



Better Cotton Chain of Custody Guidelines

Version 1.3

For use from 1 August 2018

Table of Contents

1.0	Introduction.....	3
2.0	Terminology and Definitions	6
3.0	Chain of Custody for Implementing Partners.....	9
4.0	Chain of Custody for Gins.....	11
5.0	Chain of Custody for Other Supply Chain Organisations	16
6.0	Annex – Sample Output Declaration Forms.....	23

Versions updated

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

Version No	Issue Date	Amendments
Version 1.2	1 March 2015	Major review of guidelines
Version 1.3	1 May 2018	Revised version to update and clarify content. Key changes include: clarified requirements for Implementing Partners; revised requirements for gins around purchase records, documented procurement processes, and control over middlemen; clarified maximum timelines for entering data into the Better Cotton Platform (BCP, formerly the Better Cotton Tracer); added mandatory transaction reference numbers associated with entries in the BCP; expanded mandatory use of the BCP for all supply chain organisations buying and selling Better Cotton products by 2020; clarified requirements around supply chain monitoring, including remote document requests, non-conformities, and penalties for non-compliance

1.0 Introduction

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

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

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

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

1.1 Better Cotton Chain of Custody model

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

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

After gin level, BCI requires a mass balance CoC model. Mass balance is a volume-tracking system that allows Better Cotton to be substituted or mixed with conventional cotton. However, it ensures that the quantity of physical cotton sold with a Better Cotton claim cannot exceed the quantity of cotton purchased with a Better Cotton claim (accounting for relevant conversion rates).¹

BCI's mass balance model uses Better Cotton Claim Units (BCCUs) as a designated unit to track the volumes of physical cotton or cotton-containing products associated with a Better Cotton claim. 1 BCCU represents 1 KG of physical Better Cotton lint procured from a gin processing Better Cotton by a merchant or a spinning mill, as a result of an order for Better Cotton products.

Importantly, the post-gin mass balance system does not require that the BCCUs remain associated with the original physical Better Cotton from licensed BCI farmers. This means that cotton products can be sold with a Better Cotton claim (and BCCUs associated) but may not contain any physical Better Cotton.² Please refer to the *Better Cotton Claims Framework* (available on the BCI website) for more detail on the claims that can be made when sourcing or selling products associated with Better Cotton.

1.2 Applicability

The Better Cotton CoC Guidelines are applicable for Implementing Partners and supply chain organisations that are buying or selling Better Cotton or Better Cotton products. These include ginners, traders/merchants, spinners, garment manufacturers, fabric mills, retailers and brands, and sourcing agents.

In specific cases where physical segregation already takes place at field-to-gin level, according to existing and well-established practices, gins may not be required (at BCI's discretion) to use BCI's online system (the Better Cotton Platform, or BCP). These scenarios include, but are not limited to, those where seed-cotton is harvested mechanically into modules (i.e. large farms in the US and Israel), and those where ginners are verified to

¹ Additional guidance on conversion rates can be found at: <https://bettercotton.org/about-better-cotton/better-cotton-standard-system/chain-of-custody/>

² Under the mass-balance CoC model, no absolute guarantee can be made that there is Better Cotton

physically present in products and in what quantity. The *Better Cotton Claims Framework* therefore does not allow organisations to make marketing communications claims suggesting Better Cotton is physically in a product, both in the supply chain or direct to end-product consumers.

be processing 100% Better Cotton (or 100% certified cotton from a standard which has been benchmarked against the Better Cotton Standard System and recognised as equivalent.³

In the case of recognised equivalent standards, ensuring physical segregation between the farms and the gins, as well as at the ginning factories themselves, is the responsibility of BCI's partner.

Different chain of custody requirements may apply to different types of supply chain organisations. These Guidelines are therefore divided into three main sections: Chain of custody for Implementing Partners, for gins, and for other supply chain organisations.

1.3 Scope of CoC implementation

Farmers/Producer Units (PUs) will implement the product segregation CoC model at Product Level,⁴ and the Better Cotton CoC requirements and data will be maintained at each large farm, PU or project level.

Ginners will implement the segregation CoC model at site level. This means purchases/sales and ginning of Better Cotton, use of the Better Cotton Platform, and record-keeping shall be maintained for each gin site individually.

Cotton traders will implement the mass balance CoC model at country level – this means they can substitute equivalent amounts of conventional and Better Cotton products, but only provided those products have the same country of origin. For example: if a trader buys Brazilian Better Cotton, the claim associated with this purchase may be allocated to any conventional cotton from Brazil, as long as it is owned by the trader. The trader cannot allocate claims from Brazilian Better Cotton to cotton from a different country of origin (e.g. Mali).

Suppliers/ manufacturers will implement the mass balance CoC model at site level. The CoC requirements and data will be maintained at each site owned by a supplier/ manufacturer. For example: if a spinner buys Brazilian Better Cotton, then the claim from this purchase may be allocated to an equal quantity of conventional cotton from any

country of origin, provided it is owned by the spinner and located at the same site.

1.4 BCI membership requirements

Some organisations handling or sourcing Better Cotton and Better Cotton products are required to be BCI Members. More information on the membership process can be found on the BCI website at:

<https://bettercotton.org/get-involved/membership-offer/>

Ginning factories:

Gins can buy and gin seed Better Cotton from licensed farmers and sell Better Cotton bales without formal membership of the BCI. However, all gins processing Better Cotton need to be listed with and trained by local BCI staff or partners and must use BCI's online Better Cotton Platform (BCP) to enter their purchases and sales relating to Better Cotton. Gins processing Better Cotton are subject to the requirements of the *BCI Ginner Agreement* and relevant Annexes (available on the BCI website).

Cotton Traders and Spinning Mills:

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

Suppliers without Spinning Capabilities:

All other supply chain organisations without spinning capability will be required to use the Better Cotton Platform (BCP) by 1st January 2020 to enter or acknowledge all purchases and sales of Better Cotton products. To do this, they can be either a BCI Member or they can register as a BCP system user. This includes fabric mills (buying yarns and selling fabrics), end-product manufacturers, sourcing agents, import-export companies, waste traders, waste processors, paper mills and nonwoven fabric manufacturers.

