



Chain of Custody Standard

Implementation Guidance for
Suppliers & Manufacturers

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Title

Better Cotton Chain of Custody Standard Implementation Guidance for Suppliers & Manufacturers v.1.0

Standard Effective Date

The Chain of Custody Standard was approved by the Better Cotton Council on 7 February 2023
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Translation Accuracy

The official language of this document is English. In case of any inconsistency between versions due to translation, please refer to the English version. While translations to other languages will be provided, Better Cotton assumes no liability for errors or misunderstandings due to translation.

Any Questions or Inputs?

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Disclaimer

Following this implementation guidance document does not ensure compliance with the Chain of Custody Standard.

Table of Contents

1.	Introduction	5
2.	Management System Requirements	12
3.	Purchasing, Material Receipt, Storage and Production	24
4.	Sales and Goods Out	28
5.	Volume Reconciliation	30
6.	Chain of Custody Supply Chain Models	33

About

The Better Cotton Chain of Custody Standard (CoC) Implementation Guidance has been developed as a resource to support consistent implementation of the Better Cotton CoC Standard v1.0.

Better Cotton has created three distinct CoC guidance documents tailored to specific stages of the supply chain, ensuring that guidance remains relevant and useful to stakeholders:

- Better Cotton Chain of Custody Standard Implementation Guidance for **Suppliers and Manufacturers**
 - Spinners
 - Integrated Spinners
 - Vertically Integrated Spinners
 - Fabric Makers
 - Vertically Integrated Mills
 - End Product Manufacturers

- Better Cotton Chain of Custody Standard Implementation Guidance for **Ginners**

- Better Cotton Chain of Custody Standard Implementation Guidance for **Traders and Distributors**
 - Lint traders
 - Non-lint traders
 - Sourcing agents / distributors

The BCP User Manuals and Guidance for Retailers and Brands will sit as separate documents.

Better Cotton reserves the right to revise guidance based on implementation, learnings and emerging good practice. Please visit www.bettercotton.org to verify that this document is the most recent version.

How to Use This Document

In this document, requirements from the CoC Standard v1.0 are annotated with boxes that contain the following information:

- Definitions
- Requirement context/purpose
- Tips for implementation
- Examples

Please note that for conciseness, requirements that are not relevant to suppliers and manufacturers are not included in the implementation guidance document. Please reference the Chain of Custody Standard for the full list of requirements.

1. Introduction

1.1 Applicability

The Better Cotton CoC Standard requirements are applicable globally for all supply chain organisations that are buying or selling physical Better Cotton or fulfilling Better Cotton Mass Balance orders. These include (but are not limited to) middlemen and markets for raw seed cotton, ginners, merchants, lint traders, mills with spinning capabilities, mills or suppliers without spinning capabilities (including fabric mills, dyeing mills, yarn and/or fabric traders, vertical mills), end-product manufacturers, sourcing agents, and retailers and brands with their own manufacturing capabilities. Organisations shall include sub-contracted (outsourced) activities within their verification scope where applicable.

The Better Cotton CoC Standard applies to products containing physical virgin cotton produced in accordance with the Better Cotton Principles and Criteria and equivalent schemes, and cotton containing products sourced as Mass Balance orders. At this time, materials that are produced as by-products of manufacturing processes, and any form of reusable waste (such as comber noils) may not be sold with a physical Better Cotton claim.

By-products and reusable waste should be accounted for as conventional cotton, and not associated with a physical Better Cotton claim. This means any combers introduced by a spinner on their laydown would count as conventional cotton and the resulting yarn would qualify as Better Cotton (Controlled Blending) materials. This is regardless of whether the combers were the by-product of segregated physical Better Cotton yarn production.

Better Cotton reserves the right to reject any application to the CoC programme. Organisations have the option to appeal any decision made because of an assessment or monitoring activity, and complaints received shall be handled as per the Better Cotton Complaints Policy.

The process by which organisations can apply to enter the CoC programme can be found on the Chain of Custody section of the Better Cotton website.

Better Cotton recognises that in some exceptional circumstances, a requirement may not be relevant or applicable in a specific context. In addition, Better Cotton Supply Chain Actors may at times be faced with unexpected or structural circumstances which prevent full compliance. To account for these situations, Better Cotton has a derogation process. Better Cotton maintains a list of derogations applicable to the CoC Standard, which are available here: <https://bettercotton.org>.

Where an organisation is unable to comply with a requirement of the CoC Standard, they may contact Better Cotton to request a derogation. Organisations should provide clear rationale and evidence to support this request. It is at Better Cotton's discretion whether to issue derogations.

Request for derogations should be addressed to compliance@bettercotton.org

1.2 CoC Model Definitions

Chain of Custody is the documented path taken by products from the Better Cotton licensed farm to the point where the product is sold with a Better Cotton claim. The Chain of Custody scope includes each stage of sourcing, processing, trading, and distribution where progress to the next stage in the supply chain involves a change of ownership or custody.

The Better Cotton CoC Standard incorporates four CoC model options: Mass Balance, Controlled Blending, Segregation (Multi-Country), and Segregation (Single Country).

Suppliers, manufacturers, retailers and brands are encouraged to use the CoC models that most suit their business needs and operational context. The CoC Standard is designed to facilitate the use of multiple options at the same verified manufacturing site.

- 1.2.1 Mass Balance** is an accounting system that allows claims to be transferred from one Better Cotton product to another either through physical blending/mixing or administratively via Better Cotton Claim Units (BCCUs). It ensures that the quantity of physical cotton sold as a Mass Balance order with BCCUs cannot exceed the quantity of cotton purchased with BCCUs (accounting for relevant conversion rates) across the supply chain.

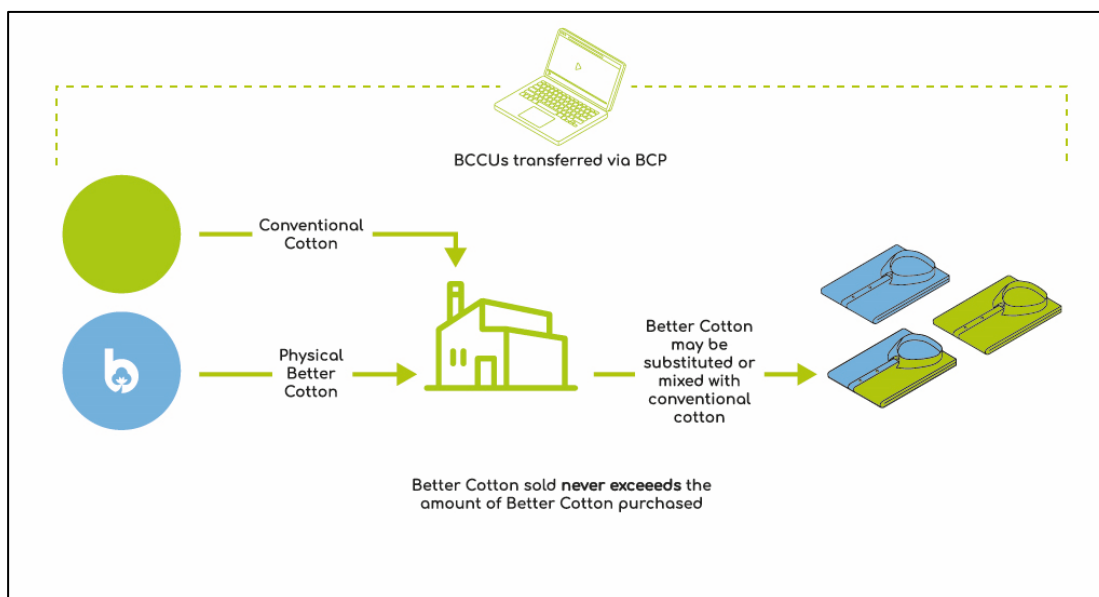


Figure 1 - Representation of the Mass Balance CoC model

- 1.2.2 Controlled Blending** allows the mixing of physical Better Cotton and conventional cotton within a production batch, resulting in a percentage claim about the proportion of physical Better Cotton used within the batch. Conventional cotton may include recycled, regenerative, organic, in-conversion, and any other cotton input that is sourced in accordance with the Better Cotton Platform (BCP) Terms and Conditions.

The model may only be used within a manufacturing or processing activity from spinning mill onwards. It cannot be used for the trading and / or distribution of Better Cotton products or where there is trade without physical possession of products. Those trading or distributing cotton processed under the Controlled Blending CoC model shall maintain segregation and physical identification of the product when in their custody.

