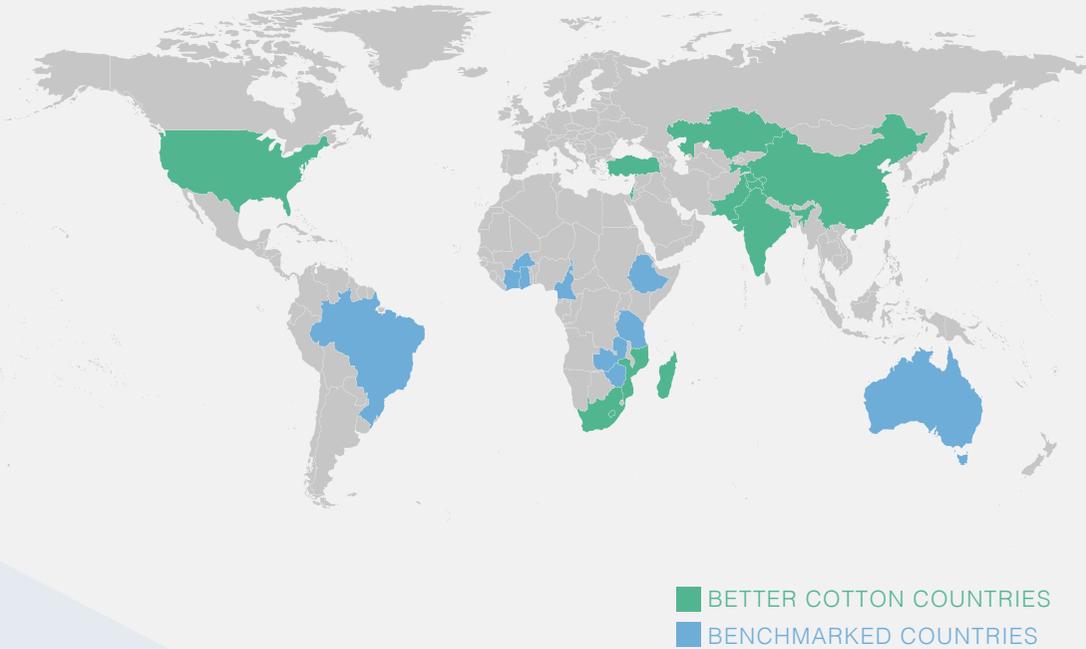
1. A cotton farmer makes an informed decision to participate in a BCI programme and commits to a process of continuous improvement.
2. Participating farmers join multiple training sessions and work towards achieving BCI's Better Cotton Principles and Criteria.
3. During this time, participating farmers maintain a Farmer Field Book, in which they record farm inputs and outputs such as irrigation methods, pesticide use and yields. They also take part in BCI's Assurance Programme.
4. Farmers who meet the core Better Cotton Principles and Criteria requirements earn a Better Cotton licence which enables them to sell their cotton as Better Cotton.
5. Farmers focus on continuously improving their production practices with dedicated support and training, and by collecting and analysing data.

Production of Better Cotton by Farm Size 2016-2017



*Smallholder farm: farm size does not exceed 20 hectares of cotton and is not dependent on permanent hired labour
 †Medium farm: farm size is between 20 to 200 hectares of cotton and is dependent on permanent hired labours
 • Large farm: farm size is above 200 hectares of cotton and is dependent on permanent hired labour

GLOBAL REACH FIGURES 2016-17



Country	BCI Farmers	Area Under Better Cotton Cultivation (ha)	MT of Better Cotton Lint produced
China	51,746	401,000	932,000
India	303,886	501,000	325,000
Israel	84	8,000	14,000
Kazakhstan	43	2,000	1,000
Madagascar	2,106	7,000	1,000
Mozambique	68,599	59,000	9,000
Pakistan	90,441	359,000	316,000
South Africa	553	7,000	4,000
Tajikistan	1,051	13,000	13,000
Turkey	342	16,000	30,000
USA	121	85,000	109,000

BENCHMARKED COUNTRIES

Australia (MyBMP)	76	62,000	138,000
Brazil (ABR)	195	607,000	1,050,000
CMiA/SCS	780,000	1,182,000	320,000

Better Cotton Standard System

The Evolution of the Better Cotton Standard System

The Better Cotton Standard System (BCSS) is a holistic approach to more sustainable cotton production covering all three pillars of sustainability: environmental, social and economic. Each of the following six components of the BCSS work together to support the credibility of Better Cotton and BCI.

- Principles and Criteria
- Capacity Building
- Assurance Programme
- Chain of Custody Guidelines
- Claims Framework
- Results and Impact

BCI is committed to reviewing and updating components of the BCSS to reflect global developments and best practices. In November 2017, after a two-year process, the BCI Council approved the first comprehensive revision of the Better Cotton Principles and Criteria. The review process provided a unique opportunity to integrate feedback from a diverse group of stakeholders, in order to ensure that the BCSS remains relevant and reflects current sustainability challenges in cotton production. In this section of the report, we share the key elements of the revised Principles and Criteria and highlight other important Standard developments that took place in 2017.

Principles and Criteria

The Better Cotton Principles and Criteria (P&C) provide a global definition of Better Cotton through seven key principles. Adhering to the P&C enables BCI Farmers to produce cotton in a way that is measurably better for people, the environment and farming communities.



We have made some significant changes to the Principles and Criteria:

- **Crop protection:** BCI has reinforced its approach to crop protection with increased restrictions on the use of hazardous pesticides. In addition, the approach to health and safety has evolved to include a stricter requirement on minimum personal protective equipment.
- **Water Stewardship:** BCI has broadened the scope of its water principle and aligned it with the concept of 'water stewardship,' a holistic water management approach that encourages collective action towards sustainable use of water at a local level.
- **Biodiversity Management:** The P&C now require the development of a biodiversity management

plan that includes the identification and mapping of biodiversity resources. It also addresses the need to manage degraded areas and protect riparian areas.

- **High Conservation Value Assessment (HCV):** In rare cases when non-agricultural lands are converted to cotton cultivation, producers must now implement an HCV risk-based assessment (simplified and tailored for the BCI smallholder context). This will help to safeguard against any negative environmental or social impacts that may result from land conversion.
- **Soil Management:** A comprehensive soil management approach is now integrated into the P&C that includes identification of soil type and encourages better nutrient management through mandatory soil testing.
- **Climate Change:** The role of the P&C in supporting farmers to adapt to the effects of climate change and mitigate greenhouse gas emissions has been highlighted and clarified.
- **Gender Equality:** The P&C now provide a sharper position on gender equality, better aligned with the International Labour Organization's Decent Work agenda. Improved guidance on various topics such as child labour, sanitation facilities and equal payment have also been included.
- **Fibre Contamination:** There is a new requirement to further reduce foreign contamination through the phasing out of synthetic bags during hand-harvesting, storage and transportation.
- **Recording Sales:** A new requirement for farmers to maintain receipts of their Better Cotton sales has been added.

BCI Farmers will undertake training on the new requirements through a cascade training model delivered through the BCI capacity-building programme. Cascade training is a train-the-trainer model, whereby knowledge flows through a number of different parties - from the BCI Secretariat to BCI Country Teams, to Implementing Partners to BCI Farmers.