1.5 Chain of Custody documents

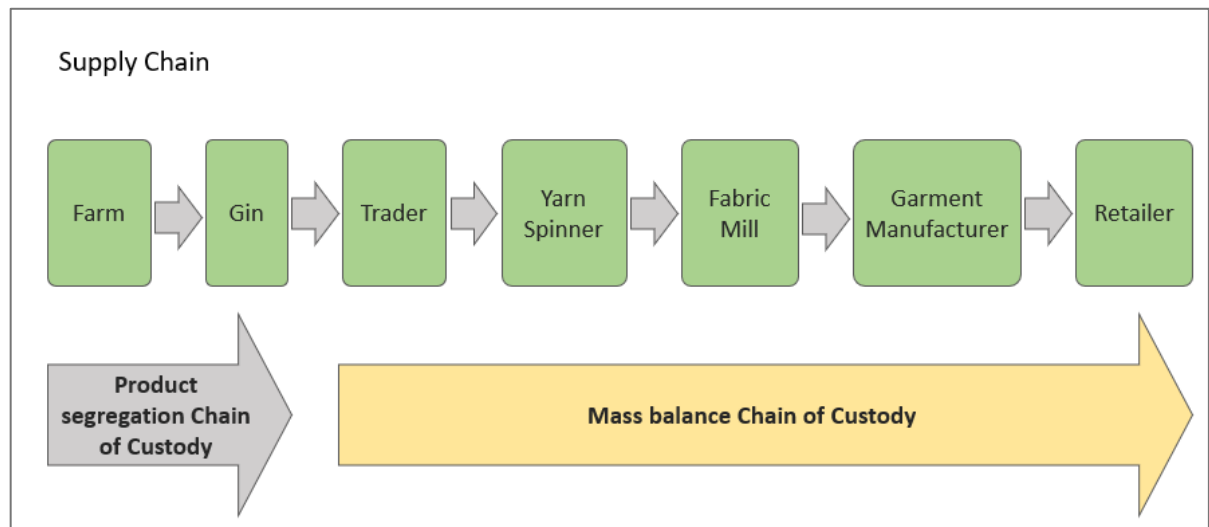
The following documents form a suite of tools to support organisations in implementing the Better Cotton CoC. These include:

³ More detail on recognised equivalent standards can be found at <https://bettercotton.org/about-better-cotton/where-is-better-cotton-grown/>

⁴ This implies keeping Better Cotton segregated from conventional cotton at all times. However, mixing of Better Cotton from different licensed PUs or Large Farms during transportation to gin, and at gin level is acceptable.

- Better Cotton Chain of Custody Guidelines v1.3
- BCI Ginner Agreement (for ginner only)
- Better Cotton Platform – Training modules (available to BCI Members and registered BCP system users)
- Better Cotton Claims Framework
- BCI Member Code of Practice (applicable to BCI Members only)
- Additional guidance and FAQs available on the [BCI website](https://www.bettercotton.org)

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



Product segregation Chain of Custody model:

- Better Cotton and conventional cotton must be kept segregated at all stages of harvest, storage, transport and processing at the farm and gin level
- No mixing or substitution between conventional cotton and Better Cotton is permitted
- Better Cotton must be clearly identified (e.g. with signage and documentation)
- All bales of Better Cotton sold by gins must be composed of 100% cotton from licensed BCI farmers (produced in compliance with the Better Cotton Principles and Criteria), and must be traceable back to BCI licensed farmers
- The claims about, and actual physical volumes of Better Cotton sold by ginner must match the volume of Better Cotton purchased, accounting for the turnout ratio.
- This is a system of physical traceability. Actual amounts of physical Better Cotton must accompany any claims.

Mass balance Chain of Custody model:

- Better Cotton and conventional cotton may be substituted with each other. BCI applies this CoC model to all supply chain organisations after the gin up to (and including) retailers.
- For any organisation, the volume of cotton in any cotton-containing product sold with a Better Cotton claim must not exceed the amount purchased with a Better Cotton claim (accounting for relevant conversion rates)
- This is a system of administrative traceability. An actual amount of physical Better Cotton does not need to accompany claims about Better Cotton

2.0 Terminology and Definitions

Term	Definition
Annual Authorised Volume (AAV) code	The AAV code is a unique number generated by BCI for licensed Producers (Large Farms or Producer Units). AAV codes allow gins buying from licensed BCI Farmers to enter purchases of seed Better Cotton into the Better Cotton Platform (BCP) and allocate the volumes back to the corresponding Producer.
Better Cotton	<p>Cotton produced by licensed BCI Farmers under the Better Cotton Standard System or recognised equivalent standards.</p> <p><i>Note 1: the term 'Better Cotton' refers to the production method (i.e. the Producer must meet all relevant core indicators in the Better Cotton Principles & Criteria); it does not refer to specifications or quality parameters of the cotton itself</i></p> <p><i>Note 2: Better Cotton is required to be kept segregated from conventional cotton at the farm and gin level (e.g. 100% Better Cotton bales)</i></p> <p><i>Note 3: More detail on recognised equivalent standards can be found at https://bettercotton.org/about-better-cotton/where-is-better-cotton-grown/</i></p>
Better Cotton products	<p>Any cotton or cotton-containing product (after gin level) which is bought or sold with a 'Better Cotton' claim and for which Better Cotton Claim Units (BCCUs) are transferred between two parties via the Better Cotton Platform (BCP) or via Output Declaration Forms.</p> <p><i>Note 1: Under the mass balance CoC model used after gin level in the supply chain, 'Better Cotton products' may refer to a product that does not contain any physical cotton from licensed BCI farmers</i></p> <p><i>Note 2: For example, a sale of yarn from a BCI Spinning Mill Member is considered a Better Cotton product if it is sold with a Better Cotton claim (i.e. to fill an order for 'BCI yarn'), and if the sale is entered into the BCP and corresponding BCCUs are allocated to the buyer.</i></p>
Better Cotton Chain of Custody	The chronological documentation, paper trail and electronic evidence that relates to the movement of Better Cotton products through the supply chain, and which ensures the volume of Better Cotton claimed by BCI Retailer and Brand Members does not exceed the volume of Better Cotton produced by licensed BCI Farmers in any given time period (accounting for relevant conversion rates).
Better Cotton Claim Unit (BCCU)	<p>The designated unit that corresponds to 1 KG of Better Cotton lint produced from seed Better Cotton and procured from a participating BCI ginner by a cotton merchant or a spinning mill.</p> <p>After the gin level, any purchases or sales of Better Cotton products must have a corresponding transfer of BCCUs (from supplier to buyer/ recipient) through the Better Cotton Platform (BCP). The allocation of BCCUs enable supply chain organisations to report how much Better Cotton was sourced as a result of customer orders for Better Cotton products.</p> <p><i>Note 1: Once received by a supply chain organisation (any type of supplier and manufacturer other than a ginner), BCCUs do not expire. BCCUs are not attached to a specific crop season or calendar year.</i></p> <p><i>Note 2: BCCUs cannot be purchased or sold as separate credit units and can only be transferred in the BCP if they correspond to a genuine physical sale or purchase of Better Cotton products.</i></p>
Better Cotton Platform (BCP)	BCI's online system for tracking purchases/ sales of Better Cotton and associated BCCUs. The BCP is a trademarked online system used only by BCI and registered supply chain organisations that are buying, selling, or sourcing Better Cotton products. It enables suppliers and manufacturers to