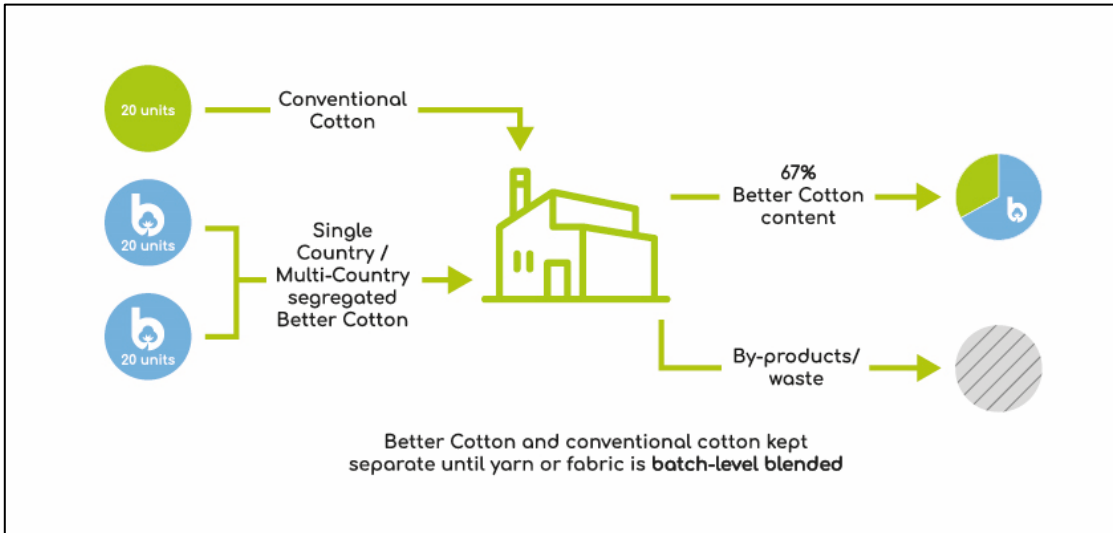


Figure 2 - Representation of the Controlled Blending CoC model

1.2.3 Segregation (Multi-Country) requires separation of physical Better Cotton and conventional cotton from farm level onwards, and does not allow mixing or substitution between physical Better Cotton and conventional cotton throughout the supply chain. The model is applied when the physical Better Cotton originates from multiple (more than one) countries.

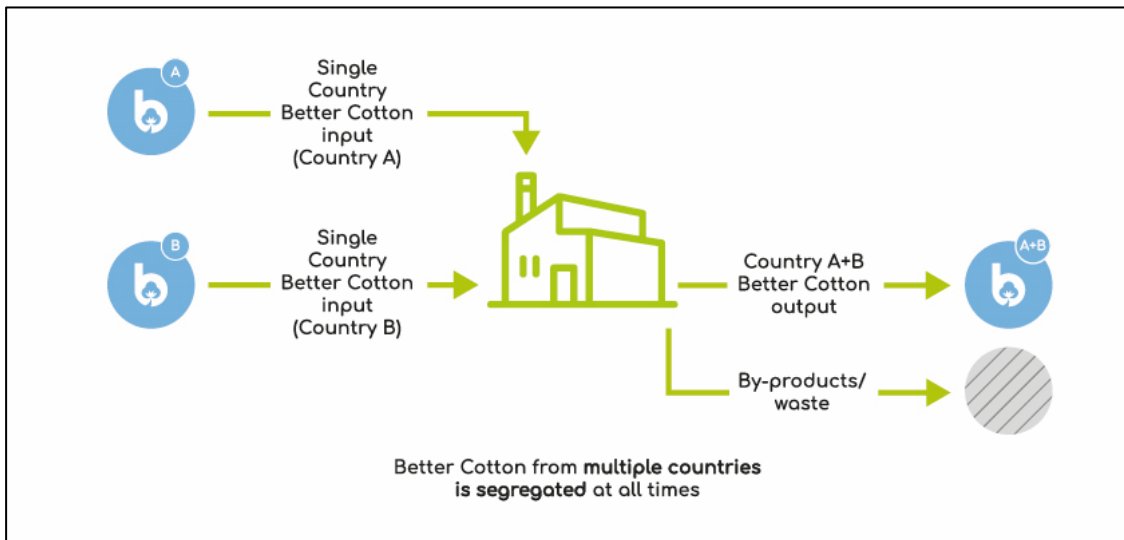


Figure 3 - Representation of the Segregation (Multi-Country) CoC model

1.2.4 Segregation (Single Country) requires separation of physical Better Cotton and conventional cotton from farm level onwards, and does not allow mixing or substitution between physical Better Cotton of different origins and conventional cotton of any origin, throughout the supply chain. All organisations applying this model shall ensure that physical Better Cotton material from a single country is kept physically separate from all other cotton sources, including material from different Better Cotton production countries.

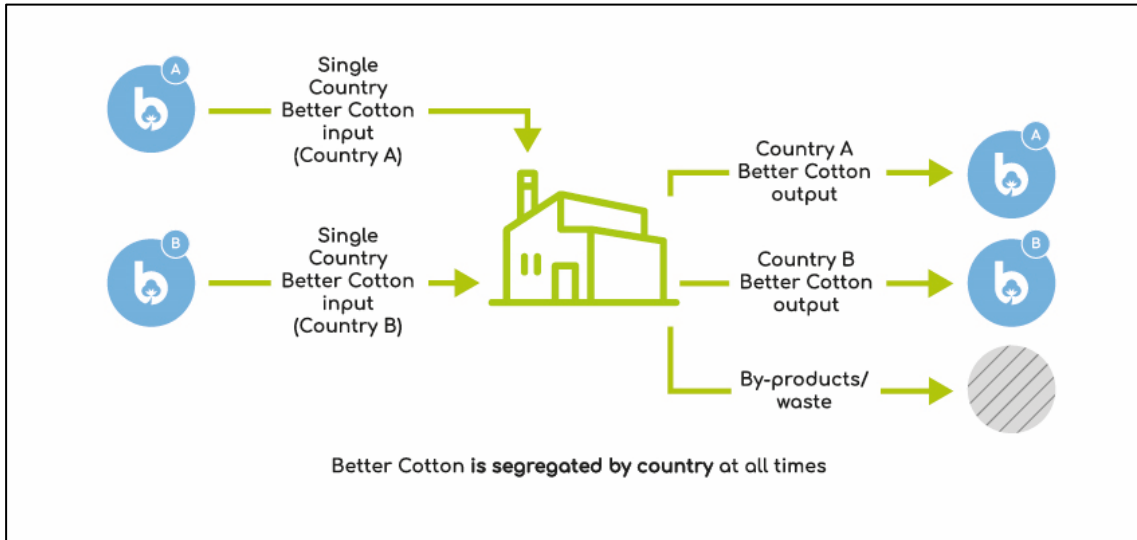


Figure 4 - Representation of the Segregation (Single Country) CoC model

For the purposes of the CoC Standard and implementation guidance, conventional cotton refers to any cotton that was not produced by licensed Better Cotton Farmers according to the Better Cotton Principles and Criteria, or farmers in adherence to standards recognised by Better Cotton. This definition of conventional cotton includes organic, recycled, regenerative, and other types of preferred cotton.

Find out where Better Cotton is grown here: <https://bettercotton.org/where-is-better-cotton-grown/>

1.3 CoC Model Supply Chain Application

Segregation (Single Country) is applicable at the farm and ginner level of the supply chain. Segregation (Single Country) and Mass Balance are applicable at the raw cotton trader level of the supply chain. For the rest of the supply chain all CoC supply chain models, or a combination of CoC supply chain models are possible, including the existing Mass Balance model. Better Cotton Retailer and Brand members may source all CoC models.

