



[Updated September 12, 2024]

Better Cotton Action Plan Update

In April 2024, Better Cotton was the focus of a report, published by the environmental non-profit, Earthsight, which highlighted issues in the cotton industry of Brazil's Matopiba region.

Better Cotton commissioned an independent consultant¹ to investigate potential non-compliances on selected farms². We subsequently published our [statement and summary of findings](#), which did not detect any breach of the Better Cotton Standard on the licensed farms in question.

In June 2024, Better Cotton was notified that Earthsight would release a "second output". This specific content was not shared with Better Cotton. Instead, Earthsight contacted us prior to its release for clarity on various points which we have detailed in this document.

In August 2024, Better Cotton received the Community Engagement Report from Imaflora, the independent consultant it had hired to conduct this study. In this document we summarise their findings and how they will inform our action plan.

To reiterate, we welcome scrutiny from civil society organisations. Reports like Earthsight's help identify instances where improvements can be made. We once again extend an invite to Earthsight to engage with us to learn more about our standard system and the approach we take at field level.

Our mission is to help cotton communities survive and thrive while protecting and restoring the environment, thereby delivering progressive, measurable improvements at field level. Our model focuses on impact, scale and industry uptake to enable all cotton farmers to transition to more sustainable production.

We recognise that challenges exist in many of the countries in which we operate. It is only with action and perseverance in the most challenging circumstances for cotton farming that transformative change at scale can be made, and we are proud of the progress we have helped deliver globally with our dedicated network of partners and members.

In the spirit of transparency, the section below contains further details on our action plan, clarifications and follow-up explanations to our previously issued statement, as well as information about elements of the Better Cotton Standard System.

¹ Peterson was commissioned to conduct an investigation that would assess potential non-compliances against the Better Cotton and ABR standards, while exploring broader issues pervasive within Brazil's cotton sector and their scope for impact on Better Cotton licensed farms.

² There are currently 33 farms licensed by Better Cotton for these two groups, but of these, only three were licensed by Better Cotton during the timeframes in question.



Better Cotton's Action Plan

In April, we highlighted specific action points which have now progressed. There are further details on this below.

1. Engagement with Local Communities

Community outreach has remained an important component of our response to understand the field-level reality for those living on land around the implicated farms in Brazil. Through actively engaging with communities in the affected areas, it has reconfirmed that the challenges highlighted are complex and extend beyond what our farm-level standard can address in isolation.

Although there has been confirmation that there is no direct evidence linking the stated three Better Cotton/ABR licensed farms to reported issues such as violence and environmental degradation, we recognise that these issues exist within surrounding areas and that Better Cotton can play an important role in addressing them.

Further details are provided in the Community Engagement Report Summary below.

2. Conducting Due Diligence at Agribusiness/Large Commercial Farm Level

Better Cotton is committed to adopting practices that promote greater dialogue and collaboration with affected communities. Further, Better Cotton's due diligence procedure will assess the large commercial farms' compliance with requirements on proactively managing constructive relationships with surrounding communities. This process will help reinforce our commitment to human rights and sustainable development in the region.

Since April 2024, we have conducted internal and external consultations and have defined the characteristics of a large commercial farm³. We are now in the process of adapting the existing due diligence framework to extend it effectively in this context while being mindful of the ongoing legal proceedings in Brazil. We published a Request for Proposal (RFP) to recruit a consultant to review the due diligence process and adapt it to the Brazilian agro-industrial context to ensure it addresses the concerns raised in the consultants' studies. This work is expected to be completed in September 2024. In October, once the adjustments to the Brazilian context are finalised, we will begin deploying the due diligence process with the agro-industrial groups.

In implementing an enhanced due diligence process, we are dedicated to supporting ABRAPA to facilitate constructive engagement between agribusinesses and surrounding communities to proactively mitigate and manage conflict.

³ In Brazil, this includes any agro-industrial group with a total Better Cotton cultivated area of at least 20,000 hectares. Currently, there are 11 agro-industrial groups in Brazil involved in Better Cotton production that exceed this threshold and thus will have to undergo this enhanced Due Diligence process.



3. Collaborating with a Multistakeholder Network

We have begun and continue to gather interest from key stakeholders (standard systems, civil society organisations, and multistakeholder platforms) engaged in Brazil. An initial kick-off discussion with interested ISEAL members took place in June and bilateral meetings took place throughout June and July.

In September we will finalise the draft concept note for multistakeholder engagement, outlining the objectives, activities, and structure for engagement in Brazil. The focus is on exchange and collaboration among standard systems and other key stakeholders around risk assessments and due diligence, with the objective of building on these initial efforts for more complex and long-term workstreams such as advocacy or joint auditing.

We plan to hold the first meeting of relevant stakeholders by the end of 2024.

4. Realigning Standards with ABRAPA

In alignment with the ISEAL's Code of Good Practice, and to ensure our farm-level standard remains a relevant and credible tool to drive field-level impact, we run a thorough review at least every five years. With the introduction of our Principles & Criteria (P&C v.3.0), which underpins the Better Cotton Standard, we have placed a greater emphasis on land conversion, grievance mechanisms and workers' rights, among other areas. We are working with ABRAPA – as well as all other Strategic Partners – to ensure their standard as well as the enhanced due diligence process aligns with our updated standard.