Term	Definition
	report to their customers how much Better Cotton lint was sourced through the sale of a physical product.
Conventional cotton	Refers to any cotton that was <i>not</i> produced by licensed BCI Farmers in compliance with the Better Cotton Principles and Criteria. <i>Note 1: The Better Cotton CoC Guidelines require that Better Cotton must be kept segregated from conventional cotton at the farm, during transit from farm to gin and within the gin.</i> <i>Note 2: As defined in the Better Cotton CoC, 'conventional cotton' can include organic cotton or cotton certified under other sustainability standards.</i>
Cotton trader	An organisation that takes legal and/or physical ownership of cotton lint but does not undertake any product transformation (processing and production for example). During transport between companies (e.g. supplier, trader, mill) the cotton lint may cross international borders.
Ginner	A company that buys seed cotton, gins it, and sells baled cotton lint.
Implementing Partner	An organisation responsible for the implementation of the Better Cotton Standard System in their operational area, including a programme of cotton production according to the Better Cotton Principles and Criteria
Mass balance chain of custody model	A chain of custody model based on volume reconciliation, which allows mixing of certified and non-certified inputs, provided the total volumes are controlled and the amount of certified outputs does not exceed inputs (accounting for conversion rates) ⁵ . The Better Cotton Chain of Custody uses a mass balance model for all purchases of Better Cotton products after gin level. This allows suppliers and manufacturers to mix equivalent amounts of conventional cotton and Better Cotton, as long as the volumes are controlled and the total amount of cotton in products sold with a Better Cotton claim is less than or equal to the amount purchased (accounting for conversion rates). In addition, all purchases and sales of Better Cotton products must be recorded in the Better Cotton Platform (with a corresponding number of BCCUs allocated). <i>Note 1: Under the Better Cotton CoC Guidelines, cotton traders are only permitted to mix conventional and Better Cotton if the cotton comes from the same country of origin</i>
Middleman (seed cotton trader)	An individual or organisation buying seed cotton from farmers and selling it to gins <i>Note 1: Middlemen can be independent or can work on behalf of farmers, Producer Units, or gins</i>
Non-lint traders	A company that buys and sells yarns and fabrics without further processing or converting the materials.
Product segregation chain of custody model	A chain of custody model that requires physical segregation of certified and non-certified inputs and does not allow mixing or substitution between certified and non-certified inputs. In the context of the Better Cotton CoC, product segregation is required between the farm and the gin level – this means that Better Cotton from licensed BCI farmers must be harvested, stored, transported, and ginned separately from conventional cotton, and cannot be mixed or substituted at any point.
Scope of mass balance chain of custody	The range within which physical Better Cotton can be substituted by conventional cotton. Country scope – substitution from the same country of

⁵ Definition adapted from the description of mass balance chain of custody models in 'ISEAL Chain of custody models and definitions' v1.0, September 2016, available at: <https://www.isealalliance.org/get-involved/resources/iseal-guidance-chain-custody-models-and-definitions>

Term	Definition
	origin. Site scope – substitution from any origin but only within the same production site.
Site	A geographical location (within precise boundaries) where a supply chain organisation carries out production or processing procedures.
Sourcing agent	A company that buys finished products from end-product manufacturers and sells these products to retailers and brands
Supplier/ manufacturer	An organisation that processes or manufactures intermediary or finished products. It excludes ginners, retailers, brands and cotton merchants or traders.

3.0 Chain of Custody for Implementing Partners

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

3.1 Connecting farmers and ginner

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

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

Ginner can be identified based on their proximity to licensed BCI farmers, whether they are currently sourcing from BCI project areas, and their interest/ enthusiasm to engage with BCI. IPs should provide ginner only with contact details such as farmer names, villages, and mobile numbers – IPs should not share sensitive information such as estimated yield with the ginner ahead of the season.

3.2 Segregation and documentation of Better Cotton between farm and gin

- 3.2.1 IPs shall ensure that all IP staff and farmers under the IP's control understand and comply with the relevant Chain of Custody requirements. This includes the farmer's responsibility to:
 - a) keep Better Cotton segregated from conventional cotton at all points of harvest, storage, sale and transport
 - b) where relevant, keep AAV/ farmer codes secure and only share these codes with buyers purchasing Better Cotton (such as a gin or middleman)
 - c) maintain records of their sales of seed Better Cotton (as required by the BCI Principles and Criteria, indicator 7.3.5/ 7.3.6)
- 3.2.2 IPs shall maintain records demonstrating that all participating farmers have been trained on the relevant Chain of Custody requirements as set out in clause 3.2.1.

Guidance: Records can include training logs and training materials. As per 3.2.1 c), sales records of seed Better Cotton should be maintained by farmers (not IPs or ginner) – this is important so that cross-reconciliation of records can take place between farmers and ginner. Note that in the revised BCI P&C v2.0, indicators 7.3.5/7.3.6 are designated as 'transition indicators' – this means they will be effective from the 2019/2020 season.

3.3 Distribution of Annual Authorised Volume (AAV) codes

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

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

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

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

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

4.0 Chain of Custody for Gins

Guidance: This section sets out requirements for gins buying and ginning seed Better Cotton and selling lint Better Cotton. In specific cases where physical segregation and record keeping already takes place at field-to-gin level, according to existing and well-established practices, gins may not be required (at BCI's discretion) to use the Better Cotton Platform (BCP). These scenarios include, but are not limited to, those where seed-cotton is harvested mechanically into modules (i.e. large farms in the US and Israel), and those where ginners are verified to be processing 100% Better Cotton, or 100% certified cotton from a recognised equivalent standard.⁶ In the case of other recognised standards, ensuring physical segregation between the farms and the gins, as well as at the ginning factories themselves, is the responsibility of BCI's partner.

