

Assurance Code System Report

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Introduction

The Better Cotton Assurance Programme is a critical component of the Better Cotton Standard System, which aims to improve livelihoods and economic development in cotton-producing areas and reduce the environmental impact of cotton production. The Assurance Programme provides a framework for farmers to participate in a continuous cycle of learning and improvement and is the central mechanism for assessing Producer¹ compliance with the Minimum Requirements for licensing.

To fully understand Better Cotton Assurance Programme, it is important to first understand the broader ambitions of the Better Cotton Standard System and recognise how assurance contributes to their achievement. BCI was formed by stakeholders from across the cotton sector with a specific intention: to offer an inclusive, efficient approach to more sustainable cotton production through continuous improvement, with the potential to reach a large number of farmers globally and enable transformational change. The fundamental goal is to maximise impact through scale, creating a mainstream solution to the cotton sector's enduring sustainability challenges. Therefore, from its inception, the Better Cotton Standard System has differed from traditional certification systems, moving beyond compliance and emphasising capacity-building and continuous improvement.

What characterises BCI's approach as a standard system?

- **Capacity Building focus:** BCI emphasises upfront investment in capacity building, working through local partners to ensure farmers are supported to continuously improve. This means farmers benefit from ongoing training regardless of baseline performance level or their compliance status.
- **Accessibility for smallholders:** 99.4% of cotton farmers participating in the Better Cotton Standard System are smallholders (as of the 2016-17 season). BCI was designed from the onset to enable smallholder farmers to participate in the programme and to benefit from learning and capacity building opportunities. The BCI model has been designed to be cost-neutral for smallholder farmers, and organises these farmers into 'Producer Units' with a designated Producer Unit Manager and staff of Field Facilitators who work directly with farmers.
- **Systematic results monitoring:** BCI monitors overall progress in sustainability improvements through systematic measurement of Results Indicators on BCI farms. This annual data helps BCI and its stakeholders understand the effectiveness of the Better Cotton Standard System in achieving its expected environmental, economic, and social outcomes.
- **Driving transformation through brand and retailer sourcing commitments:** Unlike many certification schemes, BCI's market demand is driven primarily by the sustainable sourcing strategies of brand and retailer members, rather than by consumer-facing product claims. BCI does not certify or label specific products as containing 'Better Cotton.' Instead, BCI uses a mass balance supply chain model to ensure that retailer and brand sourcing commitments are connected to greater production of Better Cotton at farm level, and support continuous improvement of BCI farmers.
- **National embedding strategy:** BCI's long term vision is that Better Cotton production becomes embedded in national cotton governance structures. BCI is working with strategic national and regional partners, either governmental institutions or industry or producer associations, to build their capacity to take full ownership of Better Cotton implementation, eventually operating independently of BCI.

¹ In the BCI system, a 'Producer' refers to either an individual Large Farm, or a Producer Unit (organized group) of small or medium farms. In the BCI system, compliance with the Better Cotton Principles and Criteria is assessed at Producer level, and licensing to sell Better Cotton is also determined at Producer level.

BCI's unique ambition and desired scale, impact, and operational efficiency inevitably require an innovative approach to assurance. BCI has therefore designed an Assurance Programme that encourages, supports, and monitors continuous improvement, while balancing cost-accessibility and credibility.

How does BCI's Assurance Programme differ from more traditional models?

- Emphasises continuous improvement through a defined set of core and improvement indicators and ongoing farmer training.
- Utilises multiple types and layers of internal and external assessment, engaging diverse stakeholders in the assessment process rather than only relying on 3rd party auditing.
- It is cost neutral for small and medium farms – this makes the BCI model accessible for millions of smallholder cotton farmers worldwide.
- Seeks to leverage the diverse benefits that each type of assessment offers by combining them through a partly risk based and partly random standardised sampling approach.
- Fully integrates Results Indicators reporting as a Minimum Requirement to ensure sustainability improvements are measured and learned from.

These features ensure the Assurance Programme safeguards the credibility of Better Cotton and BCI while also supporting the achievement of BCI's organisational objectives. The details of the Programme are explained in the following sections.

1. Assurance System Structure

1.1 Overall structure

Under the Better Cotton Standard System, farms are differentiated into three categories (smallholders, medium farms and large farms) in recognition of differences in the production methods and workforces they use. Smallholders and medium farms are grouped into Producer Units (PUs) and are licensed to sell Better Cotton at the PU level.