Capacity Building

Capacity building is an essential element of the BCSS, as it ensures credible implementation of the P&C. BCI does not train cotton farmers directly. Instead, we work closely with experienced partners in the countries where Better Cotton is grown. Our capacity building programme provides partners with the skills and knowledge required to train cotton farmers and help them make continuous improvements.

In 2017, we enhanced our programme with a new Learning and Development Strategy and roadmap for the creation of a BCI Training Academy, through which we are developing a qualification management system and bespoke training modules for trainers. Throughout the year, BCI Country Teams provided support to Implementing Partners (IPs) and conducted annual training and refresher training for existing and new IPs.

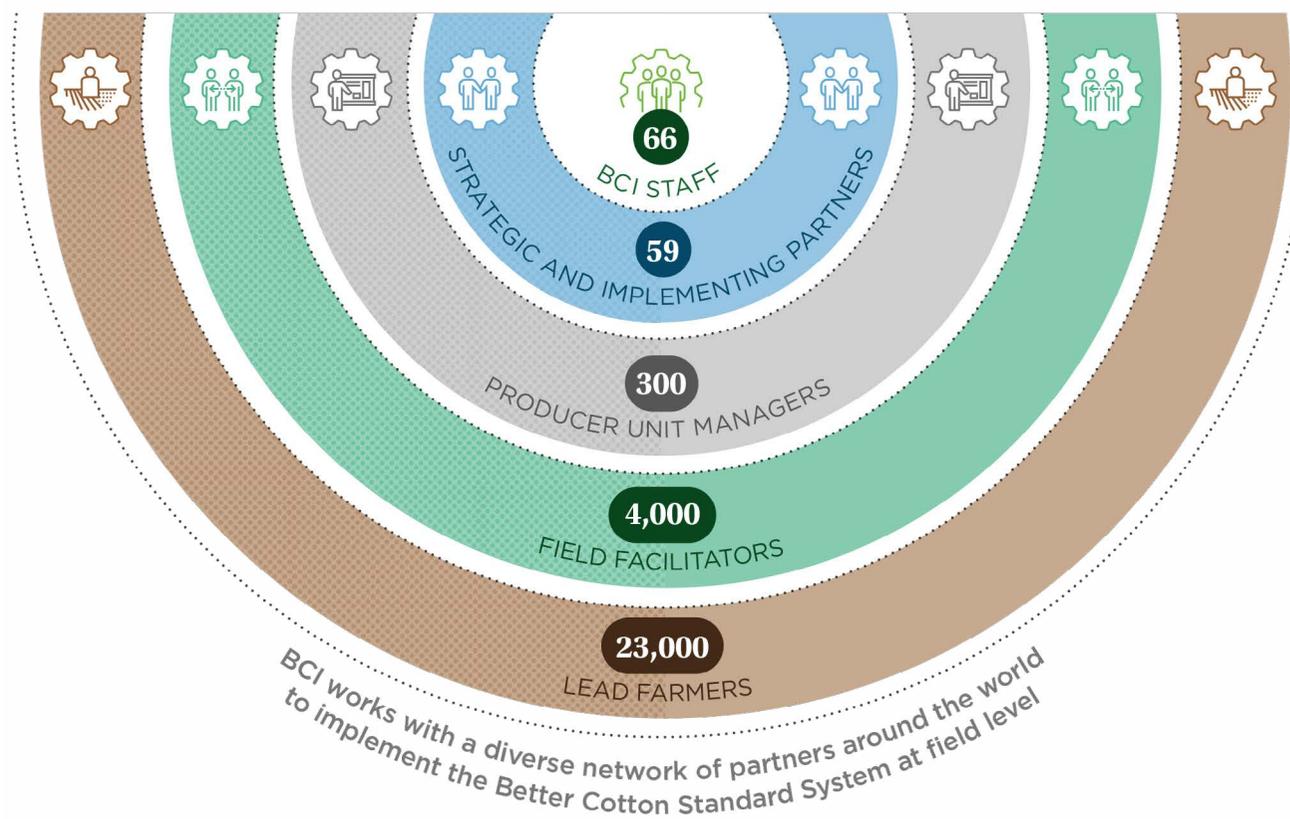
The second Annual BCI Implementing Partner Meeting and Symposium brought together IPs and Strategic Partners from around the world to share best practices and experiences in implementing the P&C. The focus for the 2017 Symposium was Integrated Pest Management, and themes included:

control methods, cotton preparation, making use of beneficial insects, habitat management and improving farmer understanding and decision-making.

As we look ahead to 2018, our focus will be on increasing the reach and accessibility of IPs' National Guidance Materials through the creation of a global online learning resource centre. Training IPs on the revised P&C will also be a primary focus in the year to come.

“In 2017, we enhanced our programme with a new Learning and Development Strategy.”

The People of BCI 2016-2017



Assurance Programme

BCI's Assurance Programme helps to ensure that all cotton farmers licensed to grow and sell Better Cotton are compliant with BCI's Core Requirements, and that field-level components of the BCSS are implemented consistently around the world. Our assurance model includes self-assessment at Producer Unit (PU) level (a collection of smallholders or medium farms) or farm-level for Large Farms; Second-Party Credibility Checks by BCI and/or Partners; Third-Party Verification by independent verifiers; and for Large Farms in the US, a US Group Management model. This approach makes the programme cost neutral for small and medium farms, which helps to make BCI accessible for millions of smallholder cotton farmers worldwide. Additional risk-based assessments give specific attention to the highest and lowest performers.

In 2017, over 550 verification visits were conducted globally across BCI Producer Units and Large Farms. As a result, licences for 56 Producers were cancelled or denied due to non-compliance with BCI's Core Requirements. When a licence is denied or cancelled, the Producer can reapply for a licence in the following season. They will receive a mandatory external assessment visit.

As part of our work to continuously strengthen the BCI Assurance Programme, we rolled out a new online reporting template for Second-Party Credibility Checks with the aim of further expanding this tool to cover IPs and Third-Party Verifiers in the future.



Chain of Custody

Beyond the farm, Better Cotton Chain of Custody (CoC) refers to the documentation or chronological trail showing the order of cotton ownership through the supply chain, all the way from ginners to retailers.

Between the farm and the gin, BCI requires a product segregation CoC model. This means that farmers and ginners must store, transport and process Better Cotton (seed cotton and lint cotton bales) separately from any conventional cotton. This ensures that all Better Cotton bales produced by participating gins are 100% Better Cotton and can be traced back to licensed BCI Farmers.

Beyond the gin level, BCI requires a Mass Balance CoC model to be implemented. Mass Balance is a volume-tracking system that records the volumes of Better Cotton entering and travelling along the supply chain (known as Better Cotton Claim Units). The information is captured through our digital Better Cotton Platform (BCP), formerly the Better Cotton Tracer, and is updated

every time Better Cotton changes hands through new sales transactions. This enables a clear view of the journey of Better Cotton volumes through the supply chain, regardless of whether they are subsequently mixed with conventional cotton.

