

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.

Two months on, Better Cotton has been notified that Earthsight intends to release a "second output". This specific content has not been shared with Better Cotton. Earthsight contacted us on 6 June 2024 giving us the opportunity to comment on and clarify various points which we will detail in this document.

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 to a second phase. There are further details on this below.

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

Over the past two months, we have conducted internal and external consultations and are defining the characteristics of a large commercial farm. We are adapting existing due diligence processes to extend them effectively in this context. In July, we will start the implementation process and will identify consultants to support in the analysis and drafting of due diligence reports. The new process will first be rolled out in Brazil between August and December this year.

2. Collaborating with Cross-Commodity Partners

We have stated that multistakeholder, cross-commodity engagement will be key to defining the historical context of land rights and addressing such complexities both now and in future.

Starting at the farm level, we will broaden our lens to assess the scope for collaboration and collective improvement alongside agricultural businesses and cross-commodity stakeholders. Whilst we know that cotton is generally speaking a smaller crop in relation to land use change and deforestation, we believe we have an important and constructive role to play.

Since May, we have conducted stakeholder mapping in the region and held preliminary meetings to identify suitable partners. We are currently outlining objectives, timelines and modes of operation. In September, we aim to start engagement and outline a multi-year joint action plan.

3. Engaging with Cotton Farming Communities

Engaging surrounding communities in the region remains an ongoing effort.

We had anticipated that interviews with local community members in the Matopiba region would be completed in May. Unfortunately, the consultant tasked with conducting the interviews was not able to complete them in the agreed timeframe. We are in the process of hiring a new consultant, and we aim for the interviews to be completed by August. As promised, we will share a summary of the results of the interviews.

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 aligns with our updated standard. We aim to finalise this realignment by November, making it a key condition for the renewal of our partnership agreement.

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.

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