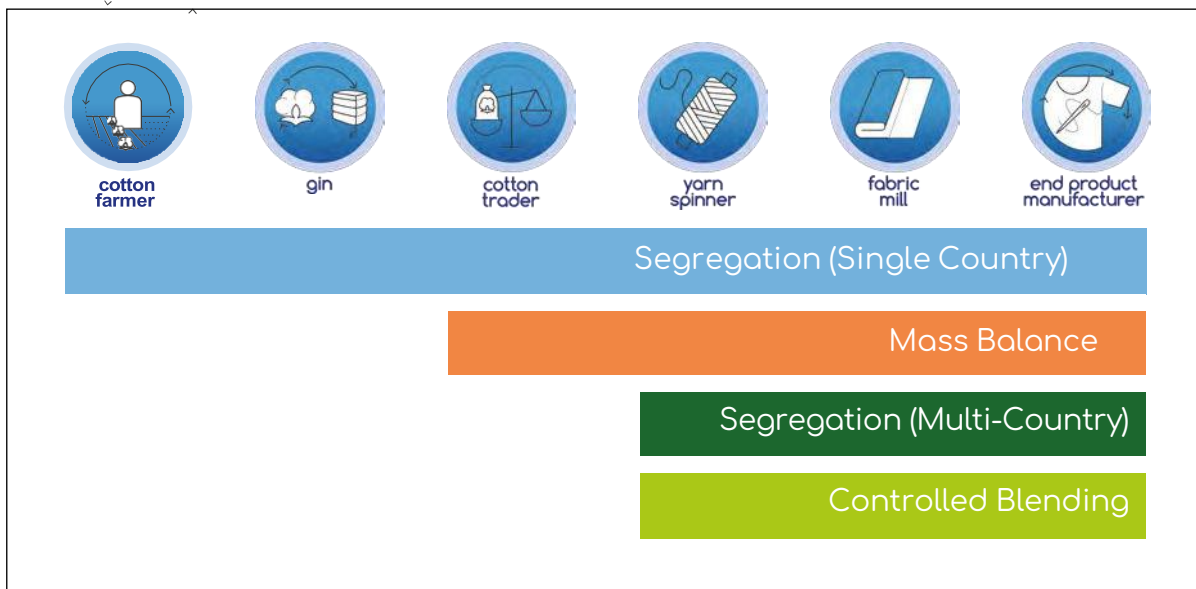


Figure 5 - Application of the different CoC models by supplier type

Suppliers and manufacturers may apply all four CoC models at their site.

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

Guidance for use of Better Cotton claims is located in the Better Cotton Claims Framework. The Claims Framework for physical Better Cotton is due to be published in 2024. Please visit www.bettercotton.org to locate the most up to date version.

1.4 Scope of CoC Implementation

- 1.4.1** At each stage of the supply chain the organisation shall implement the applicable CoC supply chain model(s) at site level. The CoC requirements and data will be maintained at each site owned by the organisation, for all applicable CoC models, including Mass Balance.

A site is defined as 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. Organisations may have multiple sites.

IMPORTANT: All sites involved in the CoC for physical Better Cotton shall be registered separately with Better Cotton. This means each site will have to fill out a registration form and will be provided BCP account access at site level. It is the responsibility of the organisation to register each site with Better Cotton separately. Representing multiple sites as a single site may result in suspension from the programme.

- 1.4.5** An organisation can determine the scope of their verification to exclude processes and products which do not meet the requirements of this CoC Standard. Excluded processes and products shall not be associated with Better Cotton claims.

Examples of excluded processes and products may include:

- Conventional cotton products that do not contain Better Cotton
- Non-cotton products
- Additional processing that happens at the site's facilities that is not within scope of verification, such as where multiple organisations operate out of the same site / facility.

The organisation should communicate to third-party assessors about excluded processes or products in written form prior to the assessment, or verbally during the assessment.

Better Cotton Platform

The Better Cotton Platform (BCP) is a centralised digital tracking system owned by Better Cotton, and used by manufacturers, suppliers, retailers and brands to document and make claims about their Better Cotton sourcing activities and sourced volumes. In line with Better Cotton's Traceability Programme strategy, the BCP will be upgraded in 2023 to accommodate the new physical CoC models.

For physical Better Cotton, the conversion factor of a given process is automatically calculated based on input and output volumes, and is presented as a read only value. The BCP will check whether the conversion factor is within an expected range, as defined by Better Cotton. For Mass Balance orders, the BCP utilises standardised conversion factors, based on product type and process.

Use of the BCP is mandatory for all Better Cotton transactions, whether physical or Mass Balance. All organisations using the Better Cotton Platform shall be required to sign the Better Cotton Platform (BCP) Terms and Conditions.

Guidance for the use of the Better Cotton Platform is located on the BCP.

Better Cotton Membership

All organisations verified to the Better Cotton CoC Standard may apply to become Better Cotton members. Better Cotton membership is obligatory for:

- Retailers and brands that want to purchase end-products with a Better Cotton claim
- Suppliers sourcing bales of ginned lint (cotton traders and manufacturers with spinning capabilities).

Verified organisations that are not members are considered non-member BCP Suppliers.

More information on Better Cotton membership can be found here: <https://bettercotton.org/membership/>.

References

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

- Better Cotton Chain of Custody Standard V1.0
- Better Cotton Ginner Agreement (for ginners only)
- Better Cotton Platform User Manuals
- Better Cotton Monitoring and Assessment Procedure V1.0
- Better Cotton Claims Framework
- Better Cotton Member Code of Practice (applicable to Better Cotton Members only)
- Better Cotton BCP Terms and Conditions
- Better Cotton CoC Terminology and Definitions

Additional guidance and FAQs are available on the Better Cotton website.

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 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.
- “can” is used for statements of possibility and capability, whether material, physical or causal.

2. Management System Requirements

A management system is a set of tools and processes that an organisation implements to ensure quality, consistency, and continual improvement. It consists of three core elements:

- **People** – personnel that are trained, competent and understand their responsibilities to maintain and implement the management system.
- **Policies and processes** – policies and processes relating to the implementation of the management system are documented, maintained, understood, and implemented correctly by relevant staff and functions.
- **Documentation** – appropriate evidence and records are maintained to demonstrate the effective implementation of the management system.

Section 2 outlines the requirements relating to the implementation of a management system that supports the consistent implementation of the CoC Standard.

2.1 General Requirements

- 2.1.1** The organisation's top management shall define and document its commitment to implement and maintain the applicable chain of custody requirements of this CoC Standard, by agreeing to the Better Cotton BCP Terms and Conditions.

For a management system to be effective, it requires buy-in from the organisation's top (senior) management. This commitment demonstrates to Better Cotton, staff implementing the CoC and clients that adhering to the requirements in the CoC Standard is of high organisational importance.

Organisations are required to sign the Better Cotton Platform (BCP) Terms and Conditions (T&Cs) as part of the supplier application process. Signing the BCP T&Cs is a precondition for entering into the CoC programme.

Where multiple sites belonging to the same organisation intend to enter the CoC programme, the BCP Terms and Conditions will need to be signed for each site, even when the organisation's head or central office is ultimately responsible for management across sites.

You can find further details on the Better Cotton BCP Terms and Conditions at www.bettercotton.org

- 2.1.2** The organisation shall implement and maintain a documented management system that ensures its continuous conformity to all applicable requirements of this CoC Standard. The management system shall be applicable to the scale and complexity of the organisation's processes, including outsourced activities where appropriate.

The purpose of this requirement is to ensure that the organisation has a clear, consistent, and documented system for maintaining the CoC throughout a site's processes.

Organisations are encouraged to embed Better Cotton Chain of Custody requirements into their broader management systems. This is particularly relevant when organisations are certified to other CoC standards, such as the Textile Exchange Content Claims Standard and GOTS, or other quality management systems.

Organisations are recommended to review existing policies and procedures prior to applying to the Better Cotton CoC programme, to assess where policies should be adjusted, and where new, additional policies, processes and procedures are required. Procedures should be maintained and kept up-to-date and relevant. It is recommended that organisations ensure all procedures include the date that they are effective from, and records of when they were last reviewed or updated.

2.1.3 The organisation shall maintain the infrastructure and technical resources needed for the effective implementation and maintenance of the applicable requirements of this Standard.

Infrastructure refers to physical infrastructure (e.g. warehousing capabilities, production lines) and software / IT systems.

The organisation shall ensure that it has sufficient space and storage to support the implementation of the Chain of Custody Standard. The organisation should also ensure it has sufficiently robust inventory management systems to allow physical outputs to be linked back to physical inputs (e.g. **for a spinner to link lots of bales to finished yarn**). These inventory management systems may be fully digital, a combination of online and offline systems, or a paper-based system.

Technical resources may relate to the personnel, tools, equipment and external support required to implement the Chain of Custody Standard. Not all organisations will require the same level of technical resources. It is at the organisation's discretion to determine what is appropriate.

Examples of technical resources may include:

- Staff capable of training others on relevant Chain of Custody requirements
- External resources such as consultants and 3rd party service providers

2.2 Responsibilities and Authorities

2.2.1 The organisation shall appoint a management representative who has overall responsibility and authority for the organisation's compliance with all applicable requirements of this Standard.

The purpose of this requirement is to ensure that there is an individual at each site with overall responsibility for maintaining the Better Cotton Chain of Custody at that site.

The representative should have a good knowledge of the site's processes and coordinate with relevant personnel to ensure the CoC Standard is being implemented effectively. The management representative may also be the main point of contact for Better Cotton, and be responsible for a number of tasks, including:

- Monitoring the implementation of the CoC Standard and continuous improvement activities
- Providing CoC guidance to other personnel implicated within the CoC Standard's scope and clarifying questions where necessary
- Facilitating communication between top management and those implementing the CoC Standard
- Coordinating assessment activities with Better Cotton or third-party assessors
- Developing and implementing corrective action plans where non-conformities are identified
- Submitting the annual self-assessment to Better Cotton
- Logging transactions on the BCP

Where an organisation has multiple facilities, the organisation may assign a member of staff from the central office to have overall responsibility for the organisation's compliance to the CoC Standard across all sites. A member of staff located at each site should be identified as responsible for the implementation of the CoC Standard at their respective site.