In 2017, we conducted annual gin monitoring and third-party supply chain audits to ensure participating ginners, suppliers, manufacturers and retailers were adhering to BCI's Better Cotton Chain of Custody Guidelines. The gin monitoring was conducted by BCI's Supply Chain Team and BCI's Strategic Partners, while third-party supply chain audits were delivered by reputable international auditing companies.

Our chain of custody guidelines and auditing process underpin the credibility of Better Cotton claims made by BCI Retailer and Brand Members. To further strengthen the credibility of claims made by all stakeholders in the future, we will launch an extensive review of the Better Cotton Chain of Custody Guidelines and audit processes in 2018.

“By using a system of Mass Balance, BCI is able to reach more farmers, meaning more sustainable practices are being implemented around the world.”

What is Mass Balance?

Mass Balance could be compared to indirect purchases of renewable energy. If you purchase renewable energy credits, there is no direct connection from the power source to your home. Rather, the credits are proof that a certain amount of clean energy has been added to the existing power grid. Similarly, by committing to sourcing Better Cotton through a system of Mass Balance, BCI Retailer and Brand Members can be assured that they are supporting the flow of more sustainable cotton into the supply chain. Mass Balance encourages supply chain actors to buy and use more Better Cotton in a cost-efficient manner, as it does not require complexities that result in costly physical segregation along the supply chain.

By using a system of Mass Balance, BCI is able to reach more farmers, meaning more sustainable practices are being implemented around the world. Ultimately, BCI is focused on making cotton production better for the environment it grows in and better for the sector's future. Knowing where the Better Cotton ends up does not benefit BCI Farmers.

Claims Framework

The Claims Framework is the BCSS pillar outlining communications rules for BCI Members. The framework exists to ensure only credible and consistent claims are made. Members' adherence to the Claims Framework protects the credibility of both BCI and the wider BCI community, while enabling powerful and informed communications. The framework is reviewed annually, allowing BCI to make incremental changes that reflect both our evolving brand identity and lessons learnt during the previous year.

In 2017, we made some changes regarding Members' access to the On-Product Mark, particularly in relation to eligibility criteria. This will help to ensure that only the most committed Members are able to make On-Product Claims, both incentivising increased uptake of Better Cotton and avoiding the risk of Members over-claiming.

The new eligibility criteria include: the introduction of procurement thresholds (minimum volumes of Better Cotton sourcing declarations made to BCI that increase over time – ranging from 5% to 50%), a minimum of one year's Membership, and a mandatory public-facing commitment accompanied by a specific, time-bound goal. Members must state the proportion of 'more sustainable cotton' they intend to source as a percentage of their total cotton footprint within a given timeframe.

Access to the On-Product Mark for BCI Supplier and Manufacturer Members was removed from the Claims Framework. These claims were creating confusion within the supply chain and creating substantial risk for BCI. Finally, we strengthened the procedure for managing Corrective Action Plans, a disciplinary and remediation process which is implemented when a Member is found to be making unapproved claims.

“The Claims Framework exists to ensure only credible and consistent claims are made.”

Results and Impact

BCI is committed to measuring sustainability improvements everywhere Better Cotton is produced, and to evaluating the environmental, social, and economic impact of the Better Cotton Standard System.

As a data-driven organisation, we committed to collecting and reporting on farm-level results from the very beginning. As engagement in more sustainable cotton production continues to grow, we need to innovate and evolve our systems and approaches to capture new data opportunities. In 2017 we invested in building, developing and evaluating our systems:

- We continued to develop our information management capabilities, powered by the Chainpoint platform. We are particularly pleased that as a result, producers in the Large Farm category are now able to report their results online.
- To enable Retailer and Brand Members to effectively communicate their Better Cotton sourcing achievements we conducted research into new farm-level results indicators and results reporting methodologies. We will continue to measure what matters – farm level sustainability improvements – whilst offering value to the market and maintaining the credibility and feasibility of the Better Cotton Standard System.

- BCI also participated in independent research efforts commissioned by the C&A Foundation – complementary environmental life cycle and socio-economic assessments in Madhya Pradesh, India; and ISEAL's Demonstrating and Improving Poverty Impacts project (baseline report available on our website). We also commissioned a case study in Gujarat, India, to examine progress in phasing out a hazardous pesticide and the role of BCI's Implementing Partners.
- In December, we brought together representatives of 11 leading Retailer and Brand Members and experts from multiple disciplines to discuss BCI's mainstream approach to sustainability and how we collectively envision the evolution of BCI's measurement and reporting. The first phase of the new approach will be rolled out in 2018.
- Measuring and evaluating our systems and data enables us to continuously improve and to better support farmers. Improved farming practices will lead to positive results and impacts for farmers, farm workers, and communities, as well as for the sector as a whole.

“Measuring and evaluating our systems and data enables us to continuously improve and to better support farmers.”

An Actionable Framework

BCI Farmers are on a journey towards more sustainable cotton production, and BCI provides them with an actionable framework to do so. Each element of the Better Cotton Standard System works together to ensure the exchange of good practices, encouraging the scaling up of collective action to establish Better Cotton as a sustainable mainstream commodity.

GROWING DEMAND

Collaboration to Transformation

This year BCI moved closer to reaching our 2020 goal – Better Cotton accounting for 30% of global cotton production – and Members contributed significantly to this progress. Membership grew by 21% to 1,197 Members with 17 new Retailer and Brand Members and 193 new Supplier and Manufacturer Members. We saw a historic level of uptake this year, with 736,000 metric tonnes of Better Cotton claimed by retailers and brands – a 60% increase on 2016 – and 1.2 million metric tonnes sourced by spinners. 42 of 85 Retailer and Brand Members communicated public, time-

bound commitments to source 100% of their cotton more sustainably, helping to close the gap between cotton supply and demand.

As BCI membership increased, so did the volume of Better Cotton Platform (BCP) users, who now span the entire cotton supply chain, from ginners and spinners to traders, retailers and brands. By the end of 2017, there were 3,640 BCP user accounts, a 48% increase on 2016, which helped to drive the uptake of Better Cotton.

“Uptake refers to the sourcing and purchasing of more sustainable cotton in a supply chain. Uptake differs from demand in the sense that it results from actual sourcing and purchasing, while demand may only reflect a stated intention or commitment to source or purchase.”



Q&A: adidas' Commitment to Better Cotton

Retailer and Brand Commitment

We are proud to be working alongside a number of prominent retailers and brands who are driving the uptake of Better Cotton year-on-year. BCI's Retailer and Brand Members (RBs) make a long-term commitment to BCI and to sourcing cotton as Better Cotton. Some RBs have been with us on the journey to develop Better Cotton as a sustainable mainstream commodity for many years. One of these brands is adidas.

adidas has been a BCI Retailer and Brand Member since 2010. Ebru Gencoglu, Senior Manager, Merchandising & Sustainability tells us about adidas' cotton sustainability journey.

adidas is close to reaching its target of sourcing 100% of its cotton from more sustainable sources. How has BCI supported adidas in reaching this ambitious target?