We are in the final stages of negotiating the new partnership agreement, which is set to be concluded by September 2024.

Community Engagement Report Summary

Community outreach has remained an important component of our response to understand the field-level reality for those living on land around the implicated agribusinesses. As such, Better Cotton contracted Imaflora, an independent consultant⁴, to conduct interviews with community members in the Matopiba region of Brazil who could have been impacted.

The approach Imaflora took to inform its Community Engagement Report was both qualitative and quantitative, with questionnaires administered to both community residents and representatives of public institutions and civil society organisations.

Although the study found no direct evidence linking Better Cotton/ABR certified farms (Timbaúba Sítio Grande, Paysandu and Sagarana farms) to irregularities or allegations, it recommends reviewing sustainability standards and adopting practices that promote greater dialogue and collaboration with affected communities.

⁴ Better Cotton contracted Instituto de Manejo e Certificação Florestal e Agrícola - Imaflora (www.imaflora.org) in July, 2024.



There are significant concerns regarding the expansion of agribusinesses in the region, including some current partners. These include violence, intimidation, and difficulties accessing natural resources and public services in the broader context. These issues have led to heightened tensions, alongside environmental impacts such as deforestation and the intensive use of agrochemicals, which have adversely affected water quality and community health.

The study has also confirmed that there are broader systemic issues related to land use in Brazil, particularly in the Matopiba region.

These challenges are complex and extend beyond what our farm-level standard can address in isolation. Therefore, it is crucial for us to enhance our due diligence efforts and foster multi-stakeholder dialogue. When doing this, we will put special emphasis on the potential of negative impacts of cotton production on local communities. This is in line with our recommendations in our Action Plan.

Clarification around Better Cotton's Mass Balance System

Mass Balance is a credible and widely used Chain of Custody model across various commodities.

Cotton is traded as a commodity. It includes the mixing of cotton from different farms as it goes through the value chain. This is why we launched Better Cotton's [Mass Balance Chain of Custody](#): to enable supply chain participation and create a solid demand for more sustainable cotton.

The primary focus of a Mass Balance System is to ensure that the volumes traded as Better Cotton correspond to the volumes that have been produced at a farm level. Up to the gin level, we segregate Better Cotton from conventional cotton and, from there, implement the Mass Balance System where segregation is not required.

This approach ensures that the volumes of licensed Better Cotton produced never exceed the amount purchased.

This works in a similar way to green electricity, where consumers demonstrate demand through specifying green options to their electricity vendors. This evidence of demand grants confidence to the market to invest in the generation of cleaner electricity and ultimately removes the business case for fossil fuel generated electricity. Similarly, with cotton, the Mass Balance System signals to the cotton farming sector that there is market demand for more sustainable cotton.

Market access for smallholder farmers, in particular, is challenging in all sectors. We are committed to ensuring that our operating model is inclusive. Our focus on the farm level speaks to the importance of including as many farmers as possible on the journey – improvements are required across the board, in all countries and on all farm sizes.



The Chain of Custody and our Mass Balance System

Physical Better Cotton is now available to source, in volumes determined by actual retailer and brand demand.

The [Chain of Custody Standard v1.0](#) was published in May 2023, with the aim to offer both Mass Balance and Physical Chain of Custody models, support the need for Physical Better Cotton whilst also continuing our important work at the farm level. It is worth reiterating that our Chain of Custody models exist to monitor the flow of Better Cotton through the supply chain and have no bearing over social and environmental compliance issues within the supply chain.

The integrity of the amount of cotton passing through the Chain of Custody is ensured by reviewing the volumes of Better Cotton initially entering the system. These volumes are based on the expected volumes to be harvested at the farm level. The fact that we have oversight of all volumes entered in the Better Cotton Platform (BCP) is unique in comparison with other voluntary standard systems. The BCP process implies a second party verification because any transaction needs to be confirmed by both actors involved in the specific transaction.

Better Cotton members of staff can at no time change or manipulate any of the data entered into the system but instead we constantly monitor the transactions entered and in case of inconsistencies we can proactively reach out to the respective actor to correct possible errors. This ensures constant monitoring of all supply chain actors and allows us to act on potential inaccuracies without having to rely on audits only. Given the frequency of Better Cotton transactions happening, we believe that any credible scheme must have more assurance tools than only physical (third-party) audits.

Brands And Retailers' Understanding Of Better Cotton's Approach

Brands and retailers are very much aware that Better Cotton operates predominantly a Mass Balance System. They are seeking to gain more transparency and traceability in their supply chains in future and this is why we have developed our [traceability solution](#). While all documents and processes on our website are fully up to date, we are constantly revising them to ensure our assurance scheme is constantly improving across the complete supply chain.

The Mass Balance System has enabled the sector to join the movement, demonstrate demand for a new mainstream, more sustainable, raw material and generate funding to support farmers.

Media Contacts

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