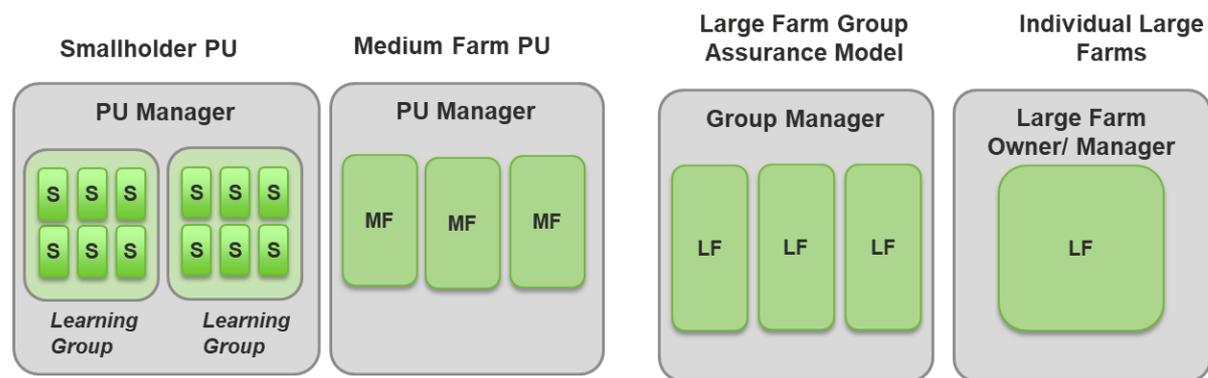
The size of a PU will depend on local circumstances, although the optimal size is between 3,500 to 4,000 farmers for Smallholders (with a maximum of 100 Learning Groups). In the case of Medium Farms, the optimal size is 100 farmers per Producer Unit. Smallholder farms are further divided into Learning Groups of approximately 35 farmers (with a Lead Farmer in each Learning Group) to facilitate organisation and learning.

Some Large Farms participate with BCI on an individual basis, while others are engaged through a Large Farm Group Assurance model.² Under the Group Assurance model, farms join together with other local growers under the guidance of a designated Group Manager. In both cases, Large Farms are licensed to sell Better Cotton on an individual farm basis.

The term 'Producer' in the context of the Better Cotton Standard System therefore refers to either an individual Large Farm or a Producer Unit of Smallholders or Medium Farms.

Figure 1: Producers under the Better Cotton Standard System

² This model was introduced formally in 2018 and is currently applicable only in the United States, although may be expanded to other regions in the future.



Licences are granted at the PU level for Smallholder and Medium Farms

Licences are granted for each Large Farm individually (even under the Group model)

To receive a licence to sell Better Cotton, Producers must first fulfil the Licensing Requirements, consisting of compliance with the Core Indicators of the Better Cotton Principles and Criteria, and Reporting on Results Indicators. These requirements ensure that licensed Producers meet clear minimum standards for pesticide use, soil and water management, decent work, record keeping, training, and other areas. They also ensure that Producers collect farm-level data to support continuous improvement and evidence-based learning.

Achieving the Licensing Requirements is just the first stage of participation in the BCI programme. Producers are expected to commit to continuous improvement in sustainability, and to make progress in fulfilling additional Improvement Indicators. Producers who perform strongly on the Improvement Indicators are rewarded through extended licence periods: the better the performance, the longer the licence.

The Better Cotton Assurance Programme balances credibility with cost-effectiveness through using a combination of different internal and external assurance mechanisms. These include Self-Assessment at Producer level, 2nd Party Credibility Checks (2PCC) by BCI staff and/or Partners, and 3rd Party Verification (3PV) by independent verifiers. The corroboration of these assessments and the analysis of any discrepancies determines the licensing decision.

1.2 Standards assessed through the assurance system

The Better Cotton Assurance Programme assesses one standard— the *Better Cotton Principles and Criteria, Version 2.0*.

1.3 Compliance with ISO 17065

While many aspects of BCI's Assurance Programme align with ISO 17065 requirements, BCI does not seek to conform to all clauses in the ISO standard. ISO 17065 is an international standard concerned with third parties providing product, process or service certification. BCI is both a Standard System Owner and an Assurance Provider, and does not function as a 3rd party providing certification. BCI operates a 2nd party assurance model, which operates as a continuous cycle of learning and improvement rather than exclusively focusing on compliance through ex-post certification. Instead of seeking ISO accreditation, BCI has defined a clear management system for Assurance to ensure consistency in licence decision making.

1.4 Assurance Provider

The BCI Secretariat is the assurance provider in the Better Cotton Assurance Programme. The licensing decision for all Producers is made by dedicated Assurance Managers on the Standards and Assurance team. The BCI Secretariat is identified as the assurance provider on the BCI website:

<http://bettercotton.org/about-better-cotton/better-cotton-standard-system/assurance-program/>

1.5 Stakeholder engagement in the assurance process

A diverse range of stakeholders are directly involved in the assurance process. Assurance activities are performed by the following stakeholders:

Stakeholder	Assurance mechanism
PU / LF Manager	Internal assessment; Self-Assessment
Implementing Partner	2 nd party credibility checks (applicable to PUs and LFs in the Group Model)
BCI Programme Officer / Coordinator; or Strategic Partners	2 nd party credibility checks (applicable to PUs and LFs in the Group Model)
Independent Verifier	3 rd party verification