2.2.2 The organisation shall identify and define the key personnel who are responsible for the implementation and management of each critical control point within the organisation’s activities.

Organisations should ensure there are trained personnel responsible for each area of the site where Better Cotton is received, stored, handled, processed and sold. This ensures that the CoC Standard is implemented consistently across all of the various control points within a site. Identifying the key personnel responsible for various stages of the CoC also ensures accountability for any lapses, errors or breakdowns in the Chain of Custody.

A critical control point is any stage within an organisation’s operations where the CoC could be broken. For example, it is a point or situation where conventional cotton could enter, blend, or be substituted with physical Better Cotton, or where identification of physical Better Cotton could be lost.

Example:

Critical control point	Possible mitigation
Receipt of goods	A procedure for inspecting inbound goods and cross checking received material against purchase orders, invoices, delivery notes, or other relevant documentation.
Warehousing and storage	A system for segregating physical Better Cotton product and preventing comingling with conventional cotton e.g. through physical marking, signage, labelling.
Transferring of material	An internal system for tracking the movement of goods within the facility.
Transportation of goods between organisations	The use of secure and trusted transportation services and where possible, ensure they understand the CoC and/or segregation.
Packaging	Goods are accurately labelled, and packaged in a way that prevents labelling being tampered with or altered
Sale of goods	Outbound goods are accompanied with correct documentation, with the relevant CoC model clearly stated.

For critical control points to be appropriately managed, the organisation should ensure that key personnel clearly understand their responsibilities for a given critical control point. These responsibilities should be documented to ensure accountability. Where possible, organisations should include information on staff responsible for implementation and management of critical control points in a broader roles and responsibilities document.

For smaller organisations or more integrated sites, an individual may be responsible for more than one critical control point within an organisation’s operations. Likewise in larger organisations, multiple people may share responsibility over a single critical control point.

- 2.2.3** The organisation shall communicate any changes in the management representative, or any other significant changes to Better Cotton by email within 15 calendar days of the change occurring

Changes can be communicated to Better Cotton by emailing helpdesk@bettercotton.org

2.3 Training

- 2.3.1** The organisation shall implement a training plan, subject to annual review and supported by training records, which shall ensure that all relevant personnel are trained and competent in the applicable requirements of this Standard.

An effective employee training plan is critical to the success of the management system. All staff who handle physical Better Cotton product or are responsible for receipt of mass balance orders should receive internal training, and at a minimum have an understanding of relevant requirements of the Standard and how the organisation implements it.

The organisation should develop a training plan for all staff with responsibilities for maintaining the Chain of Custody. The plan should specify training frequency and track attendance. Specific training should be given to:

- Workers responsible for recording the weights/volumes of Better Cotton product received, to ensure they are done accurately
- Workers responsible for unloading, storing, and labelling physical Better Cotton
- Management of production processes
- Buying, Sales and Finance departments

New staff with responsibilities relating to CoC implementation should receive training prior to handling or processing physical Better Cotton or mass balance orders. Staff may undergo internal training, training provided by an experienced 3rd party, or attend training provided by Better Cotton.

Organisations should maintain physical or digital access to the Better Cotton CoC Standard at each site where physical Better Cotton or mass balance orders are handled. Organisations may 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 key resources when required.

As part of an assessment, the assessor may interview staff to determine competence and to confirm that they have been trained effectively and understand the requirements of the CoC Standard.

- 2.3.2** All staff responsible for entering data on the BCP shall complete BCP training provided by Better Cotton or approved third party providers.

The BCP online training schedule is available on the Better Cotton website. Guidance for the use of the Better Cotton Platform is located on the BCP.

2.4 Record Keeping

2.4.1 The organisation shall maintain accurate, complete, up-to-date, and accessible records covering all aspects of this Standard. The records shall be applicable to the scope of the organisation's verification. Records shall include but are not limited to:

- a. Purchase orders
- b. Supplier delivery notes, certificates of origin and invoices
- c. Raw material stock records
- d. Production records
- e. Finished goods stock records
- f. Sales and distribution records
- g. Stock reconciliation records

2.4.2 The organisation shall maintain all applicable records for a minimum of two (2) years.

Storing and managing business records is critical to an effective management system and can serve as key evidence during site assessments.

The organisation may retain records in paper form or as electronic copies. Records may be kept for longer than two (2) years in accordance with local regulatory requirements or an organisation's internal policy. The organisation should ensure that records are filed in a way that they are easily accessible and can be made available on request to Better Cotton or third-party assessors.

Note that clients may request the organisation to retain records for up to five (5) years, in line with OECD Due Diligence Guidelines (OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector, 2017).

2.5 Complaints

2.5.1 The organisation shall establish and maintain a procedure for the handling and resolution of complaints relating to the organisation's implementation of the Better Cotton CoC Standard.

A complaints procedure supports the organisation to deal with any issues or concerns raised by customers relating to the purchase and sale of Better Cotton product. By addressing customers' complaints, the organisation can:

- Maintain customer relations in the event of a mistake or service failure
- Identify where business operations could be strengthened

The scope of the complaint's procedure should include, at a minimum, issues relating to the breakdown in the Better Cotton Chain of Custody. This could include:

- Insufficient or incorrect documentation associated with an outbound shipment
- Incorrect labelling of outbound physical Better Cotton products

- Discrepancies between transaction information shared with a client on the BCP and the physical product they received
- Inaccuracies between shipped volumes and associated documentation

The procedure should be documented, and include:

- A clear and accessible way for clients to lodge a complaint (e.g. a dedicated contact person, email address, or online form)
- A timeframe for responding to complaints
- A process for investigating complaints
- A consistent way of tracking and documenting complaints received

Complaints relating to breakdowns in the Better Cotton Chain of Custody, and records of how they were investigated, should be reviewed during the annual management meeting. Complaints may be resolved by:

- Providing the organisation's client additional sales or transaction documentation
- Correcting and re-issuing sales or transaction documentation to the client
- Cancelling and reissuing transactions with correct data on the BCP
- Cancellation of an order or issuance of a debit note

2.6 Control of Non-Conforming Products

- 2.6.1** 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 as physical Better Cotton, which cannot be verified as legitimate.

Non-conforming products are those that do not fully meet the requirements outlined in the Better Cotton CoC Standard. Non-conformity will likely occur due to unintentional errors but may also be associated with fraud.

The purpose of this requirement is to ensure that organisations have appropriate mechanisms in place to prevent non-conforming product entering the production line, mixing with other sources of verified physical Better Cotton, or being sold on with a physical CoC claim.

Examples of non-conforming product may include:

- Product with incorrect or incomplete documentation
- Product for which the Chain of Custody and identification has been broken
- Physical Better Cotton sourced from suppliers who have not been verified against the Better Cotton CoC Standard

All organisations are responsible for verifying that the Better Cotton products they accept receipt of, produce and sell to clients adhere to the CoC Standard. Organisations should have controls in place to:

- Visually inspect received physical orders or purchases of cotton and cotton-containing product prior to accepting receipt / transfer of ownership.
- Review associated documentation of received physical orders or purchases, to verify they include the key data points required by the CoC Standard (see 3.2.1) and that information is consistent across documentation and on the BCP where applicable.
- Segregate non-conforming product from other inventory, ensuring staff responsible for both warehousing and production are aware that the product should not enter general warehousing or production.
- Ensure staff responsible for accepting transactions on the BCP refrain from doing so for non-conforming product, until its status can be verified.
- Check that documentation generated for an outbound order is correct and accurate, includes the key data points (see 4.1.1) and that information is consistent across documentation and on the BCP.

When received cotton or cotton-containing products are identified as non-conforming, the organisation may raise this as a complaint to the organisation they purchased from. This may be similar to how quality or technical complaints or challenges are made.

Organisations may choose to convert non-conforming product associated with a physical CoC claim to mass balance BCCUs on the BCP where allowed. Where this is not possible and segregation of non-conforming product is not feasible, the organisation may choose to accept the product as conventional cotton, without a Better Cotton CoC claim.

2.7 Outsourcing

The objective of this requirement is to ensure that all suppliers of outsourced products or processes conform to the Better Cotton CoC Standard and adhere to all applicable requirements.

The organisation may use sub-contractors for the processing of Better Cotton products. Sub-contractors may or may not be Better Cotton verified.