BCI and adidas have worked closely from the beginning to reach this ambitious goal. BCI has engaged actors throughout the supply chain to enable the right amount of supply in the right locations. Led by clearly defined KPIs, BCI has kept the focus on expanding the supply of Better Cotton. This has helped our suppliers to source cotton as Better Cotton, which allowed us to ramp up sourcing in a short period of time.

How does adidas' Better Cotton sourcing target form part of the organisations' broader sustainability strategy?

We believe that through sport, we have the power to change lives. And we do this every day as a company – by empowering people to live an active life, by teaching life skills through sport, and by creating sustainable products. Our sustainability strategy is deeply rooted in this core belief and as such, our strategic priorities for 2020 are based on products and people. As part of our product ambitions, we strive to develop innovative materials and processes that optimise our environmental impact. We are committed to steadily increasing the volumes of more sustainable materials we source. The Better Cotton Initiative is one example of how we plan to achieve this.

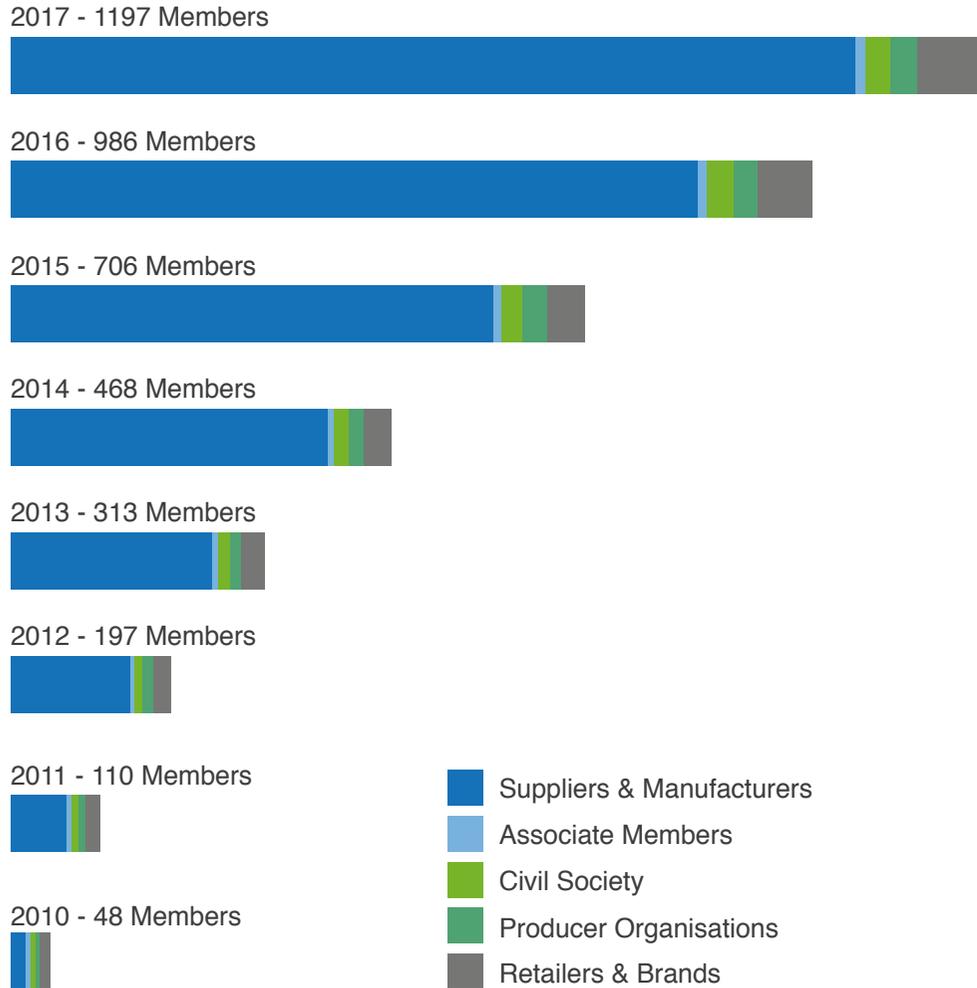
Why is it important for adidas to communicate with its customers about its commitments to Better Cotton?

As a large organisation, we have the opportunity – the obligation and capability – to change how things are done. We are a company that integrates sustainability into our business model. It is important for us that our consumers are clear about our commitment and how we are delivering it.

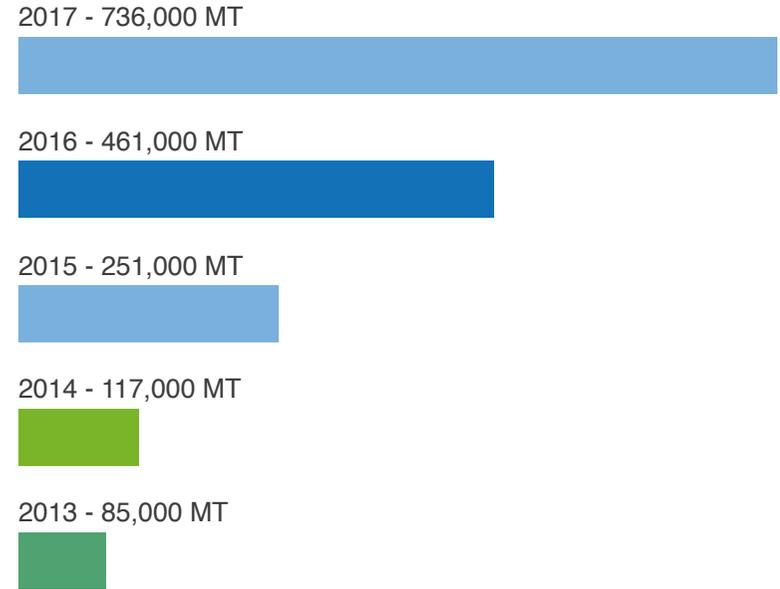
As a pioneering BCI Member, what key sustainability changes have you seen the industry address over the past 10 years?

Things have changed quickly over the past several years. Consumers are interested and demanding that we take action when it comes to both social and environmental compliance. We are able to collaborate more and more with supply chain players to innovate and find new solutions. Transparency in the supply chain also keeps improving, enabling companies to choose the right business partners. We are still at the beginning of a long journey when it comes to sustainability. We need to recognise that this is not a sprint but a marathon. Setting the right foundation, however, will be essential to reaching the finishing line.

Membership Growth by Category



Better Cotton Uptake by Retailer and Brand Members



85
 Retailers and Brands sourced **736,000 metric tonnes (MT)** as Better Cotton against a target of 1,000,000 MT

Spinners sourced **1,240,000 MT** as Better Cotton

BCI Member Engagement

Collaboration is essential to achieving transformation across the global cotton supply chain. In 2017, BCI Members and industry professionals from around the world came together on multiple occasions to share knowledge. From BCI Regional Member Meetings in India, Pakistan, China and Senegal, to Supplier Training and Member Workshops held in more than 13 countries, to the first BCI Global Cotton Conference in Berlin, we hosted over 80 in-person member engagement events, reaching approximately 3,500 industry professionals. On a weekly basis, we reached organisations through our online learning platform, and hosted 42 webinars to support Members in working with their supply chain partners.