4.1 Purchasing of Better Cotton

4.1.1 The gin shall be responsible for ensuring that all Better Cotton purchased can be traced back to licensed BCI Farmers

4.1.2 The gin shall accurately document its process for procuring Better Cotton and the flow of Better Cotton from farmers to the gin (including the role of middlemen, markets, storage, transport, etc.)

4.1.3 The gin shall keep accurate records of all purchases of Better Cotton, including name of the seller, purchase date, volume, and AAV or farmer code (if purchasing directly from a farmer)

Guidance: The gin should keep a record of each individual purchase of seed Better Cotton, even if purchases are aggregated together for entry into the Better Cotton Platform (BCP). Purchase records should also include farmer ID, village, and contact information where relevant. The Annex of the BCI Ginner Agreement includes an example template which gins may use to record purchases and sales.

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

- a) Maintain an up-to-date list of the names and contact information for all markets or middlemen from which Better Cotton is purchased
- b) Ensure that all middlemen have systems in place to keep Better Cotton segregated from conventional cotton and can trace Better Cotton back to licensed farmers
- c) Obtain from each middleman records of their relevant purchases from licensed BCI Farmers, including the farmer name or code, date of purchase, and volume.

Guidance: Ginners may also ask middlemen selling Better Cotton to sign a declaration stating that they have purchased Better Cotton only from licensed BCI farmers and that they have kept Better Cotton segregated from conventional cotton at every stage of handling.

It is recommended that middlemen should issue a proof of purchase with three copies – one copy to be provided to the farmer, one kept with the middleman, and one provided to the ginner.

4.1.5 The gin shall provide receipts to farmers where Better Cotton is purchased directly from licensed BCI farmers.

4.2 Segregation and identification of Better Cotton

4.2.1 The gin shall have a system in place to ensure that Better Cotton is segregated from other (conventional) cotton and is clearly identified at every stage of purchase, storage, processing, transport, and handling.

Guidance: If the gin handles both Better Cotton and conventional cotton, it must have systems in place to maintain segregation if both types of cotton are on site at the same time.

⁶ More detail on recognised equivalent standards can be found on the BCI website at: <https://bettercotton.org/about-better-cotton/where-is-better-cotton-grown/>

It is not sufficient to have only ‘temporal’ segregation – i.e. handling only Better Cotton or conventional cotton at any given time. If a gin does not have adequate space to store Better Cotton separate from conventional cotton, it must either handle only 100% Better Cotton (for the entire season) or it cannot be a participating gin with BCI.

- 4.2.2 The gin shall ensure that all staff or workers handling Better Cotton are aware of the system for segregating and identifying Better Cotton

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

- 4.2.3 The gin shall ensure that all Better Cotton bales sold can be clearly identified as Better Cotton

Guidance: The gin must have a system in place so that 100% Better Cotton bales can be identified as such. This can be done through lot numbers, labelling on invoices and delivery notes, and/or physical identification on the bales (such as labels or colour-coded tape). Note, that whilst the Better Cotton CoC requires physical segregation at gin level, Better Cotton can be mixed with conventional cotton at other stages in the supply chain, and therefore, after the gin level, no absolute guarantee can be made that there is Better Cotton physically present in products and in what quantity.

4.3 Responsibilities, training and record-keeping

- 4.3.1 The gin shall appoint a designated representative(s) responsible for ensuring compliance with the relevant Better Cotton CoC requirements and recording relevant data on the Better Cotton Platform (BCP)

Guidance: These can be the same individual or different individuals. Gins should have access to the BCI Ginner Agreement (which includes Chain of Custody requirements for ginner) and/or Better Cotton CoC Guidelines at each premise where they are handling Better Cotton.

- 4.3.2 The gin shall ensure that all individuals responsible for handling Better Cotton, using the BCP, and maintaining associated records are trained and competent to fulfil BCI requirements

- a) All individuals responsible for using the BCP shall complete the mandatory BCI training on the BCP

Guidance: Training will typically include workers responsible for recording the weight of Better Cotton received, unloading and storing Better Cotton, labelling seed and lint Better Cotton, managing the ginning process, and completing/ storing records related to the purchase, receipt, processing, and sale of Better Cotton. BCI has developed mandatory online training modules for users of the BCP. Access to these training modules will be given by BCI once a company’s membership or usership application is accepted by BCI.

- 4.3.3 The gin shall maintain all documents and records related to the purchase, handling, and sale of Better Cotton for a minimum period of two years

- a) The gin shall ensure that all documents are available for review by BCI or third-party auditors upon request.

Guidance: Documents can be maintained in paper form or electronic format. These include at a minimum the relevant documents listed in the annex of the BCI Ginner Agreement, available on the BCI website.

- 4.3.4 The gin shall communicate any changes in BCI contact names, procurement processes, or outsourcing arrangements to BCI in writing or email within 15 days of the change occurring

Guidance: If new staff members take on responsibility for compliance with Better Cotton CoC requirements or using the BCP, these individuals need to be trained in line with clause 4.3.2

4.4 Use of the Better Cotton Platform (BCP)

- 4.4.1 The gin shall enter all purchases and lint production, and enter (or acknowledge) all sale transactions for Better Cotton into the BCP, within 30 calendar days of the transaction date⁷

Guidance: In the case of ginner's who are also traders, two separate accounts are maintained on the BCP with different functionalities. A transaction entered into the BCP with a status "awaiting acknowledgement" can be withdrawn within 30 days of entering it into the BCP. Likewise, transactions with a status "acknowledged" can be cancelled within 30 days after the date of acknowledgement.

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

- 4.4.2 The gin shall only enter or acknowledge transactions in the BCP if they correspond to a genuine purchase or sale of physical Better Cotton
- 4.4.3 The gin shall ensure that all data entered into the BCP is accurate and can be verified against corresponding documentation (i.e. purchase receipt, invoice, production records):
- a) For each purchase of Better Cotton, the gin shall enter the corresponding purchase date or date range into the BCP
 - b) For each sale of Better Cotton, the gin shall enter a valid transaction reference number(s) corresponding to either the invoice or shipping documents

Guidance: BCCUs cannot be transferred between companies unless there is a corresponding purchase/ sale of physical cotton products that are linked with these BCCUs. Gins must enter a unique transaction reference number (such as invoice or delivery slip number) that corresponds to each sale entered in the BCP. If one entry in the BCP relates to multiple sales, a reference number or range must be entered for each separate sale.

