

**BCI Growth & Innovation Foundation  
Geneva**

**Report of the statutory auditor  
on the limited statutory examination  
for the year ended March 31, 2023**

Report of the statutory auditor  
to the Board of Foundation of  
BCI Growth & Innovation Foundation,  
Geneva

As statutory auditors, we have examined the financial statements (statement of financial position, statement of income and expenditure and notes) of BCI Growth & Innovation Foundation, Geneva, for the year ending March 31, 2023.

These financial statements are the responsibility of the Board of the Foundation. Our responsibility is to perform a limited statutory examination of these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

We conducted our examination in accordance with the Swiss Standard on the Limited Statutory Examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of Foundation personnel and analytical procedures as well as detailed tests of Foundation documents as considered necessary in the circumstances. However, the testing of operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe that the financial statements do not comply with Swiss law and the by-charter of the Foundation.

RSM Audit Switzerland SA

Jeremy Howarth  
Audit expert  
Auditor-in-charge

Meltem Kulak

Geneva, August 2, 2023

#### Enclosures

- Financial statements (the statement of financial position, the statement of income and expenditures, the notes)

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**BCI Growth and Innovation Foundation**  
**Statement of Financial Position as of March 31, 2023**  
(In '000 EUR)

	Notes	2022-2023	2021-2022
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3.1	7'018	4'065
Accounts receivable		6'686	8'330
<i>Receivables, due from BCI</i>	3.5	6'686	8'330
Prepaid expenses and accrued income		1'020	471
<i>Prepaid expenses</i>	3.2	770	221
<i>Accrued income</i>		250	250
<b>Total current assets</b>		<b>14'724</b>	<b>12'866</b>
<b>Total assets</b>		<b>14'724</b>	<b>12'866</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade accounts payable		68	-
Accrued expenses	3.3	57	219
Deferred income from VBF	3.5	12'001	11'014
Deferred income from donors and partners	3.4	766	-
<b>Total current liabilities</b>		<b>12'892</b>	<b>11'233</b>
<b>Total liabilities</b>		<b>12'892</b>	<b>11'233</b>
<b>Capital and funds</b>			
Foundation capital		46	46
Funds		1'786	1'587
<i>Funds brought forward</i>		1'587	1'637
<i>Surplus (deficit) of the period</i>		199	(50)
<b>Total capital and funds</b>		<b>1'832</b>	<b>1'633</b>
<b>Total liabilities, capital and funds</b>		<b>14'724</b>	<b>12'866</b>

The accompanying notes are an integral part of these financial statements.

**BCI Growth and Innovation Foundation**  
**Statement of Financial Position as of March 31, 2023**  
(In '000 EUR)

	Notes	2022-2023	2021-2022
Contributions from BCI	3.5	12'799	8'369
Income from grants	2 – 3.6	400	853
<b>Total income</b>		<b>13'199</b>	<b>9'222</b>
Contribution to projects	2 - 3.7	12'612	8'970
Country development and innovation	3.7 – 3.8	101	169
Operating expenses	3.9	287	133
<b>Total expenses</b>		<b>13'000</b>	<b>9'272</b>
<b>Result for the year</b>		<b>199</b>	<b>(50)</b>
Funds brought forward		1'587	1'637
<b>Funds at end of year</b>		<b>1'786</b>	<b>1'587</b>

The accompanying notes are an integral part of these financial statements.

**BCI Growth and Innovation Foundation**  
**Notes to the financial statements for the year ended March 31, 2023**  
**(In '000 EUR)**

**Note 1 General information**

The BCI Growth and Innovation Foundation (hereafter "GIF" or the "Foundation") is a foundation incorporated in Geneva in May 2016 under Article 80 et seq. of the Swiss Civil Code at Chemin de Balexert 7-9, 1219 Chatelaine, Geneva Switzerland.

The GIF's primary funder is Better Cotton Initiative, trademark registered as Better Cotton, a members' association based in Geneva.

The Foundation's mission is to help cotton communities, through effective and transformative funding, to survive and thrive, while protecting and restoring the environment. The Foundation supports Better Cotton projects in several countries, in season 2022-23 these included mainly China, India, Pakistan, Mozambique, Turkey and Mali.