BCI Global Cotton Conference, Berlin 17 – 18 May 2017 Connecting Leaders to Drive Business Change

The 2017 BCI Global Cotton Conference attracted 294 attendees from 37 countries. BCI set out to create a collaborative platform for open dialogue on mainstreaming more sustainable cotton. Sustainable cotton sector leaders and other cotton sustainability standards — including representatives of organic cotton and Fairtrade cotton — all contributed to the discussion. Thomas Silberhorn, Parliamentary State Secretary, German Federal Ministry for Economic Cooperation and Development (BMZ) summed up industry progress and praised the audience, saying, “You are no longer niche, you are part of a movement that is gathering momentum”.

“As this momentum propels us towards our 2020 targets, we look forward to supporting our existing Members and welcoming new Members in 2018.”

STAKEHOLDER Q&A'S AND PODCASTS

We spoke with three key stakeholders to find out more about their aims, their commitments to Better Cotton and how they communicate their work to the rest of the world. Read the Q&A's and find links to the podcasts below.

Adrian Sym, CEO | Alliance for Water Stewardship | BCI Civil Society Member and Partner

Can you tell us about Alliance for Water Stewardship's BCI Membership and the reciprocal relationship between our two standards?

Alliance for Water Stewardship (AWS) has had reciprocal membership with BCI for a number of years (BCI is also a member of AWS). It's clear that we should be working very closely together; we are both standard systems and networks. We are both members of the ISEAL Alliance, and we share members. We also share some innovative approaches to standard system development. Added to that, cotton is such a critical crop and water use is a critical factor in cotton production. It really makes sense for AWS to be a member of BCI and for both standards to work together closely.

“You can't address water on a farm-by-farm or household-by-household basis. It is a resource that is inherently shared.”

AWS is a global membership-based organisation which brings other organisations together to address a common goal. Can you share some thoughts on collaboration and cross-sector partnerships?

To begin with, we define water stewardship in terms of what it should achieve. That means social, environmental and economic benefits and how those are achieved. You can't address water on a farm-by-farm or household-by-household basis. It is a resource that is inherently shared. Our definition of water stewardship describes the importance of site and catchment-based action, emphasising the need to work in collaboration in areas where we are sharing this vital resource. Collaboration is therefore hardwired into water stewardship. It is part of our DNA. From day one of our efforts to develop and roll out the standard, the explicit objective to collaborate and support existing initiatives has been very clear. We are not trying to replace other standards or initiatives, we are here to support them to do more on water, where water is a critical factor. It's for that reason that I'm really pleased we've been able to input into the revision of the Principles and Criteria component of the Better Cotton Standard System. We are now working alongside BCI and Helvetas to help roll out the new water stewardship approach in India, Pakistan, China, Tajikistan and Mozambique.

What would you say are the most important ways you communicate with your members and stakeholders about using water in an environmentally sustainable way?

To a large extent, communication really goes to the heart of standard systems. At AWS, we are trying to establish a community that shares its knowledge on water stewardship, where community members can discuss issues and challenges and share experiences, ideas and lessons in a safe environment. We want the dynamic of our community to be fluid. We don't operate a linear 'proposal and response' way of exchanging information, but rather, our members have ownership of the learning agenda as well. They don't have to rely on the few people who work for AWS. Our members are actively engaged in sharing their knowledge and ideas, and I think that leads to some interesting communication. I'm less interested in success stories. We all know this is hard, and sustainable water use is not something we are going to achieve and then pack up and go home. It's something we are always going to need to work on. We're interested in taking learnings and using them to create easier processes in the future. We want to understand the 'how' and then scale this up.

Bonnie Abrams, Senior Director of Global Brand Management | Gap Inc. | BCI Retailer and Brand Member

Can you tell us why Gap decided to become a member of BCI and what your public target for sourcing more sustainable cotton is?

BCI was an important initiative for Gap to become involved with. Gap as an organisation has looked at sustainability and how to create garments in a thoughtful way since day one, not because of public demand or marketing purposes, but because it was the right thing for our company to do and it mattered to the founders. As Gap has become

a much larger brand, our scale and scope has also increased, and we need to make sure we are being as sustainable as possible. That could be how much water we use to produce our denim to how we source our cotton. Becoming a member of BCI was a natural step for us. We realised that the amount of cotton we use is significant, and any opportunity we have to become more sustainable has a significant impact. Our goal now is to source 100% of our cotton from more sustainable sources by 2021.

“Our goal now is to source 100% of our cotton from more sustainable sources by 2021.”



In 2017, Gap opened a pop-up store in New York with a focus on sustainability – can you tell us more about the initiative and the response it received?

Internally, Gap as a brand has been talking about how we can be more sustainable and thoughtful for 50 years, and we've had great opportunities to make major strides in the past few years. We realised that we have been talking about sustainability internally, but we haven't really shared this with our consumers. Our pop-up store came in the year when we announced our goals with BCI and to source 100% of our cotton as more sustainable by 2021. We wanted to start sharing our work and educating our consumers. It's something that is important for our consumers, and it's something they are care about. We did this with our pop-up store in New York City, which opened next to one of our flagship stores. The space was dedicated to our sustainability programmes including

Better Cotton, the wash-well initiative, and at that time, we had a recycled denim collection. It was very successful. Consumers wanted to know more and learn more. They were also very surprised that Gap was doing this. It inspired us as a brand to go out in a bigger way with our sustainable practices and goals. We started sharing this messaging in all stores. This has driven us to not only do this once, but we are really looking to be consistent with this message to the consumer always. In fall 2018, you will see in our national campaigns that we address sustainability in a more overt way than we have ever done. We think it's important that if you have goals, you should communicate them, go out to the public with them and be accountable for reaching them.

Do you have plans for further sustainability-focused communications in the future?

2018 marks the first year in which we are going to go out in a bigger way with our sustainability communications. We know these issues are important to our consumers, they want to know more, and they want to align with brands who share their own personal values. As of 2018, you'll see permanent sustainability messaging within Gap stores, highlighting our involvement with BCI, wash-well denim and recycling initiatives, and why these are important to us. We'll be communicating online too, sharing information via social media and our national advertising campaigns, so that consumers can learn more about our programmes.

Amit Shah, CEO | Spectrum International | BCI Supplier and Manufacturer Member, Implementing Partner and BCI Council Member

Tell us about your membership to BCI and how the partnership began.

Spectrum has been in the sustainability space since 1998, starting with organic farming in India. We were introduced to the Better Cotton Initiative in 2011, and Spectrum subsequently became a local partner to an existing BCI Implementing Partner. We had dual expertise of running farm projects and also procuring materials and channelling them into the supply chains of various brands. This made the partnership with BCI a great fit. In 2013, we became a BCI Supplier and Manufacturer Member, as well as an Implementing Partner. As we only sell sustainable products and services, that put us in a unique position to associate ourselves with BCI, and again, the progression to membership seemed natural. I felt that Spectrum International could also contribute further to BCI by becoming a member of the BCI Council, and that was the next step we took. I feel strongly about the way our industry has operated for many decades, with such a long supply chain that skews the focus on core raw materials and the producers. The passion to change that approach drives me to do what I do.