- 4.4.4 If requested to provide an average ginner turnout ratio, the gin shall ensure that this ratio (volume of lint produced for a given volume of seed cotton processed, expressed in percentage) is accurately calculated and can be verified through documentation⁸

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

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

Gins who fail to enter their Better Cotton sales into the BCP prior to account zeroing out can do so on an exception basis, provided they make a written request to BCI within 30 days of the account zeroing. Gins must still have the physical Better Cotton inventory on site and must provide sufficient evidence to BCI to verify this physical inventory. Gins can contact their local BCI supply chain team for further information or can email at compliance@bettercotton.org.

⁷ This is based on the date of receiving seed Better Cotton or shipping lint Better Cotton

⁸ In some countries, ginners are asked to declare their average gin turnout at the time of setting up an account in the Better Cotton Platform; in other cases, an average turnout ratio may be used by BCI for all ginners in a given country or region.

4.5 Better Cotton claims

- 4.5.1 Gins shall only make claims about Better Cotton in compliance with the Better Cotton Claims Framework.

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

4.6 Subcontractors

- 4.6.1 If the gin outsources any handling of Better Cotton (excluding transportation) to a subcontractor or independent organisation, the gin shall:
- a) Document the nature of this outsourcing agreement, including the names, addresses, and contact details of any subcontractors, and share with BCI in writing
 - b) Ensure that only the gin (not subcontractors) have access to the Better Cotton Platform and are responsible for entering data into the system
 - c) Require all subcontractors buying, selling, or handling Better Cotton to sign a declaration agreeing to comply with relevant Better Cotton CoC requirements and to provide access to their premises and records for any BCI staff or third-party auditors.
 - d) Ensure that all subcontractors are trained and competent to comply with relevant Better Cotton CoC requirements

4.7 Supply chain monitoring and penalties

Guidance: BCI carries out regular monitoring of Better Cotton supply chains, through a combination of remote audits (document verification requests), BCI second-party monitoring visits, and third-party audits. These measures are designed to help ensure the overall compliance of Better Cotton supply chains and to protect the credibility of Better Cotton claims made by BCI stakeholders. Monitoring visits and audits of gins may include cross-checking purchase records with licensed BCI Farmers in the local area. Protocols for gin audits/ monitoring visits, and farmer interviews will be available on the BCI website.

- 4.7.1 The gin shall provide BCI staff and appointed third-party auditors access to all sites handling or selling Better Cotton, and access to any records or documentation related to purchasing, handling or sales of Better Cotton
- a) Documents requested remotely by BCI or third-party auditors shall be provided within 10 calendar days of the written request
 - b) Within 24 hours of being notified of a short-notice audit, the ginner shall provide access to the site for BCI or designated third-party auditors

Guidance: In some cases, BCI or third-party auditors may request documents (e.g. invoices and delivery slips) associated with purchases or sales of Better Cotton, in order to monitor the integrity of the Chain of Custody and ensure correct use of the BCP. If documents or site access is not provided within the specified timelines, BCI will issue a written warning, and reserves the right to suspend the organisation's use of the BCP.

- 4.7.2 If during gin monitoring visits or gin audits, BCI staff or third-party auditors identify non-conformities (NCs) with Chain of Custody requirements, the gin shall correct these NCs within the specified timeframe and provide relevant evidence to the BCI staff or third-party auditor as below:
- a) For Minor NCs: the gin shall correct the NC within 12 months and provide evidence to BCI or the third-party auditor demonstrating how the issue has been addressed. If not addressed within 12 months, a Minor NC shall escalate to a Major NC.
 - b) For Major NCs: the gin shall correct the NC within 30 days and provide evidence to BCI or the third-party auditor demonstrating how the issue has been addressed. If not

addressed within 30 days, a Major NC shall lead to the suspension of the Better Cotton Platform (BCP) account.

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

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

- 4.7.3 BCI retains the right to cancel the ginner agreement and suspend use of the BCP at any time due to the following cases:
- a) A Major NC has not been corrected within the specified timeframe
 - b) Multiple Major NCs were identified, suggesting a fundamental lack of compliance with the Better Cotton CoC Guidelines
 - c) BCI or a designated 3rd party auditor has evidence of a NC that was induced purposefully, grossly negligent, systematic, and/or which imposes a severe reputational risk to BCI stakeholders.

- 4.7.4 If the ginner agreement is cancelled and/or use of the BCP is suspended, the gin shall not sell any cotton as 'Better Cotton' or enter any transactions into the BCP until the agreement is reinstated. BCI retains the right to zero out existing account inventories (both seed and lint) under the gin's account as a result of this suspension.

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

- 4.7.5 If a gin cannot verify their purchases or sales of Better Cotton products, or if there is evidence of fraudulent use of the BCP, BCI retains the right to reduce the organisation's BCP account inventory (seed and/or lint inventory) up to the total volume of unverified or fraudulent transactions.

Guidance: If an organisation cannot verify the status of Better Cotton purchases/ sales through supporting documentation (or documents are not authentic or accurate), BCI can deduct these corresponding volumes from the BCP account. The organisation will be informed in writing of the volume deduction. If the deduction exceeds the current quantity of BCCUs in the organisation's BCP account, the inventory will become negative.

4.8 Appeals

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

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

5.0 Chain of Custody for Other Supply Chain Organisations

Guidance: This section applies to all supply chain organisations after gin level who are buying or selling cotton or cotton-containing products to fulfil an order for Better Cotton products. This includes BCI Members and system users of the Better Cotton Platform, and encompasses suppliers/ manufacturers, traders/ merchants, sourcing agents, and brands/ retailers.

*Note that the term **Better Cotton products** refers to any cotton or cotton-containing product (after gin level) which is bought or sold with a 'Better Cotton' claim and for which Better Cotton Claim Units (BCCUs) are transferred between two parties via the Better Cotton Platform (BCP) or Output Declaration Forms. Under BCI's mass-balance CoC model used after gin level, 'Better Cotton products' may refer to a product that does not contain any physical cotton from licensed BCI Farmers.*

5.1 Responsibilities, training, and record-keeping

- 5.1.1 The organisation shall appoint a designated representative(s) responsible for ensuring compliance with the relevant Better Cotton CoC requirements and recording data in the Better Cotton Platform (BCP)

Guidance: These can be the same individual or different individuals

- 5.1.2 The organisation shall ensure that all individuals responsible for ensuring compliance with the Better Cotton CoC, using the BCP, and maintaining associated records are trained and competent to fulfil relevant Chain of Custody requirements

- a) All individuals responsible for using the BCP shall complete the mandatory BCI training on the BCP

Guidance: BCI has developed mandatory online training modules for users of the BCP. Access to these training modules will be given by BCI once a company's membership or usership application is accepted by BCI.