- 2.7.1** Where allowed, ginners and mills with spinning capabilities shall notify Better Cotton and provide details of any outsourced primary activities (related to ginning and spinning) before commencing the activity for the first time.

Examples of outsourcing may include:

- The outsourcing of dyeing and washing processes by fabric mills.
- The use of subcontracted storage and warehousing facilities.

Mills with spinning capabilities are required to notify and seek approval from Better Cotton before outsourcing primary production activities to a new subcontractor for the first time. The organisation should provide to Better Cotton, as a minimum:

- Name and address of subcontractor
- Outsourced activity being performed (process or sub-process step)
- Frequency of outsourced activity to be performed

Better Cotton should be informed on an initial subcontractor-by-subcontractor basis and should be notified if there are significant changes to the subcontractor / subcontracted activity.

Organisations should communicate outsourcing activities to both their primary contact at Better Cotton and compliance@bettercotton.org.

2.7.2 Throughout all stages of outsourcing the organisation shall maintain legal ownership of the goods.

Organisations are considered to be legal owners if they issue invoices related to the sale of physical Better Cotton product and collect payment for the sale of such products, or are able to demonstrate their financial ownership of materials based on other documentation, such as transfer slips and contracts.

2.7.3 The organisation shall provide sufficient information and training to the sub-contractor to ensure that no uncontrolled mixing of Better Cotton and conventional cotton takes place.

For subcontractors who are verified against the CoC Standard, the organisation is not required to provide additional training. The organisation should confirm the sub-contractor's verification status using Better Cotton provided lists.

For subcontractors who are not verified against the CoC Standard, in addition to training, the organisation should assess the substitution risk of the outsourcing activity and ensure the subcontractor is able to adhere to the requirements of the standard.

Better Cotton recommends that organisations require sub-contractors to maintain the same lot / batch / recipe identification codes and identifiers for outsourced products. Where this is not possible, the sub-contractor should be trained and have the systems in place to demonstrate that any recoding of batch-identifiers has not resulted in a breakdown of the Chain of Custody.

2.7.4 The organisation shall maintain an up-to-date list of all sub-contractors, which includes

- a. Name, address, and contact details of each sub-contractor
- b. Outsourced activity being performed
- c. Frequency of the outsourced activity being performed

2.7.5 The organisation shall establish a signed agreement with each sub-contractor, defining the scope of the outsourced activity, and specifying that the contractor shall:

- a. Commit to following all applicable verification requirements covered by scope of the agreement
- b. Maintain accurate records of all inputs and outputs of Better Cotton product covered by the scope of the agreement
- c. Not further outsource the activity covered by the scope of the agreement
- d. Agree to allow full access to their operations, to enable both 2nd and 3rd party audits of the activity within the CoC Standard to take place, if appropriate

The agreement should be signed by both the organisation and subcontractor, and identify the individuals from both parties with overall responsibility for maintaining the Chain of Custody.

2.7.6 The organisation shall maintain sole responsibility for entering all purchase and sales transactions on the Better Cotton Platform

2.7.7 Sub-contractors shall not be allowed access to the BCP.

If sub-contracting to an organisation verified to the CoC Standard, the product should not be transferred to the subcontractor's account on the BCP.

The organisation should also declare whether a production or processing step has been outsourced when entering production data into the BCP and include the subcontractor's name.

Third party assessors may assess sub-contractors as part of the organisation's assessment. This could include document checks, or an in-person site assessment.

2.8 Self-Assessment

Self-assessments allow the organisation to evaluate their performance against the CoC Standard, identifying any potential gaps in their processes or documentation and taking corrective actions to address them.

- 2.8.1** The organisation shall conduct an annual self-assessment using a tool provided by Better Cotton covering all activities within the scope of verification, including outsourced activities if applicable. The self-assessment shall be shared with Better Cotton on completion.

The annual self-assessment should be shared with Better Cotton no later than twelve (12) months after the submission of the previous self-assessment. Failure to complete the self-assessment may result in temporary suspension on the Better Cotton Platform until the assessment is completed.

You can find the self-assessment and guidance on how to submit it on the Better Cotton website.

- 2.8.2** The results of the self-assessment will be subject to the organisation's management review.

The organisation should review the findings of the self-assessment during the management review mentioned in 2.9.

2.9 Management Review

The purpose of a management review is to ensure that the organisation's management is engaged in the implementation and maintenance of the CoC Standard. The review provides an opportunity for management to assess the implementation of the CoC and to determine if any changes or improvements are necessary.

- 2.9.1** The organisation shall conduct management reviews annually. At a minimum, the review shall consider the following aspects:
- Follow up actions from previous management review meetings
 - Result of the self-assessment, internal investigations, and external assessments covering the applicable requirements of this standard
 - Complaints / stakeholder feedback relating to the implementation of the CoC Standard, and the outcomes of any stakeholder complaints
 - Status of preventative and corrective actions relating to the implementation of the CoC Standard

- e. Changes that could affect the management system
- f. Recommendations for how the management system and related processes can be improved
- g. Review of resource requirements needed for effective management and control of management system and related processes

The organisation's management should meet on an annual basis, with their first review occurring no later than twelve (12) months from joining the CoC programme.

Where the organisation is a small sized enterprise (less than 10 full-time employees), the management review may consist of an annual meeting between staff with responsibilities for maintaining the Better Cotton Chain of Custody, to review how the Better Cotton Chain of Custody is maintained.

The organisation should maintain records of:

- Date and location of the meeting
- Meeting agenda
- Attendees
- Discussions/minutes
- Corrective actions and follow up

Management review records should be made available to Better Cotton and third-party assessors on request.

3. Purchasing, Material Receipt, Storage and Production

3.1 Purchasing

3.1.1 The organisation shall maintain up-to-date information about all suppliers that supply products included in the scope of verification, including:

- a. The name and contact details of each supplier
- b. Product(s) supplied
- c. Applicable CoC supply chain model/s

3.2 Material Receipt

3.2.1 For all purchases of physical Better Cotton or Mass Balance orders the organisation shall receive from the supplier a document, or a range of documents that provide the following information:

- a. Customer identification

Inbound documentation should include the organisation's name and destination of goods (site address). For an organisation that has multiple sites, the organisation shall ensure the named address is verified to the CoC Standard.

- b. The organisation's name as the supplier of the material

Documentation should also include the supplier's address and contact details.

- c. Product description or specification including technical parameters

Example:

- For fibres – composition, fibre length, fibre fineness
- For yarns – composition, yarn count
- For fabrics – composition, fibre length, fibre fineness, gsm
- For end products – composition, gsm

d. Quantity of product(s)

In addition to quantity of products, organisations may request direct suppliers to include lot/batch/product/article numbers on sales documentation to support the tracking of batches inbound at the facility. This may allow organisations to conduct a trace back based on objective documentation and demonstrate to assessors that batch-level tracking has been adhered to. Inbound documentation should contain a unique number(s) which identifies all included products in an order.

e. Date of delivery / sale

f. Sales invoices and contracts

g. Transport/ shipping documents

h. The applicable CoC supply chain model (Mass Balance, Controlled Blending, Segregation (Multi-Country), Segregation (Single Country))

Inbound documentation must clearly state which CoC model the Better Cotton product has followed, for both Mass Balance and physical Better Cotton orders.

If an organisation receives a Better Cotton product without a clearly stated CoC model, they should ask their direct supplier to provide documentation specifying the CoC model. The received Better Cotton product should be kept in quarantine and should not be included in the general inventory until the complete documentation is received. Further details can be found in section 2.7.

Organisations may receive one or multiple documents from suppliers that include the listed information. The documents should be physically associated to the shipment and should clearly outline which Chain of Custody model the product has followed. The organisation should also receive a minimum of one piece of documentation from their direct supplier on the Better Cotton Platform that captures the data points outlined in 3.2.1.

Examples of documentation that may contain the above information include:

- Invoice
- Bill of lading
- Delivery notes

Note that customers may request additional information in addition to what is required by the Better Cotton Chain of Custody Standard. Regions like the EU and US increasingly require upstream suppliers to provide records to demonstrate where cotton imports were produced, and the practices associated with production. The decision to share this information is at the discretion of the organisation and may be done using the Better Cotton Platform.

- 3.2.2** The organisation shall maintain up-to-date records related to the purchase of physical Better Cotton and Mass Balance orders on the BCP platform.

3.3 Product Storage and Production

- 3.3.1** Organisations who operate either Segregation (Single and Multi-Country) and / or Controlled Blending supply chain models shall ensure that the identification of material supplied and sold as physical Better Cotton is maintained during storage and all stages of production and handling. The organisation shall implement one or more of the following segregation methods:

For organisations handling both physical Better Cotton and conventional product, there must be systems in place to maintain segregation if both types of cotton are on site at the same time. It is important the organisation shows a clear procedure and effort to control risks of substitution and mixing of physical Better Cotton and conventional product throughout material receipt, processing, storage and sale.