Spectrum plays multiple roles in furthering BCI's agenda, as a Supplier and Manufacturer Member, an Implementing Partner and a Council Member. Why have you chosen to be so heavily involved?

Spectrum International is part of a group that has been within the textiles industry for almost 79 years. Over the past two decades, we made sustainability not just a core philosophy but also a business driver in terms of shaping where the company goes. In 1998, this wasn't common for companies and it wasn't always easy, but as we progressed, we found that we gained a unique position within the supply chain. We've worked across spinning, ginning and farming, working with smallholder farmers in India to grow various types of sustainable fibres. As we also cover garment manufacturing, we understand what brands and retailers expect from their suppliers. We felt that with this broad knowledge and experience, representation on the BCI Council would give us a chance to represent the BCI Supplier and Manufacture Members in a fair and just manner.

In what ways do you communicate with your customers about Spectrum's commitment to sustainability, and why is this important?

First and foremost, we have our public commitment to trade only sustainable textiles. Over time, this had led our customers to perceive us as a specialist. All retailers and brands want to have a long term, reliable and committed supply partner, especially with the sustainability objectives they have today. They need to know that there are suppliers out there who can help them to meet their targets. This is only possible if those suppliers' commitments are public and communicated well. We highlight our commitments by sharing success stories from cotton farmers and farms. When customers visit farms managed by us, they can see the projects we run and how they are having a positive impact on farmers, the environment and communities. We also communicate via our website, at conferences and trade shows, via media and social media. However, at the heart of all this lies the fact that our customers have confidence that they have a long-term partner who can match their vision with regard to their sustainability targets.

“When customers visit farms managed by us, they can see the projects we run and how they are having a positive impact on farmers, the environment and communities.”

BETTER COTTON GROWTH AND INNOVATION FUND

In order to share the most up-to-date information, in addition to the 2016-17 season figures, this section of the report includes the number of farmers reached in the 2017-18 season. It also includes estimates for total hectares under cultivation and metric tonnes of Better Cotton lint produced. The funding information relates to the 2017-18 season.

In the 2016-17 season, the Better Cotton Growth and Innovation Fund (GIF) enabled 613,755 farmers to participate in training on more sustainable cotton production practices. Overall, 1.1 million metric tonnes (MT) of Better Cotton was produced through projects supported by the Fund. For the 2017-18 season, the Fund mobilised €10.6 million euros to enable 1 million farmers across China, India, Mozambique, Pakistan, Tajikistan, Turkey, and Senegal to receive support and training. The total value of field level investments mobilised increased by 46% from the first to the second year of the Fund's operation. The funds are generated through BCI Retailer and Brand Members' Better Cotton sourcing declarations to BCI, the support of donors, and the commitment of our dedicated Implementing Partners to co-fund their work.

IDH, the Sustainable Trade Initiative, is the official Better Cotton Fund Manager and an important funder. Representatives from both IDH and BCI form the Better Cotton GIF Secretariat, which proposes and implements the Better Cotton GIF strategy. It also manages and processes project applications, promotes knowledge sharing, and manages a growing innovation pipeline. To learn more about the Fund's governance structure, visit www.bettercottonfund.org.

Below, you will find figures for the 2016-17 and 2017-18 seasons, demonstrating the Fund's growing reach and the vital role it plays in contributing to BCI's global reach figures. These can be found in the **Global Harvest Report 2016-17** section of this report. The number of participating farmers supported by the Fund has nearly doubled from the first to second season. Hectares under Better Cotton cultivation will likely see a similar increase, and the volume of Better Cotton produced is expected to increase by up to 70%.

Contracted figures are based on targets set by Fund recipients before the start of the cotton season. Throughout the course of the cotton season, project variances can occur. Therefore, the Fund reports on both contracted and final figures. Final figures will not be ready for the 2017-18 season until later in the year.

“Field level investments mobilised by the Better Cotton Growth and Innovation Fund increased by 46% from the first to the second year of the Fund's operation.”

BETTER COTTON GROWTH AND INNOVATION FUND: KEY FIGURES

Better Cotton GIF Overview	2016-17 Portfolio (Final)	2017-18 Portfolio (Contracted)*
Projects	44	47
Implementing Partners	34	32
Countries Receiving Project Funding	7	7
Participating Farmers	613,755	1,030,352
Area Under Better Cotton Cultivation (ha)	1,075,041	2,129,202
Better Cotton Lint Produced (metric tonnes)	1,081,021	1,809,920
<i>(in thousands of Euros)</i>		
Total Value of Field Level Investments Mobilised	7,431	10,640
Better Cotton GIF Field Investment	4,378	6,867
As % of Total Better Cotton GIF Portfolio	59%	65%
Better Cotton GIF Implementing Partners Field Investment	3,054	3,764
As % of total GIF portfolio	41%	35%

*(Source: Final Project Portfolio BCI GIF 2017-18_AC)

Mobilising BCI Member Contributions

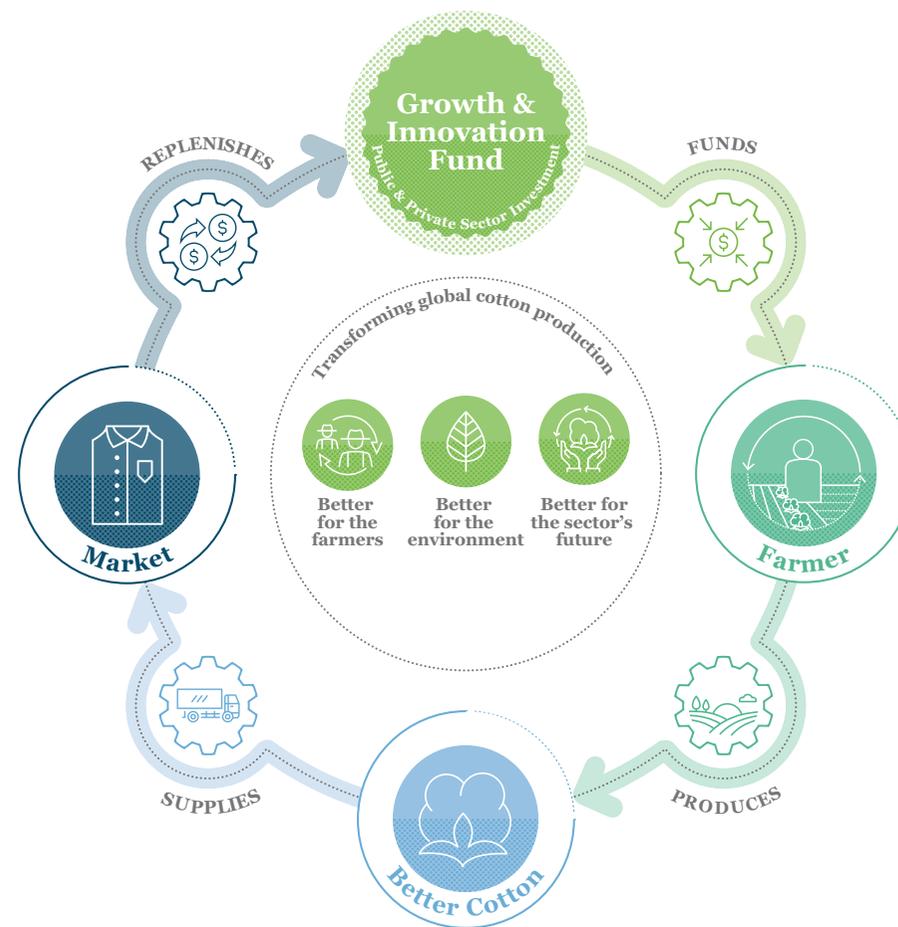
The Fund's ability to support farmers is directly linked to the commitment of BCI Retailer and Brand Members. Their contributions are determined by means of a fee (known as the Volume Based Fee) based on the total volume of Better Cotton they declare to BCI as sourced during the year. The Volume Based Fee is the primary funding mechanism of the Better Cotton GIF, enabling a mutually beneficial cycle whereby as demand for Better Cotton increases, the flow of funding to farmer training programmes rises, thereby expanding farmers' knowledge of better practices. Through training, farmers can reduce negative environmental impacts, improve their productivity and strengthen their communities. Meanwhile, they increase the supply of more sustainable cotton available on the global market.