- 5.1.3 The organisation shall maintain records related to the purchase and sale of Better Cotton products for a minimum period of two years

- a) The organisation shall ensure that all documents are available for review by BCI or third-party auditors upon request.

Guidance: Every purchase or sale of Better Cotton products must be supported by documentation including invoices, delivery and shipping documents, etc. Records can be maintained in paper or electronic format. Records may be requested by BCI or designated third-party auditors either remotely or during an on-site audit.

- 5.1.4 The organisation shall communicate any changes in BCI contact names/details, or any other significant changes related to trading Better Cotton products, to BCI by email within 15 days of the change occurring

Guidance: This can include new staff members taking over BCI responsibilities, or mergers or acquisitions that affect company set-up in the BCP. Changes can be communicated to local BCI supply chain staff through email or at compliance@bettercotton.org. If new staff members take on responsibility for compliance with Better Cotton CoC requirements or using the BCP, these individuals need to be trained in line with clause 5.1.2.

5.2 Use of the Better Cotton Platform (BCP)

- 5.2.1 All cotton traders, spinners, vertical mills with spinning capabilities, retailers and brands who are buying or selling Better Cotton products are required to enter or acknowledge all purchase/ sales of Better Cotton products in the Better Cotton Platform (BCP)

- a) All other supply chain organisations buying or selling Better Cotton products will be required to use the BCP to enter or acknowledge purchases/ sales of Better Cotton products by 1 January 2020. This includes fabric mills (buying yarns and selling

fabrics), end-product manufacturers, sourcing agents, import-export companies, waste traders, waste processors, paper mills and nonwoven fabric manufacturers.

Guidance: All supply chain organisations buying or selling Better Cotton products are strongly advised to begin using the BCP ahead of the required deadline of 1 January 2020. Organisations should enter transactions into the BCP in line with instructions in the relevant BCP training modules. Organisations who are traders as well as carrying out other core activities (i.e. traders and spinners) should maintain two separate accounts on the BCP, one for trader activities specifically.

5.2.2 Organisations using the BCP shall enter or acknowledge purchase/ sale transactions within 60 calendar days of the shipment date

- a) Retailer/ brands only may acknowledge sales entered by suppliers within 30 days of the sale being entered in the BCP

Guidance: Organisations can enter data into the BCP up to 60 days after the shipment date of the Better Cotton products. Retailers/ brands are permitted 30 days after a supplier enters a sale transaction to acknowledge this in the BCP. Note however that all Retailer/ brands must reconcile all data in the BCP by 1st January each calendar year (see section 5.7) Timely data entry is important to enable reconciliation of purchases/ sales, and to allow verification of the data in the BCP.

A transaction entered into the BCP with a status “awaiting acknowledgement” can be withdrawn within 30 days of entering it into the BCP. Transactions with a status “acknowledged” can be cancelled within 30 days after the date of acknowledgement.

5.2.3 The organisation shall only enter or acknowledge transactions in the BCP if they correspond to a genuine purchase or sale of physical Better Cotton products (i.e. products sold with a Better Cotton claim to fulfil a BCI order)

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

5.2.4 The organisation shall ensure that all data entered into the BCP is accurate and can be verified against corresponding documentation (i.e. purchase receipt, invoice, production records), including:

- a) Purchase and sale volumes
b) Weight of raw materials used to make Better Cotton products (e.g. total net weight of carded yarn used to make a specific fabric)
c) Type of raw materials used

Guidance: It is recommended to use net weights of Better Cotton products when entering purchase and sales transactions into the BCP. Actual net weights should match the weight that customers have been invoiced for and should be reflected in related documentation (i.e. invoices, shipping documents). However, if contract weights are entered into the BCP, the organisation should be consistent in entering contract weights for both purchases and sales.

5.2.5 The organisation shall enter a unique transaction reference number (e.g. invoice or delivery slip number) into the BCP for each individual purchase or sale of Better Cotton products

Guidance: Organisations must enter a unique transaction reference number (such as invoice or delivery slip number) that corresponds to each purchase/sale of Better Cotton products. If one BCP entry relates to multiple purchases or sales, a reference number or range must be entered for each separate purchase/ sale.

5.2.6 If a fabric mill or end-product manufacturer fulfils an order for Better Cotton products from a customer but needs to transfer BCCUs directly to the end buyer (e.g. retailer), the names of both the actual customer and the end buyer must be entered into the BCP. A unique document reference (e.g. purchase order number) for the shipment must also be included in the entry.

Guidance: Fabric mills and end-product manufacturers are permitted to transfer BCCUs directly to retailer/ brands within the BCP even though they may be selling and shipping products to a garment manufacturer or to a sourcing agent that is not yet using the BCP. In such cases, they must include the name of the customer (i.e. end-product manufacturer or sourcing agent) as well as a transaction reference number (such as invoice, or delivery slip number) in the reference section of the BCP. This ability applies only to fabric mills and end-product manufacturers. Other types of suppliers cannot transfer BCCUs via the BCP to recipients that are different from the direct buyer.

- 5.2.7 In case of blending with non-cotton fibre, the organisation shall use the *volume of lint cotton* as the basis for declaring their purchase and sales entries in the BCP.

Guidance: for example, if a spinner is selling 100 KGs of 50% cotton 50% viscose yarn then the spinner should indicate that the total net weight of the yarn sold is 100 KGs and the % of Better Cotton allocated to the yarn is 50% (if the order indicates 100% BCI order); if the order indicates 25% BCI, then the spinner should enter 12.5% as the % of Better Cotton allocated to the yarn.

Guidance: Overdraft facility and conversion rates in the BCP

Overdraft facility

All suppliers/manufacturers (excluding ginners, end-product manufacturers and sourcing agents) that have accounts in the BCP have a 500 MT overdraft facility. This allows a company to fulfil orders of Better Cotton products that require up to 500,000 BCCUs, even if the company doesn't have sufficient BCCUs in their BCP account inventory. When a company overdraws its BCP account, its inventory will show a negative figure to reflect the volume by which its account is overdrawn by. Companies have up to 4 months to source enough Better Cotton raw materials to cover their 'short positions' (negative inventory). Companies that do not recover a positive inventory within 4 months can be issued with a non-conformity or may have their BCP account suspended.