Better Cotton GIF grants are directed to projects that contribute to progress towards Better Cotton 2030 strategy. The projects target any of five impact areas: soil health, women's empowerment, climate change mitigation, pesticides, smallholder livelihoods. GIF funding benefits Better Cotton Programme partners strengthening farmers' capacity to adopt better practices consistent with the Better Cotton Principles and Criteria. A smaller amount of funding is dedicated to innovative or research-based projects that show promise in the future of sustainable cotton farming.

The GIF is governed by the Board which has three directors who are the Executive Group of Better Cotton. The GIF is managed by a dedicated team of experts who are employed by Better Cotton and seconded to GIF.

**Note 2 Key accounting and valuation principles**

*Principles of financial reporting.*

The present annual financial statements have been established in compliance with the principles of Swiss law, with the articles relating to commercial accounting and the presentation of the financial statements (Art. 957 to 962 CO).

*Basis of preparation and foreign exchange translation.*

The accounting records of the Foundation are kept in Euro (EUR), the currency in which most of its transactions are concluded. Transactions in other currencies have been translated into EUR during the year at rates prevailing when the transactions arose.

*Cash and cash equivalents.*

The cash and current assets with a stock exchange price item include cash holdings, and bank deposits. They are recorded at their nominal value.

*Income from donors and grants.*

The final beneficiaries of Foundation activities are cotton farmers, cotton farm workers, cotton communities and the environment.

The Brand and Retail Members contribute to Better Cotton a volume-based fee ("VBF"). These fees are restricted to being used for field-level activities. This fee is based on the volume of Better Cotton sourced by retailer brand members, which are recorded on the Better Cotton (online) Platform.

Better Cotton utilises some of these fees for training endorsed partners and field-level activities, such as the delivery of assurance, verification and collecting and analysing data on farm-level results. The remainder of the fees is donated to the GIF, after deduction of the Foundation management costs.

**BCI Growth and Innovation Foundation**  
**Notes to the financial statements for the year ended March 31, 2023**  
**(In '000 EUR)**

**Note 2 Key accounting and valuation principles (cont'd)**

*Income from donors and grants (cont'd)*

The GIF encourages funded partners to obtain matched funding. As a result of such matched funding, the Foundation can increase the capacity of its portfolio, which also ensures that implementing partners are invested in the programme's success. This approach aims to make projects cost-efficient, economically viable and scalable.

In addition to the Better Cotton contribution to GIF, public and private funders contribute funding through different channels: directly to the GIF, via Better Cotton or directly to partners.

*Contributions to projects.*

Better Cotton Members who meet the representation criteria are invited to nominate themselves to join the GIF committees and participate in developing its investment strategy. Two multi-stakeholder committees support the Foundation's annual investment programme:

**The Buyer and Investor Committee (BIC)** links supply and demand and proposes new strategic initiatives. In season 2022 - 2023, BIC members included representatives from American Eagle, Action BV, Bestseller, Better Cotton, C&A, Fast Retailing, GAP Inc., H&M, IDH, IKEA, Laudes Foundation, Target and The Children's Place.

**The Field Innovation and Impact Committee (FIIC)** oversees the annual GIF application process. It approves Foundation investment allocation for grants to programme partners and for innovation and learning projects. In season 2022 – 2023, FIIC members included representatives from the following organisations: IDH, Better Cotton, C&A, GIZ, GAP Inc., IKEA, Laudes Foundation and Pesticide Action Network. The annual GIF investment budget for the year is set in December of the previous year based on the anticipated Volume Based Fee (VBF) receivable.

GIF team proposes and implements the GIF strategy, manages, and processes applications and promotes knowledge sharing.

*Contribution to reserves*

In 2022, GIF Board approved the application of a 2% overhead charge on funds allocated for field activities. This measure aims to build up unrestricted reserves to cover the operational and administrative costs of the Foundation while also contributing to its long-term sustainability.

*Events after Balance Sheet Date.*

These events are disclosed and included if they are material for the user, relevant and have occurred before signing the financial statements.