The process for handling and maintaining identification of Better Cotton can be presented in a flowchart/wallchart at the site. This may also include a site map to show how physical Better Cotton is segregation is maintained throughout the site's processes. Staff and workers should be familiar with this this process, and be able to demonstrate an understanding of the process flow. The organisation shall make this information available to Better Cotton staff and third-party assessors. The flowchart/wallchart should provide a clear process for how segregation is ensured throughout production, including how physical Better Cotton is tracked and identified throughout the production process, from raw materials to finished product.

It is up to the organisation to assess which of the following methods outlined in 3.3.1 are most appropriate for the site's operations, based on their technical and operational resources. All three options may be utilised. For example, signposting or labelling may be appropriate in intermittent storage phases in between manufacturing processes. During production, machines may be labelled with batch-level alpha-numerical codes that are associated with batch, recipe or orders. Production of physical Better Cotton may be assigned a separate production line for a period of time.

- a. Physical separation of materials

The organisation keeps physical Better Cotton and conventional cotton separate in different piles, stacks, heaps, and / or warehouses. Physical Better Cotton products are produced on different production lines.

b. Temporal separation of materials

The organisation may alternate between processing heaps / batches / lots / recipes of physical Better Cotton and conventional cotton. Similarly, they may dedicate a warehousing facility for the storage of physical Better Cotton for a given order or series of orders.

Before starting the production of a physical Better Cotton batch, the organisation should ensure that any previous batches of conventional cotton have been processed and left the current production cycle.

Better Cotton does not require the cleaning out of machines between production batches of physical Better Cotton, or when alternating the production of physical Better Cotton and conventional. However, it is common and good practice to do so, and clients are likely to request this service to prevent contamination and ensure the cotton they source is in line with their Sustainable and Responsible Sourcing Policies. This practice also supports better volume reconciliation.

c. Physical identification of materials (e.g., labelling)

Physical Better Cotton should be identified at all times during purchasing, storage, handling, production and sale. This is best achieved through a (alpha)numerical labelling and identification system, such as an enterprise resource or inventory management solution. Identification systems can also use colour-coded systems (such as different coloured spools), signs, chalkboards and posters, barcodes (2D or 3D), RFID or other means (analogue and technology-driven) to enhance or support the identification and tracking of physical Better Cotton products within and outside of a facility. Organisations should be able to link the final output from a site with the initial production inputs through objective records and systems.

When physical Better Cotton is converted to Mass Balance, the organisation is responsible for ensuring this is reflected within the identification system. For example, if physical Better Cotton fabric rolls are to be sourced as a Mass Balance order, any identifiers referencing physical Better Cotton should be removed from the physical product and supporting records.

A suitable identification system for a spinner could be to mark each bale from a given purchased lot with the lot number provided by the purchased cotton invoice, and to associate this number, along with the number of bales from that lot with a recipe or batch using a mixing or laydown chart. This can then be linked to a yarn lot number for spun yarn, which could then be referenced in an invoice. If the spinner is integrated, this yarn lot number could be linked to a greige fabric number, which is associated with a fabric batch number, and associated packing list, which could be referenced in the fabric invoice number.

Identification of segregated physical Better Cotton should be maintained at batch-level, and visible through chalk boards, posters, labels, or any other method that is suitable for the organisation, including through IT tracking systems.

4. Sales and Goods Out

4.1.1 For every sale and delivery of physical Better Cotton or Mass Balance orders, the organisation shall provide the customer with a document, or a range of documents, (for example sales invoices, delivery / shipment documents, outward weigh slip), that includes the following information:

a. Customer identification

Outbound documentation should include the customer's name and destination of goods (the customer's site address). For an organisation that has multiple sites, the seller should ensure the named address is verified to the CoC Standard by reviewing lists provided by Better Cotton.

b. The organisation's name as the supplier of the material

Documentation should also include the seller's address and contact details.

c. Product description or specification including technical parameters

Example:

- For fibres – composition, fibre length, fibre fineness
- For yarns – composition, yarn count
- For fabrics – composition, fibre length, fibre fineness, gsm
- For end products – composition, gsm

d. Quantity of product(s)

In addition to quantity of products, organisations direct suppliers may request organisations to include lot/batch/product/article numbers on sales documentation to support the tracking of batches inbound at the facility. This may assist customers to conduct a trace back based on objective documentation and demonstrate to assessors that batch-level tracking has been adhered to. Outbound documentation should contain a unique number(s) which identifies all included products in an order.

e. Date of delivery / sale

f. Sales invoices and contracts

- g. Transport/ shipping documents
- h. The applicable CoC supply chain model (Mass Balance, Controlled Blending, Segregation (Multi-Country), Segregation (Single Country))

Outbound documentation must clearly state which CoC model the Better Cotton product has followed, for both Mass Balance and physical Better Cotton orders.

The organisation should provide the customer with a physical copy of the document(s). The transaction on the BCP should include, at a minimum, one piece of documentation that captures the data points outlined in 4.1.1.

4.1.2 Organisations shall only make claims about Better Cotton products in line with the Better Cotton Claims Framework.

Guidance for use of Better Cotton claims is located in the Better Cotton Claims Framework. The Claims Framework for physical Better Cotton is due to be published in 2024. Please visit www.bettercotton.org to locate the most up to date version.

5. Volume Reconciliation

Volume reconciliation is the accounting of inputs and outputs of Better Cotton material. The purpose of this requirement is for organisations to demonstrate that they have not sold more products with a Better Cotton claim that they have received from their suppliers.

5.1.1 The organisation shall maintain records that quantify volumes of input and output material at site level at all times.

Organisations should maintain sufficient purchase, production and sales records to support accurate volume reconciliation of Better Cotton products. The table below provides a list of the type of documentation that may be used to demonstrate volumes entering and leaving a site. Note that this a generic list, and assessors will require organisations to see multiple documentation types as evidence.

Documentation types may include:

Inbound	Production	Outbound
<ul style="list-style-type: none">• Receiving log• Invoices• Purchase orders• Weighbridge tickets• Inventory reports• Procurement register• Bill of lading	<ul style="list-style-type: none">• Processing records• Production logs• Batch records• Quality/technical reports• Waste/loss percentages	<ul style="list-style-type: none">• Shipping documents• Invoices• Sale contracts• Transaction receipts• Weighbridge tickets

5.1.2 It is the organisation’s responsibility to ensure that their site(s) are accurately listed in the BCP.

For any issues or changes to site information, the organisation should reach out to their main Better Cotton point of contact or email helpdesk@bettercotton.org.

5.1.3 The organisation shall prepare aggregate annual volume summary reports of all physical Better Cotton and Mass Balance order inputs and outputs, demonstrating that quantities of output material are compatible with the corresponding volumes of inputs at site level. The summary shall take into account inventory levels, conversion (waste) factors, waste usage where applicable, and the conversion of physical Better Cotton to Mass Balance orders.

The annual volume summary report should incorporate all input and outputs of Better Cotton product. The report should include a volume summary overview per product group/type per CoC claim. This summary could be a report from the organisation's inventory management systems, or compiled of multiple reports from business operations.

The report should include waste that is sold or repurposed, waste that is reused at the facility (such as silver cuts for spinning mills or combers), and invisible waste (unaccounted loss that is not recaptured as final product or byproduct e.g. cotton lost to the environment).

- 5.1.4** The organisation shall record actual production input and output volumes of all physical Better Cotton product on the BCP.

Batch level conversion factors are calculated on the BCP based on the total input and output weights entered by the user in the Production page. The equation can be summarised as:

$$\text{(Total Output Weight (kg)) / (Total Input Weight (kg)) = Conversion factor (\%)}$$

Better Cotton recognises that weights may fluctuate by 1-2 percent due to a variety of factors, including moisture content and the calibration of weighing bridges and tools. The weight the seller has entered in the BCP will be taken as the default weight, although the buyer can request for change if they believe it to be outside normal weight fluctuations. Better Cotton will not edit volumes in the system due to weight fluctuations.

The organisation should record all input and output volumes to the nearest kilogram (kg) for all physical Better Cotton product on the BCP.

- 5.1.5** The organisation shall investigate deviations from expected conversion factor ranges, when requested to do so by Better Cotton.

Better Cotton will monitor input and output volumes for physical Better Cotton product entered on the BCP to ensure they fall within a reasonable range. Better Cotton will issue a warning on the BCP when a conversion factor falls outside of the expected range for that production process and product type. Better Cotton reserves the right to block a production step on the BCP where the conversion factor falls significantly outside of expected ranges.