For example, your company just became a BCI member and gained access to the BCP. You have outstanding BCI orders from customers, however, you have not yet sourced any Better Cotton products. You can still fulfil BCI orders that require the allocation of up to 500,000 BCCUs right away by entering these sales transactions into the BCP. By doing so, you will have overdrawn your account. You will now have 4 months to source enough Better Cotton raw materials to bring your account balance to a positive balance.

Conversion rates

One of the primary functions of the BCP is to allow retailers and brands to make credible claims about the volume of Better Cotton sourced into their supply chains as a percentage of their total cotton footprint.⁹ To calculate the cotton footprint for each sale entry made in the BCP and to allow suppliers and manufacturers to report this volume accurately to their customers, BCI uses two average rates to calculate the volume of cotton lint required for each product: one rate if combed yarn is used, and one rate if carded yarn is used. For more detail on conversion rates and examples, please refer to the BCI website at: <https://bettercotton.org/about-better-cotton/better-cotton-standard-system/chain-of-custody/>

5.3 Non-conforming product

- 5.3.1 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 with a Better Cotton claim, which cannot be verified as legitimate.

⁹ The cotton footprint for a specific order or a collection of product orders is the volume of total cotton lint consumed by the spinner who made the yarns which were used to make the fabrics in an end-product. Cotton footprint always refers to a volume (in KG) of cotton lint consumed by spinners.

Guidance: For example, an organisation might receive an order for Better Cotton products, however the transfer of BCCUs allocated to the order doesn't match the volume delivered. Or, in some cases BCCUs might be transferred without a corresponding purchase/ sale of physical Better Cotton products. In these cases, the organisation must verify the legitimate status of the transactions with the supplier/ customer directly before accepting the BCCUs.

Guidance: Substitution of Better Cotton and conventional cotton

Under BCI's Chain of Custody model, supply chain organisations downstream from ginners (e.g. spinners, fabric mills, traders, garment manufacturers) may substitute physical Better Cotton products with any other (conventional) cotton products to fulfil an order for BCI/ Better Cotton.

Cotton traders can only substitute Better Cotton bales with conventional cotton bales provided they originate from the same country (see 'Scope of CoC Implementation' on page 3).

Other supply chain organisations may substitute physical Better Cotton products (lint, yarn, etc) with any conventional cotton products regardless of the country of origin. For example, a spinner who has procured ten kilos Better Cotton lint from gins/ traders and sold them without making a Better Cotton claim, may later apply the ten BCCUs to any yarn to fulfil an order for Better Cotton products. BCI does not check the country of origin of the conventional cotton/cotton products that were substituted with physical Better Cotton.

Supply chain organisations may receive products (yarn, fabric etc.) that are allocated BCCUs but contain no Better Cotton. They may pass on the corresponding lint equivalent claim; e.g. a fabric manufacturer that has procured yarn using ten BCCUs and substituted it for a non-Better Cotton order, may at a later date apply the ten BCCUs to any fabric to fulfil an order for Better Cotton products.

5.4 Output Declarations

Guidance: Output Declaration Forms (ODF) are used to transfer BCCUs between suppliers, manufacturers and retailers when one or more of the suppliers in the chain is not using the Better Cotton Platform (BCP).

For every entry made into the BCP, an ODF is automatically generated by the BCP and can be exported and sent (i.e. via e-mail) to customers at any time. Doing so is not necessary for transactions where the buyer and the seller are both using the BCP. However, it is required to generate and pass along an ODF if the buyer is not using the BCP.

5.4.1 If a supply chain organisation (other than a cotton trader) sells Better Cotton products to a buyer who is not using the BCP:

- a) The seller shall use the 'manual entry option' to enter the sale into the BCP, generate the Output Declaration Form (ODF) for the entry, and ensure the buyer receives the ODF
- b) The seller shall indicate in the BCP as the buyer the name of the company invoiced for the sale of Better Cotton products (rather than the name of the end-user, such as a retailer or brand)
- c) Any buyer who is not using the BCP shall ensure they receive an ODF for every purchase of Better Cotton products and shall forward this ODF to their customer who placed the order for Better Cotton products.
- d) The buyer shall have a mechanism in place to keep track of incoming and outgoing BCCUs (e.g. related to purchases and sales of Better Cotton products) and is responsible for reporting the correct number of BCCUs to its customers for each shipment or bundle of orders.

Guidance: Refer to the Annex for examples of ODFs. Entering sales transactions of Better Cotton products is possible even if the buyer is not using the BCP. In this case, the seller should use the "manual entry option" to enter the name of the buyer, generate an ODF for

the entry and send this document to the buyer as proof of Better Cotton claim allocation. This ODF must then be transferred all the way to the retailer/brand that placed the associated order. Retailers and brands are the final recipients of BCCUs transferred between suppliers and manufacturers via ODFs. If Better Cotton products are sold to one company (i.e. a trader) but shipped directly to a garment manufacturer, the seller would enter the trader (i.e. the company invoiced) into the BCP as the buyer.

- 5.4.2 Retailer/ brands, upon receiving an ODF number and associated BCCUs from a supplier, shall add the correct number of BCCUs to their BCP account inventory. Instruction manuals on how to do this can be downloaded from the BCP once logged in.

5.5 Better Cotton claims

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

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

5.6 Subcontractors

- 5.6.1 Organisations shall not outsource or subcontract core activities relevant to the handling, purchase, or sale of Better Cotton products.

Guidance: For example, a spinning mill buying and selling Better Cotton cannot outsource the spinning of Better Cotton products to other organisations

- 5.6.2 If an organisation outsources non-core activities (other than transport) related to the handling, purchase, or sale of Better Cotton products, the organisation shall:
- a) Maintain an up-to-date list of all subcontractors (excluding transport subcontractors), including their contact details
 - b) Ensure that all subcontractors comply with relevant Chain of Custody requirements
 - c) Ensure that all subcontractors will provide BCI or designated third-party auditors with access to their premises or documentation for the purposes of supply chain monitoring
 - d) Maintain sole responsibility for entering all purchase and sale transactions on the Better Cotton Platform (this cannot be outsourced to subcontractors)

5.7 Annual reconciliation for Retailers/ Brands

- 5.7.1 Retailers and brands shall carry out an annual reconciliation of Better Cotton products purchased with data entered into the Better Cotton Platform (BCP). This reconciliation shall be completed by the 31st December, so that BCP accounts are up-to-date by 1 January for each year.