**BCI Growth and Innovation Foundation**  
**Notes to the financial statements for the year ended March 31, 2023**  
(In '000 EUR)

**Note 3 Information on statement of financial position and statement of income and expenditure**

**3.1 Cash and cash equivalents**

	<u>2022-2023</u>	<u>2021-2022</u>
Denominated in EUR	7'018	4'065
<b>Total cash and cash equivalents</b>	<b><u>7'018</u></b>	<b><u>4'065</u></b>

**3.2 Prepaid expenses**

	<u>2022-2023</u>	<u>2021-2022</u>
Projects contributions	736	221
Country development and innovation projects	29	-
Operational expenses	5	-
<b>Total prepaid expenses</b>	<b><u>770</u></b>	<b><u>221</u></b>

**3.3 Accrued expenses**

	<u>2022-2023</u>	<u>2021-2022</u>
Projects contributions accrued	4	166
Country development and innovation projects	-	5
Operating expenses accrued	53	48
<b>Total accrued expenses</b>	<b><u>57</u></b>	<b><u>219</u></b>

**3.4 Deferred income from donor and partners**

Funds received in 2022-23 from the donors listed below are deferred to the next financial year and will be used in season 2023-2024 according to the donor agreements.

	<u>2022-2023</u>	<u>2021-2022</u>
IDH	500	-
H&M Group	166	-
Laudes Foundation	100	-
<b>Total deferred income from donor and partners</b>	<b><u>766</u></b>	<b><u>-</u></b>

**BCI Growth and Innovation Foundation**  
**Notes to the financial statements for the year ended March 31, 2023**  
**(In '000 EUR)**

**Note 3 Information on statement of financial position and statement of income and expenditure (cont'd)**

**3.5 Contributions from Better Cotton**

During the financial year 2022-23, Better Cotton contributed to GIF Euro 18'114k, Euro 12'799k was allocated to grants for programme partners. Euro 12'001k is carried forward as deferred income for future projects. In addition, a receivable of Euro 6'686k is due from Better Cotton at the end of the year.

In season 22-23, the volume of grants has increased by 40% compared to the prior period 21-22. Euro 12'612k was spent on grants in 22-23 compared to Euro 8'970k in 2021-22. The reasons behind this increase in grants are:

- Activities and staff costs reflect a more impact-focused RFP, in line with Better Cotton's 2030 strategy.
- Programme Partners have an improved field facilitator / farmer ratio following guidelines provided by Better Cotton GIF.
- There is an increase in field staff wages to ensure that, at the least, minimum salaries are paid in accordance with the legal salary in the region.

GIF has provided Euro 101k as repurposed funds for floods relief for three Programme Partners in the affected areas. The floods in Pakistan were a major factor of a higher underspend of Euro 736k in 22-23 compared to Euro 221k in 21-22.

**3.6 Income from grants**

	<b>2022-2023</b>	<b>2021-2022</b>
IDH	150	100
Laudes Foundation	250	752
DFAT	-	1
<b>Total</b>	<b>400</b>	<b>853</b>



## BCI Growth and Innovation Foundation

Notes to the financial statements for the year ended March 31, 2023

(In '000 EUR)

### Note 3 Information on statement of financial position and statement of income and expenditure (cont'd)

#### 3.7 Contributions to projects

22 – 23 BC GIF contributions to projects per country	Contracted for 22-23	Actual spending by PPs	Expenses recognised.at GIF prioryear 21-22	GIF contributions 22-23	Prepaid for 23-24	Accrued expenses 22-23
India	7'730	7'415	-	7'415	315	-
Pakistan *	4'099	3'700	-	3'700	403	-
China	495	494	-	494	1	-
Turkey	588	588	-	588	-	-
Mozambique **	133	140	-	140	10	4
Mali	283	275	-	275	7	-
<b>Total</b>	<b>13'328</b>	<b>12'612</b>	-	<b>12'612</b>	<b>736</b>	<b>4</b>
Country development and innovation projects	59	101	-	101	29	-
Operating expenses				287	5	53
<b>TOTAL expenses</b>				<b>13'000</b>	<b>770</b>	<b>57</b>

\*Pakistan actual spending 22-23 includes Euro 4k by RBDC prepaid in 21-22.