When notified, the organisation should provide Better Cotton with justification and supporting records (via email or the BCP) detailing input, wastage / loss and output volumes, and investigate why the conversion factors deviate from normal ranges. This could include reviewing batches over a defined period of time, review of any changes in production practices, or recent changes in personnel or equipment.

5.1.6 The organisation shall utilise standardised conversion factors, provided by Better Cotton, for Mass Balance orders, in accordance with the current version of the BCP User Manuals.

In contrast to physical Better Cotton where conversion factors are based on entered volumes, the BCP automatically applies standardised conversion factors to mass balance orders, based on product and process type.

For further information on standardised conversion factors for Mass Balance on the Better Cotton Platform, please visit www.bettercotton.org.

6. Chain of Custody Supply Chain Models

This section of the Standard offers organisations the option of using different supply chain models to meet customer demand for Better Cotton. It sets out the requirements of four CoC supply chain model options:

- Mass Balance
- Controlled Blending
- Segregation (Multi-Country)
- Segregation (Single Country)

Most requirements relating to the CoC models are required to be maintained at batch level.

Batch production is a method whereby a group of identical products are produced simultaneously (rather than one at a time). It is up to the organisation to decide how big the batch will be, and how often these batches will be made. Each batch goes through the separate stages of the manufacturing process together. This means that another batch cannot begin a stage, if the previous one is still within that part of the production cycle.

Each batch should be associated with a unique (alpha-)numeric coding system which allows output products to be tracked back to production recipe / order, corresponding material inputs (for Segregated Better Cotton inputs, conventional cotton inputs and non-cotton inputs where applicable) and associated purchase records for physical Better Cotton.

Organisations are encouraged to use digital systems to track batch records. This includes spreadsheet software, databases, or more sophisticated inventory management systems.

6.1 Converting Product to Different CoC Models

In the case of manufacturing where physical Better Cotton input sourced through different CoC models is mixed, the BCP will automatically assign the appropriate CoC model to the output as follows:

Segregation (Single Country) → Segregation (Multi-Country) – when segregated physical Better Cotton from multiple origins is mixed

Segregation (either Single or Multi-Country) → Controlled Blending – when segregated physical Better Cotton of any origin is mixed with conventional cotton, or with physical Better Cotton produced under the Controlled Blending model

Note: Organisations may convert physical Better Cotton product to Mass Balance BCCUs via the BCP. The conversion of physical Better Cotton product to BCCUs is irreversible and final.

An organisation with production processes (spinning, weaving, knitting etc.) must enter their production data into the BCP – this is only applicable for production of physical Better Cotton products, not mass balance.

The CoC model of the output of production will depend on the CoC model(s) of the input(s).

Conversion between physical CoC models will automatically happen on the Better Cotton Platform, following these rules:

1. **Segregation (Single Country) inputs:** may be converted to Segregation (Multi-Country) or Controlled Blending
2. **Segregation (Multi-Country) inputs:** may be converted to Controlled Blending
3. **Controlled Blending inputs:** can only produce Controlled Blending outputs

Illustrative examples are provided below:

Segregation (Single Country) inputs → Segregation (Multi-Country) output:

Conversion occurs when an organisation blends two or more fibres of Better Cotton (Single Country) with different countries of origin.

Example:

A spinner blends a yarn made from 50% Indian physical Better Cotton (Segregation Single Country) and 50% Brazilian physical Better Cotton (Segregation Single Country). The output is a 100% physical Better Cotton yarn (Segregation (Multi-Country), comprised of 50% Indian Better Cotton and 50% Brazilian Better Cotton.

Segregation (either Single Country or Multi-Country) inputs → Controlled Blending output:

Conversion occurs when physical Better Cotton of Single Country or Multi-Country is blended with conventional cotton.

Example:

A spinner blends a yarn made from 50% Indian physical Better Cotton (Segregation Single Country) and 50% conventional cotton. The output is a Better Cotton yarn (Controlled Blending) comprised of 50% Indian Better Cotton and 50% conventional cotton.

Controlled Blending inputs → A Controlled Blending output

No conversion occurs as controlled blending input(s) can only produce controlled blending output, irrespective of country of origin.

Conversion to Mass Balance:

An organisation may wish to sell physical Better Cotton products as mass balance Better Cotton. To do this, they must pick the physical Better Cotton inventory in the BCP (lint, yarn, fabric or end products) and manually convert them to mass balance BCCUs.

Example:

A fabric mill has a batch of Brazilian Better Cotton (Single Country) yarn in its inventory. Due to market demand, the organisation wants to convert the physical CoC product to mass balance so they can transfer BCCUs to their customer. Therefore, the platform no longer tracks and monitors country of origin information and product can be sold as mass balance Better Cotton. Product is no longer subject to segregation requirements as outlined in this document.

Conversions to mass balance are final and cannot be changed. It is good practice for the organisation to track conversions as part of their volume reconciliation processes.

Please note that Mass Balance products cannot be converted to physical CoC products.

Refer to the most up-to-date version of the BCP User Manuals at www.bettercotton.org for more information on how to convert CoC models.

6.2 Mass Balance

Mass Balance is an accounting system that allows claims to be transferred from one Better Cotton product to another either through physical blending/mixing or administratively via Better Cotton Claim Units (BCCUs). It ensures that the quantity of physical cotton sold as a mass balance order with BCCUs cannot exceed the quantity of cotton purchased with BCCUs (accounting for relevant conversion rates) across the supply chain.

6.2.1 The organisation shall have procedures in place that control the identification of Mass Balance orders and conventional cotton inputs at material receipt.

Where an organisation's ERP or inventory management system assigns BCCUs to intermediate products (e.g. the yarn recipe for a Better Cotton order), and the organisation also sources physical Better Cotton, the ERP system should have the functionality to differentiate between physical and Mass Balance CoC models and track them accurately. The system should also include functionality that allows physical Better Cotton to be converted to a Mass Balance claim.

The organisation should have a procedure for identifying materials entering the site facilities. For mass balance product, inbound materials shall be accompanied with documentation that clearly indicates the order as Mass Balance. Documentation such as an invoice or bill of lading may denote that inbound Better Cotton has followed the Mass Balance CoC model. An exhaustive list of data points that should be captured upon inbound material receipt of mass balance Better Cotton can be found in requirement 3.2.1.

For organisations operating the mass balance model, once the inbound material has been identified as a mass balance order, the associated physical cotton may be incorporated into the organisation's inventory, and mixed with conventional cotton.

All sales documentation for mass balance order should clearly indicate the CoC claim.

6.2.2 The organisation shall maintain a Mass Balance account for inputs and outputs based on the following minimum requirements:

- a. Date of supply
- b. Quantity of Better Cotton Input product
- c. Quantity of Better Cotton Mass Balance Output product
- d. Date of sale / delivery
- e. Information sufficient to link transactions within the Mass Balance account to the corresponding purchase and sales documentation

The purpose of a mass balance account is to ensure the volume of sold mass balance Better Cotton product is less or equal to the amount purchased (accounting for conversion rates). The organisation should maintain an account that, at a high-level, documents the inbound and outbound transactions of mass balance Better Cotton product. The account may be incorporated within the organisation's annual volume summary report, as outlined in requirement 5.1.2. The organisation should maintain sufficient purchase and sales documentation that could be used to evidence the mass balance account.

6.2.3 When also sourcing physical Better Cotton, the organisation shall ensure that the Mass Balance is up-to-date and maintained in real time.

The physical sale of Better Cotton mass balance orders should match transaction records on the BCP. Purchase transactions shall be acknowledged within 60 calendar days of data being entered into the BCP, and sale transactions shall be entered within 60 calendar days of the shipment date.

The organisation cannot transfer BCCUs without the transfer of physical material.

6.3 Controlled Blending

Controlled Blending allows the mixing of physical Better Cotton and conventional cotton within a production batch, resulting in a percentage claim about the proportion of physical Better Cotton used within the batch. It enables each step in the supply chain to mix and blend physical Better Cotton materials as needed. Organisations are required to calculate and track the percentage blend and volume of physical Better Cotton content within each batch of products.

- 6.3.1** The organisation shall have procedures in place that control the identification of physical Better Cotton and conventional cotton inputs at material receipt and raw material storage.

Physical Better Cotton product in storage or warehousing should be clearly identifiable and controlled. This is to support the accurate tracking of percentage blends for yarn, fabric and garment construction, and to prevent uncontrolled mixing.

Clients may require the organisation to declare and provide evidence as to the origin of conventional cotton blended with physical Better Cotton. While Better Cotton does not require this information to be declared, organisations are encouraged to do so. Providing origin information for all inputs in an end-product is increasingly required to access import markets in the US and EU.