Guidance: Retailers and brands are invoiced once a year based on the volumes of Better Cotton they declare. This is determined by the sum of all BCCUs added to and accumulated in their account inventories between January 1st and December 31st (inclusive) of each year. Ensuring that all data is up-to-date in the BCP by 1st January is essential to enable timely and accurate invoicing

5.8 Supply chain monitoring and penalties

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

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

- a) Documents requested remotely by BCI or third-party auditors shall be provided within 10 calendar days of the written request
- b) Within 24 hours of being notified of a short-notice audit, the organisation shall provide access to the site for BCI or designated third-party auditors

Guidance: In some cases, BCI or third-party auditors may request documents (e.g. invoices and delivery slips) associated with purchases or sales of Better Cotton products, in order to monitor the integrity of the Chain of Custody and ensure correct use of the BCP. If documents or site access is not provided within the specified timelines, BCI will issue a written warning, and reserves the right to suspend the organisation's use of the BCP.

5.8.2 If during monitoring requests or audits, BCI staff or third-party auditors identify non-conformities (NCs) with the Better Cotton CoC Guidelines, the organisation shall correct these NCs within the specified timeframe and provide relevant evidence to the BCI staff or third-party auditor as below:

- a) For Minor NCs: the organisation shall correct the NC within 12 months and provide evidence to BCI or the third-party auditor demonstrating how the issue has been addressed. If not addressed within 12 months, a Minor NC shall escalate to a Major NC.
- b) For Major NCs: the organisation shall correct the NC within 30 days and provide evidence to BCI or the third-party auditor demonstrating how the issue has been addressed. If not addressed within 30 days, a Major NC shall lead to the suspension of the Better Cotton Platform (BCP) account.

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

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

5.8.3 BCI retains the right to suspend the organisation's use of the Better Cotton Platform (BCP) for a minimum period of 3 months due to the following cases:

- a) A Major NC has not been corrected within the specified timeframe
- b) Multiple Major NCs were identified, suggesting a fundamental lack of compliance with the Better Cotton CoC Guidelines
- c) BCI or a designated 3rd-party auditor has evidence of a NC that was induced purposefully, grossly negligent, systematic, and/or which imposes a severe reputational risk to BCI stakeholders.

5.8.4 If the organisation's use of the BCP is suspended, the organisation shall not sell any cotton as 'Better Cotton' until the agreement is reinstated. BCI retains the right to reduce the organisation's BCP account inventory as a result of the suspension.

Guidance: BCI will ensure that written notice is provided to the organisation (including the terms of the suspension and any impacts on the inventory in the BCP. Use of the BCP can

also be suspended due to non-payment of membership or system fees. In this case the user's account inventory will be zeroed out before system use can be reinstated.

- 5.8.5 If an organisation cannot verify their purchases or sales of Better Cotton products, or if there is evidence of fraudulent use of the BCP, BCI retains the right to reduce the organisation's BCP account inventory up to the total volume of unverified or fraudulent transactions

Guidance: If an organisation cannot verify the status of Better Cotton purchases/ sales through supporting documentation (or documents are not authentic or accurate), BCI can deduct these corresponding volumes from the BCP account. The organisation will be informed in writing of the volumes deduction. If the deduction exceeds the current quantity of BCCUs in the organisation's BCP account, the inventory will become negative.

5.9 Appeals

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

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

6.0 Annex - Sample Output Declaration Forms

INDIVIDUAL TRANSACTION OUTPUT DECLARATION For sale\purchase of yarn

Output Declaration Number 201803237242

Seller

Name Test Spinner A
Address
Geneva
Country Switzerland
BCI ID Number 1

Buyer

Name ABC Mills
Address
Country Portugal
BCI ID Number

Important - Please Note

Transactions listed in this declaration are Completed

Declaration

As the seller I declare that the transaction details provided below are accurate to the best of my knowledge. This data corresponds to actual transactions of physical cotton made between the seller and the buyer named above, and is in compliance with the Better Cotton Chain of Custody Guidelines.

Any misrepresentation or anomalies in data following confirmation of the transaction are the sole responsibility of the seller. The buyer does not assume any liability for false declarations.

Date of declaration (dd-mm-yy)	Type of cotton	Total net weight of yarn in kg	Total net weight of lint in kilos (Kg) used to make yarn OR Number of BCCUs allocated to shipment*	Country of origin of yarn	Country of origin of physical cotton used
23-03-18	BCI	100kg	110	Switzerland	Australia, Pakistan,

*1 BCCU (Better Cotton Claim Unit) = 1 kilo of lint cotton

Transaction Reference:

Purchase Order No: 123456

Quality Parameters:

Yarn count and other specifications are indicated here

Instructions for Retailer

Please enter the above Output Declaration Number on the Cotton Tracer and then declare the appropriate number of BCCUs against the named seller

INDIVIDUAL TRANSACTION OUTPUT DECLARATION
For sale\purchase of fabric

Output Declaration Number 201803237243

Seller

Name Test Fabric Mill
Address
 Fabric Town
Country China

BCI ID Number FM01

Buyer

Name ABC Garments
Address

Country Turkey

BCI ID Number

Important - Please Note

Transactions listed in this declaration are Completed

Declaration

As the seller I declare that the transaction details provided below are accurate to the best of my knowledge. This data corresponds to actual transactions of physical cotton made between the seller and the buyer named above, and is in compliance with the Better Cotton Chain of Custody Guidelines.

Any misrepresentation or anomalies in data following confirmation of the transaction are the sole responsibility of the seller. The buyer does not assume any liability for false declarations.

Date of declaration (dd-mm-yy)	Number of BCCUs allocated to shipment*	Country of origin of physical cotton used
23-03-18	128	Tajikistan, Turkey,

*1 BCCU (Better Cotton Claim Unit) = 1 kilo of lint cotton

Transaction Reference:

Purchase Order No: 123456

Fabric style code \ composition:

Fabric Style Code: 34

Fabric length \ width \ unit weight:

1,000 meters; 120 GSM

Instructions for Retailer

Please enter the above Output Declaration Number on the Cotton Tracer and then declare the appropriate number of BCCUs against the named seller.