\*\*Mozambique actual spending includes expenditure of the funding agreements 21-22 made in April 2022 – September 2022 and expenditure of the funding agreements 22-23 made in October 2022 – March 2023.

21 – 22 BC GIF contributions to projects per country	Contracted for 21-22	Actual spending by PPs	Expenses recognised.at GIF prioryear 20-21	GIF contributions 21-22	Prepaid for 22-23	Accrued expenses 21-22
India	4'631	4'575	(1)	4'574	57	147
Pakistan	3'798	3'696	13	3'709	97	-
China	318	318	(4)	314	-	-
Turkey	313	246	-	247	67	-
Mozambique	30	39	-	39	-	19
Mali	87	87	-	87	-	-
<b>Total</b>	<b>9'177</b>	<b>8'961</b>	-	<b>8'970</b>	<b>221</b>	<b>166</b>
Country development and innovation projects*	238	0	-	169	-	5
Operating expenses				133	-	48
<b>TOTAL expenses</b>				<b>9'272</b>	<b>221</b>	<b>219</b>

\*In 2022-23 and going forward the projects in this cost category are Innovation and Learning.

**BCI Growth and Innovation Foundation**  
**Notes to the financial statements for the year ended March 31, 2023**  
**(In '000 EUR)**

**Note 3 Information on statement of financial position and statement of income and expenditure (cont'd)**

**3.8 Country development and innovation projects**

In the season 2022-23, BCI GIF funded the following Innovation projects:

**Soil health project with University of Arkansas**

Research to evaluate the long-term responses of cotton production with cover cropping and little tillage versus no cover cropping and conventional tillage practices.

**Israel Cotton Board**

Research and assessment of the effectiveness of multifunctional vegetation buffers (MFVBs). This project reviewed the use of MFVB's as a means to mitigate the effects of agricultural runoff and improve the functionality of the agroecological systems on cotton farms.

**Building Capacity to Better Engage Women Within Cotton Production in Pakistan**

From October 2021 to August 2022 Better Cotton collaborated with CARE International Pakistan and CARE International UK, alongside Programme Partners CABI and SWRDO, to increase women's access to Better Cotton programmes. The expenditures are recognized in 2022-23 due to the delay in reporting.

**ABRAPA workshop - Brazil**

The objective was to convene and facilitate a multi-day workshop for farmers and key stakeholders in the Brazilian cotton industry to jointly create a comprehensive, industry wide integrated pest management strategy, with an emphasis on reducing pesticide usage rates.

**Precision pesticide application - ABRAPA (Brazil)**

The project aims to reduce pesticide usage rates by 25% using drones in addition to planes to increase the accuracy of aerial applications of the pesticide Malathion for Boll Weevil control.

**3.9 Operating expenses**

	<u>2022-2023</u>	<u>2021-2022</u>
Programme partners support (MEL and translation)	98	-
China local taxes (field funding)	42	28
VAT – services from GIF to BCI	40	12
Financial expenses	15	42
Audit and legal costs	65	50
Other operating costs	27	1
<b>Total operating expenses</b>	<b><u>287</u></b>	<b><u>133</u></b>

**BCI Growth and Innovation Foundation**  
**Notes to the financial statements for the year ended March 31, 2023**  
(In '000 EUR)

**Note 4 Other information**

**4.1 Headcount**

The Foundation has no employees. The management of foundation is carried out by Better Cotton employees seconded to work for the GIF.

**4.2 Tax-exempt status**

GIF is exempt from Swiss cantonal income tax and capital tax as well as Swiss direct federal tax, in accordance with a decision by the Department of Finance, Canton of Geneva, dated 21 October 2016. The exemption of federal tax is an official recognition by the Swiss federal authorities that GIF is a 'foundation of public interest'.

**4.3 Commitments for multi-year funding**

In 2022-223, GIF signed four multi-year funding agreements with Programme Partners covering seasons 2022-23 to 2024-25. The total amount of contingent liabilities related to the signed funding agreements is presented in the table below in '000 EUR.