Global institutional donors, foundations and government agencies are invited to match the fees contributed by the private sector to achieve a multiplier effect. In 2017, the Better Cotton

GIF mobilised investments from the Australian Government's Department of Foreign Affairs and Trade (DFAT), the German Government's Federal Ministry for Economic Cooperation and Development (BMZ), and the Sustainable Trade Initiative (IDH), headquartered in the Netherlands. Indirect supporters through IDH include the Dutch Government, the Swiss Government and the Danish Government.

The Fund will continue engaging donors to join the partnership, looking primarily to governments who seek to promote sustainable cotton consumption in their countries, and governments in cotton producing countries who seek to support more sustainable agriculture. The Better Cotton Programme supports both sustainable production and consumption through its unique engagement and funding model.

"In 2017, BCI saw its Retailer and Brand membership base grow by 29% to 85 Members. This number is expected to rise significantly in 2018, a positive sign for the Fund."



Contributions from Institutional Donors, Foundations and Government Agencies

IDH	2,000
BMZ	2,000
DFAT	250
Retailer & Brand Foundations	211

(in thousands of Euros)

How Does the Better Cotton GIF Allocate Funding?

Every year, BCI Implementing Partners are invited to submit project proposals to the Fund. Within the global remit of the Fund, the GIF Secretariat prioritises a smaller number of countries based on the respective projects' potential to achieve both impact and scale. There follows a multi-step review process, through which projects that best reflect the Better Cotton GIF's annual priorities and long-term strategy and meet the Better Cotton GIF assessment criteria are presented to the Fund's Field Innovation and Impact Committee for approval. For the 2017-18 season, funding was directed to projects in China, India, Pakistan, Mozambique, Turkey, Tajikistan and Senegal.

An Important Piece of the Puzzle

The Better Cotton Growth and Innovation Fund plays an important role in ensuring that participating farmers have access to support and learning opportunities that help them gain the knowledge they need to improve their farming practices. However, it is far from the only mechanism supporting the BCI model. BCI works with partners across the world, who also invest considerable time and funds in implementing the Better Cotton Standard System. The financial section of this report provides an overview of resources directed to this effort, highlighting the Better Cotton GIF as one component of a global network of supporters.

BCI aims to support 5 million farmers through its capacity building programmes by 2020, of which the Fund is projected to directly fund approximately 80-85%, primarily in India, Pakistan and across the African continent. To reach this milestone, the annual investment by the Fund must increase exponentially by 2020, requiring both governments and the private sector to remain committed contributors.



FINANCIAL FOOTPRINT

In the 2016-17 season, 1.3 million licensed BCI Farmers from 21 countries produced 14% of the world's cotton more sustainably. Our approach is geared toward ensuring that as many farmers as possible gain access to knowledge and tools to improve the environmental, social and economic sustainability of cotton production. We want them and their families and communities to experience the benefits of more sustainable production. We also maintain a keen focus on maintaining the credibility of the Better Cotton Standard System through assessment, monitoring and chain of custody activities.

An important financial mechanism we use to support our efforts is the Volume-Based Fee. BCI Retailer and Brand Members pay this fee based on their own sourcing declarations made via the Better Cotton Platform. The funds are primarily allocated to the Better Cotton Growth and Innovation Fund for field-level training and support. We strive to match them with donations from global institutional donors and governmental agencies, and direct the remainder of the Volume-Based Fee towards activities to develop and maintain the credibility of the Standard.

BCI recognises that support is required to close the knowledge gap and equip farmers to produce cotton more sustainably. Therefore, the Fund makes strategic investments in countries prioritised on the basis of potential for both scale and impact. In 2017, BCI and the Better Cotton Growth and Innovation Fund directly invested €7.5 million, which enabled 613,755 farmers across China, India, Mozambique, Pakistan, Tajikistan, Turkey and Senegal to access training on more sustainable cotton production. Most partners receiving funding through the Fund co-fund their projects. In these cases, partners invest directly in the project, so their contribution is not recognised in the accounting of the BCI Secretariat or Better Cotton Growth and Innovation Fund, although we play a role in catalysing this field-level investment. Read more about the Better Cotton Growth and Innovation Fund in the **Better Cotton Growth and Innovation Fund** section.



BCI also works with Strategic and Implementing Partners, recognised equivalent standards, ginners, cooperatives, traders and farmers that do not receive support from the Better Cotton Growth and Innovation Fund, but rather, take on implementation of the Standard of their own accord. In order to mainstream sustainability in cotton production, we must build on existing knowledge and activities through meaningful partnerships. These partners and local entities benefit from BCI's efforts to maintain a robust and credible Standard that adheres to globally recognised best practices. BCI Farmers also benefit by gaining access to global markets. In 2017, nearly half of BCI's Retailer and Brand Members had made public, time-bound commitments to source 100% of their cotton from more sustainable sources.

Through our partnerships with recognised equivalent standards (that have been successfully benchmarked against the BCSS), we reached 1.6 million farmers in 2017. These equivalent standards are: myBMP, managed by Cotton Australia; ABR (Algodão Brasileiro

Responsável/Responsible Brazilian Cotton) managed by ABRAPA (Associação Brasileira dos Produtores de Algodão); and 'Cotton made in Africa' (CmiA) as well as the 'Smallholder Cotton Standard' (SCS), managed by the Aid by Trade Foundation (AbTF). We also partner with the Israel Cotton Production and Marketing Board in Israel, where 100% of cotton farmers are BCI Farmers. In South Africa, we continue to pursue opportunities with partners on the ground to encourage widespread adoption of the Standard.

Finally, BCI is a member organisation, and as such, collects membership fees to support various activities integral to our aim and mission. These activities include development of the Standard, Implementing Partner training, membership support and engagement, assurance, multi-stakeholder governance and administration.

In order to reach our ambitious target of ensuring that 30% of the world's cotton is Better Cotton by 2020, BCI must remain innovative, pragmatic and efficient in our efforts to reach scale, and promote more sustainable practices among more farmers.