Organisations are encouraged to implement due diligence on all cotton inputs entering their facility (including conventional inputs), in line with the OECD Guidelines for Multinational Enterprises, following the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector.

Responsible Sourcing Network has developed the YESS Standards for Fabric Mills (v1.0) and Spinning Mills (v2.0) that provide a practical due diligence framework for fabric and yarn manufacturers to assess the management systems, internal tracking/traceability operations and sourcing procedures of themselves, their cotton suppliers and their cotton inputs. They also provide guides for mills to identify, assess and address the risk of forced labour in cotton production. Please note that the YESS Standards do not relate to due diligence of labour practices beyond the farm.

- 6.3.2** The organisation shall have a methodology for calculating the percentage of physical Better Cotton relative to the total volume of cotton within the production batch, which uses the following formula:

$$\text{Better Cotton \%} = \frac{Q_c}{Q_t} \times 100$$

Legend

Better Cotton % = the proportion of Better Cotton, relative to the total volume of cotton within the production batch

Q_c = Quantity of Better Cotton input | Q_t = Total quantity of cotton input (Better Cotton + conventional cotton)

The percentage blend is calculated using the input volumes for production, and represents the percentage of physical Better Cotton with respect to total cotton content. Where a controlled blended product is also manufactured with a non-cotton fibre (such as viscose), a separate percentage calculation would be needed to calculate the percentage of physical Better Cotton with respect to total fibre weight.

Example:

$$\text{Better Cotton \%} = \frac{Q_c}{Q_{t2}} \times 100$$

Where Better Cotton % = the proportion of Better Cotton, relative to the production batch

Q_c = Quantity of Better Cotton input

Q_{t2} = Total quantity of product input (Better Cotton + Conventional Cotton + non-cotton fibre)

The Better Cotton Platform calculates percentage blends based on entered input volumes. Production records should correspond and serve as evidence for data entered onto the BCP.

6.3.3 Identification and accounting of material shall be maintained at production batch level.

Each batch should be associated with a unique (alpha-)numeric coding system which allows output products to be tracked back to production recipe / order, corresponding material inputs (for conventional and non-cotton inputs where applicable) and associated purchase records for physical Better Cotton.

Organisations are encouraged to use digital systems to track batch records. This includes spreadsheet software, databases, or more sophisticated inventory management systems.

6.3.4 The organisation shall maintain records of all production batches of Controlled Blended material, including the following:

- a. Date of production
- b. Identification of production batch
- c. Physical Better Cotton input product
- d. Conventional cotton and non-cotton fibre input products (where applicable)
- e. Output product, including Country(ies) of Origin of physical Better Cotton
- f. Quantities and characteristics of inputs and outputs
- g. Applicable conversion factors

- 6.3.5** The organisation shall ensure that all sales and shipping documentation for the supply of physical Better Cotton produced under the Controlled Blending CoC model includes accurate percentage statement(s) as to the content and origin of physical Better Cotton input.

This may include a percentage claim stating the proportion of physical Better Cotton inputs and different origins. Example: 70% physical Better Cotton (Mozambique, Pakistan), 30% conventional cotton.

Where non-cotton fibre is used as input during the manufacturing / processing activity, the percentage claim may also include this content. Example: 65% physical Better Cotton (India, Brazil), 20% conventional cotton, 15% polyester.

Note that when an organisation manufacturers product containing physical Better Cotton, conventional cotton and a non-cotton fibre, it should be clear whether their declared percentage of physical Better Cotton in sales records is with respect to Better Cotton % of the total blend or total cotton content. They should also be consistent in how they calculate declared percentages.

6.4 Segregation (Multi-Country)

Segregation (Multi-Country) requires separation of physical Better Cotton and conventional cotton from farm level onwards, and does not allow mixing or substitution between physical Better Cotton and conventional cotton throughout the supply chain. The model is applied when the physical Better Cotton originates from multiple (more than one) countries.

- 6.4.1** The organisation shall have procedures in place that control the identification of Segregated inputs at all stages of purchasing, raw material storage, production / processing, shipment, and sales.

Product that follows the Segregation (Multi-Country) CoC model must be identifiable and segregated at all times. The organisation is required to have systems in place that prevent against uncontrolled mixing of Segregated Better Cotton and conventional cotton.

- 6.4.2** Identification and accounting of material shall be maintained at production batch level.

Each batch should be associated with a unique (alpha-)numeric coding system which allows output products to be tracked back to production recipe / order, corresponding material inputs (for physical Better Cotton inputs and non-cotton inputs where applicable) and associated purchase records for physical Better Cotton.

Organisations are encouraged to use digital systems to track batch records. This includes spreadsheet software, databases, or more sophisticated inventory management systems.

6.4.3 The organisation shall maintain records of all production batches of Segregated material, including the following:

- a. Date of production
- b. Identification of production batch
- c. Physical Better Cotton input product, including Countries of Origin
- d. Non-cotton fibre input products (where applicable)
- e. Output product, including Countries of Origin of physical Better Cotton
- f. Quantities and characteristics of inputs and outputs
- g. Applicable conversion factors

6.4.4 The organisation shall ensure that all sales and shipping documentation for the supply of Segregated Better Cotton material includes a statement(s) as to the content and origin of physical Better Cotton input.

Where non-cotton fibre is used as input during the manufacturing / processing activity, a percentage claim may also include this content. Example: 85% physical Better Cotton (India, Brazil), 15% polyester.

The Better Cotton Platform will record and reconcile volumes of physical Better Cotton input from different countries for an associated batch. Information associated with a production batch on the BCP includes the percentage of physical Better Cotton content, and a list of associated Countries of Origin (e.g. 80% Better Cotton, India)

Organisations may declare the percentage of physical Better Cotton per Country of Origin on sales documentation (e.g. 80% Better Cotton India, 20% Better Cotton Mozambique).

6.5 Segregation (Single Country)

Segregation (Single Country) requires separation of physical Better Cotton and conventional cotton from farm level onwards, and does not allow mixing or substitution between physical Better Cotton of different origins and conventional cotton of any origin, throughout the supply chain. All organisations applying this model shall ensure that physical Better Cotton material from a single country is kept physically separate from all other cotton sources, including material from different Better Cotton production countries.

6.5.1 The organisation shall have procedures in place that control the identification of Segregated (Single Country) inputs at all stages of purchasing, raw material storage, production / processing, shipment and sales.

Product that follows the Segregation (Single Country) CoC model must be identifiable and segregated at all times. The organisation is required to have systems in place that prevent against uncontrolled mixing of Segregated Better Cotton and conventional cotton.

6.5.2 Identification of material shall be maintained at batch level, with an exception for ginners where segregated seed cotton is stored in heaps.

Each batch should be associated with a unique (alpha-)numeric coding system which allows output products to be tracked back to production recipe / order, corresponding material inputs (for Segregated Better Cotton inputs and non-cotton inputs where applicable) and associated purchase records for physical Better Cotton.

The organisation may ensure physical product matches the associated lot number through an end-of-line inspection process.

Organisations are encouraged to use digital systems to track batch records. This includes spreadsheet software, databases, or more sophisticated inventory management systems.

6.5.3 The organisation shall maintain records of all production batches of Segregated (Single Country) material, including the following:

- a. Date of production
- b. Identification of production batch / heap
- c. Physical Better Cotton Segregation (Single Country) Input product
- d. Non-cotton fibre input products (where applicable)
- e. Output product, including Country of Origin of physical Better Cotton
- f. Quantities and characteristics of inputs and outputs
- g. Applicable conversion factors

6.5.4 Documented information as to the Country of Origin of such material shall be maintained by the organisation and, if requested, shall be made available to customers, to maintain the Segregation (Single Country) status of the material along the supply chain.

Depending on their location in the supply chain, this may be evidenced through objective sales and transport documentation (e.g. Bill of Lading, Phytosanitary Certificates, government-issued country of origin certificates, commercial invoice/contracts/purchase orders that display gin names, freight/port records or tax records) and/or parallel Country of Origin Chain of Custody systems such as the Egyptian Cotton Certification system.

Organisations may also use forensic testing on a sampling basis to verify the Country of Origin of physical Better Cotton purchased from customers.

6.5.5 The organisation shall ensure that all sales and shipping documentation for the supply of Segregated Better Cotton material includes a statement(s) as to the content and origin of physical Better Cotton input.

Where non-cotton fibre is used as input during the manufacturing / processing activity, a percentage claim may also include this content. Example: 85% physical Better Cotton (India), 15% viscose.

Organisations are encouraged to use ISO 3166-1 Alpha-2 and Alpha-3 Country Codes on sales documentation (e.g. BC-PK / BC-PAK, BC-IN / BC-IND).

You can find the list of ISO Alpha-2 and Alpha-3 Country Codes here: www.iso.org/obp

End of document