	<b>2023-2024</b>	<b>2024-2025</b>	<b>Total</b>
Multi-year funding commitments – <i>signed during the period</i>	2'494	2'890	5'384

**4.4 Subsequent events**

*Multi-year funding agreements*

In March 2023, GIF signed 7 multi-year funding agreements with Programme Partners. These agreements will extend over three seasons, spanning from 2023-24 to 2025-26. As a result of these agreements, GIF has taken on contingent liability, which is outlined in the table provided below.

The contingent liability is subject to two key conditions (1) the successful and seamless implementation of the projects by the programme partners, (2) the availability of adequate funds within GIF.

	<b>2023-2024</b>	<b>2024-2025</b>	<b>2025-2026</b>	<b>Total</b>
Multi-year funding commitments - <i>signed in the subsequent period</i>	5'396	6'191	6'990	18'577

*Agreement with Better Cotton*

The relationship and legal framework between GIF and Better Cotton have been formalised through a donation agreement signed on 6 April 2023. This new agreement establishes clear obligations for Better Cotton to donate to GIF the unused amounts of the collected VBF. The VBF funds are confirmed after deduction of the amounts utilised for Better Cotton assurance and data collection activities and for field funding of Better Cotton strategic partner, and after deduction of the GIF management costs.

**BCI Growth and Innovation Foundation**  
**Notes to the financial statements for the year ended March 31, 2023**  
(In '000 EUR)

**Note 5 Presentation of financial statements in CHF**

For the presentation of these accounts in Swiss francs (CHF), the EUR accounts are translated into CHF at March 31, 2023 closing rates for all balance sheet accounts, except capital and funds, that are translated at historical rates. All rates used are those provided by "AFC - Administration fédérale des contributions".

The closing rate of 1 EUR = 1.00642 CHF for assets and liabilities. (March 31, 2022: 1 EUR = 1.0418 CHF)

Income and expenses have been translated at the average rate for the year of 1 EUR = 1.0078 CHF (March 31, 2022: 1 EUR = 1.0870 CHF). Any resulting unrealised translation gains are deferred and shown separately under Funds.

<b>Statement of financial position</b>	<b>2022-2023 CHF</b>	<b>2021-2022 CHF</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	7'063	4'235
Accounts receivable	6'729	8'678
<i>Receivables, due from BCI</i>	6'729	8'678
Prepaid expenses and accrued income	1'026	490
<i>Prepaid expenses</i>	775	230
<i>Accrued income</i>	251	260
<b>Total current assets</b>	<b>14'818</b>	<b>13'403</b>
<b>Total assets</b>	<b>14'818</b>	<b>13'403</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade accounts payable	69	-
Accrued expenses	58	228
Deferred income from VBF	12'078	11'475
Deferred income from donors and partners	770	-
<b>Total current liabilities</b>	<b>12'975</b>	<b>11'703</b>
<b>Total liabilities</b>	<b>12'975</b>	<b>11'703</b>
<b>Capital and funds</b>		
Foundation capital	50	50
Funds	1'974	1'774
<i>Funds brought forward</i>	1'774	1'830
<i>Surplus (deficit) of the period</i>	200	(56)
Currency translation adjustment	(181)	(124)
<b>Total capital and funds</b>	<b>1'843</b>	<b>1'700</b>
<b>Total liabilities, capital and funds</b>	<b>14'818</b>	<b>13'403</b>

**BCI Growth and Innovation Foundation**  
**Notes to the financial statements for the year ended March 31, 2023**  
**(In '000 EUR)**

**Note 5 Presentation of financial statements in CHF (cont'd)**

<b>Statement of income and expenditure</b>	<b>2022-2023 CHF</b>	<b>2021-2022 CHF</b>
Contributions from BCI	12'899	9'097
Income from grants	403	927
<b>Total income</b>	<b>13'302</b>	<b>10'024</b>
Contribution to projects	12'711	9'751
Country development and innovation projects	102	184
Operating expenses	289	145
<b>Total expenses</b>	<b>13'102</b>	<b>10'080</b>
<b>Result for the year</b>	<b>200</b>	<b>(56)</b>
Funds brought forward	1'774	1'830
<b>Funds at end of year</b>	<b>1'974</b>	<b>1'774</b>