Better Cotton GIF Overview	2017	2016
Funds Mobilised	16,878	12,937
Opening Reserves	2,808	2,271

Private Sector Funding

Membership & Better Cotton Platform Fees	5,264	3,879
Retailer & Brand Investment (Volume Based Fee)	3,369	2,671
Retailer & Brand Foundations	211	275
Other Income	249	168
Total Private Sector Funding	9,093	6,993

Public Sector Funding

Better Cotton GIF Public Funding	4,350	3,000
BCI Public Funding	627	673
Total Public Sector Funding	4,977	3,673

Total Funds Raised	14,070	10,666
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Funds Used

Field Investment	7,496	4,747
Standard Setting, Assurance and Demand	4,445	3,999
Admin & Finance	1,651	1,383

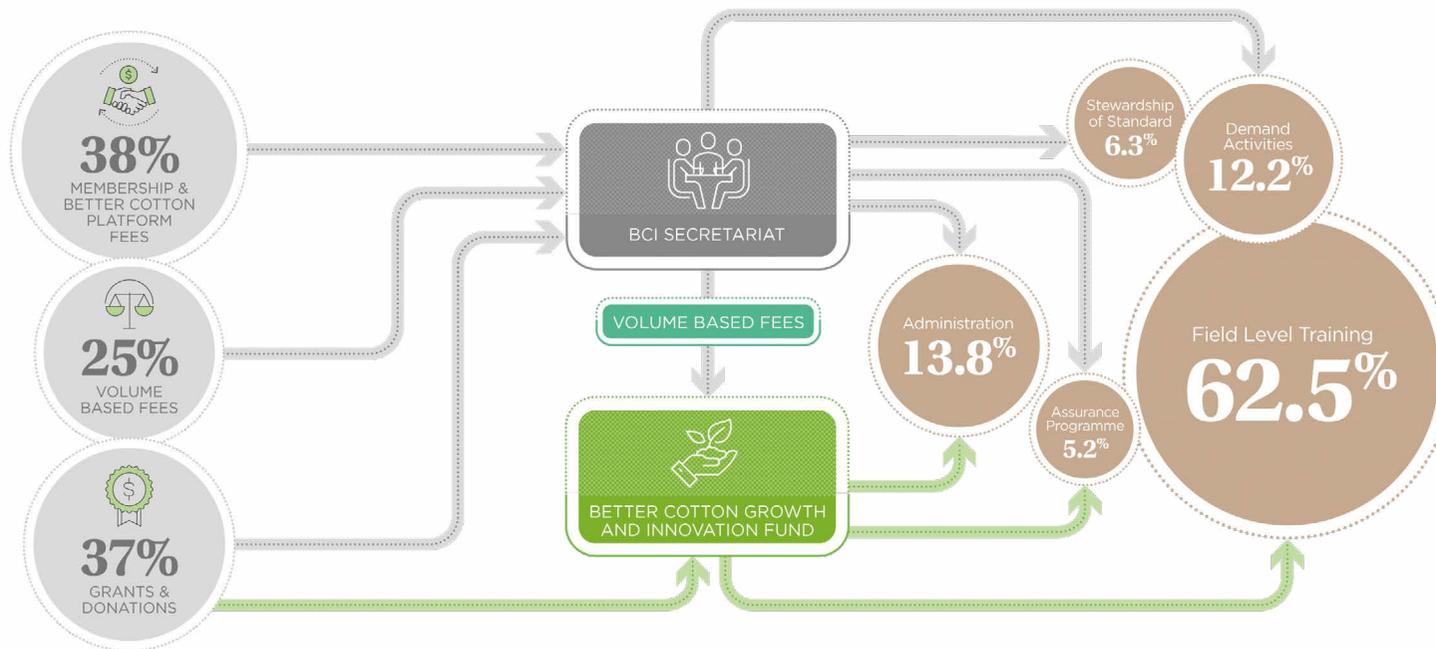
Total Funds Used	13,592	10,129
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Closing Reserves	3,286	2,808
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(in thousands of Euros)

Please note that BCI and The Growth and Innovation Fund are separate legal entities. The above financial footprint is intended to help readers understand how funds collected through the two entities are used to deliver BCI's mission. Both entities prepare statutory accounts.

BCI Finance 2016-2017



THANK YOU

We would like to thank the following committed stakeholders, who, by supporting and participating in BCI, are driving change. Together, we are working towards a more sustainable future for the cotton sector.

- BCI Farmers in 21 countries who work tirelessly to produce a more sustainable raw material essential to the daily lives of nearly every person on the planet.
- Implementing Partners and Strategic Partners, who bring the Better Cotton Standard System to life at farm level every day, helping us to reach millions of farmers:

ABRAPA, AbTF, ACF, AFPRO, Allenberg-ProCot, Anandi Enterprises, AProCA, Arvind, Basil Commodities Pvt. Ltd, CABI, CAIM, Cargill-IP, CMDT-IP, Coastal Salinity Prevention Cell, Cotton Australia, Cotton Connect, Cotton SA, Deshpande Foundation, IAM (Mozambique Cotton Institute), IP Akesu Jintian Farm Co., Ltd, IP Binzhou Nongxi Cooperative, IP Changzhou Keteng Textile Co., Ltd, IP Cotton Connect China, IP Guoxin Rural Technical Service Association, IP HuaFu Top Dyed Melange Yarn Co.,Ltd, IP Shandong Huitong Textile Co. Ltd., IP Solidaridad China, IP Songzi Agriculture Technology Promotion Center, IP Xinjiang Luthai Fengshou Cotton Industry Co. Ltd., IP Xinjiang Taichang Industrial Co. Ltd., IP Yuli County Cotton & Linen Company, IP Yuli County Zhongliang Cotton Co.,Ltd, IPUD, Israel Cotton Production & Marketing Board, K.K Fibres (MP), Loeb & Sons, Lok Sanjh Foundation, Louis Dreyfus Company Kazakhstan, Mahila Arthik Vikas Mahamandal (MAVIM MH), Mahima, MYKAPS, Olam-IP, Pratibha Syntex Ltd., Participatory Rural Development Initiatives Society (PRDIS), REEDS, SAN/JFS-IP, SANAM-IP, Sarob, SIPL,

SodefiteX, Solidaridad, STAC India, StaplCotn, TianliAgri, Udyansh Gramin Samaj Sewa Samiti (UGSSS MP), Vardhman, WWF, WWF-Pakistan, XPCC Cotton & Linen Trading Co., Ltd.

- Our funding partners, for their generous support:

Secretariat

- WWF Sweden and Swedish International Development Cooperation Agency (SIDA)
- USAID Development Innovation Ventures*
- C&A Foundation
- Helvetas Swiss Intercooperation and Swiss Agency for Development and Cooperation (SDC).

Better Cotton Growth and Innovation Fund

- Australia Department of Foreign Affairs (DFAT)
- German Federal Ministry of Economic Cooperation and Development (BMZ)
- Netherlands Ministry of Foreign Affairs
- Sustainable Trade Initiative (IDH).
- All BCI Members, who across the supply chain are working with us in creating transformational change within the cotton sector - at scale.

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THANK YOU



C&A Foundation