External assessment visits (2nd party credibility checks and 3rd party verification) incorporate local stakeholder engagement as an important information source for identifying site specific sustainability issues and compliance risks. This is an optional step for 2nd party credibility checks, as Programme Officers and Coordinators/ Strategic Partners and Implementing Partners are locally embedded and expected to engage with regional stakeholders on an ongoing basis. For 3rd party verification, gathering information from local sources is the mandatory first step in all visits. A minimum of 3 local sources must be consulted; these may include local NGOs, public officials, civil society organisations, schools, and hospitals. The purpose of stakeholder engagement is to gain insight into agronomic issues and working conditions from reliable sources, and to gather information about the most effective and appropriate means of communicating with workers and farmers locally.

1.6 Improvement mechanisms

BCI has a number of mechanisms in place to ensure improvements are made to the Assurance Programme:

- The Global Assurance Team operates monthly calls to share feedback on assurance operations and develop solutions to implementation challenges.
- The Global Assurance Team holds an annual in-person workshop to review assurance outcomes and agree planned improvements for the upcoming season
- The Assurance Managers conduct internal management reviews on an annual basis
- The results of BCI's Oversight Mechanism—periodic System Reviews conducted by an independent body—are used to inform ongoing improvements to the Assurance Programme

2. Personnel Competence

BCI has a competency framework for each actor involved in the assessment process in the Better Cotton Assurance Programme, which includes minimum training requirements tailored to the function of the stakeholder in assurance activities. To further safeguard the quality and consistency of independent verification activities, BCI has an additional layer of approval procedures and on-going scrutiny for 3rd party verifiers, outlined in the following document: https://bettercotton.org/wp-content/uploads/2014/01/Approval-Procedures-For-Verifiers_2018-Final.pdf

3. Assessment

3.1 Assessment Process

As noted previously, the BCI Assurance Programme combines multiple internal and external assurance mechanisms to balance credibility and cost-accessibility.

Internal Assurance (i.e. carried out by the PU or farmer):

- Internal assessment (relevant for PUs only)
- Self-Assessment

External Assurance:

- 2nd Party Credibility Checks (2PCC) by BCI staff³
- 2nd Party Credibility Checks (2PCC) by Implementing Partners
- 3rd Party Verification by independent verifiers

Overview of Assurance Mechanisms by Producer Category

Assurance mechanism	Producer Category			
	Smallholder PU	Medium Farm PU	Individual Large Farm	Large Farm (Group Assurance)
Internal Assessment	100% of PUs annually <i>(covering 10% of Learning Groups under each PU)</i>	100% of PUs annually <i>(covering 10% of farmers within each PU)</i>	N/A	N/A
Self-Assessment	100% of PUs annually (at PU level)		100% of LFs annually (at farm level)	
BCI 2PCC	Sample of PUs: <ul style="list-style-type: none"> ➤ 10% of Low Risk PUs at random ➤ 25% of Average Risk PUs at random ➤ 50% of High Risk PUs: all PUs with systemic non-conformity the previous season⁴ not included in 3PV sample are automatically selected, while the balance is randomly selected among High Risk PUs. ➤ Balance of the 10% highest performers on Self-Assessment that were not selected in the risk-based 2PCC sample At a minimum one PU per project is checked		N/A	10% of LFs in the group (annually)
IP 2PCC	Sample of PUs <ul style="list-style-type: none"> ➤ 50% of PUs working under each IP, selected at random 		N/A	30% of LFs in the group (annually)

³ Those can also be conducted by Strategic Partners.

⁴ Referred to as High Risk – Mandatory PUs.

Assurance mechanism	Producer Category			
	Smallholder PU	Medium Farm PU	Individual Large Farm	Large Farm (Group Assurance)
3PV	Sample of PUs: ➤ Square root of the number of PUs at country level, of which 50% are at random and 50% are selected by BCI		100% LFs due for licensing	8.3% of LFs in the group (annually)

3.2 Non-conformities and corrective actions

In the Producer Unit context, non-conformities with Core Indicators observed during External Assessment are graded as either *Incidental* or *Systemic*. This distinction is made according to the severity of the finding and the context within which it was observed, along with consideration of the strength of the Internal Management System at PU level.

For Large Farms, there is no distinction between Incidental and Systemic non-conformities. Any non-conformity with a Core Indicator will lead to a licence cancellation or denial for a Large Farm.

In the PU context, the definition and consequences for *systemic* and *incidental* non-conformities are set out below:

<p>Incidental non-conformity is defined as:</p> <ul style="list-style-type: none"> (i) Non-conformity on a Core Indicator is observed as an isolated event, limited in temporal and spatial scale, and (ii) Producer Unit has provided sufficient evidence that the Internal Management System (IMS) should prevent such practices 	<p>Systemic non-conformity is defined as:</p> <ul style="list-style-type: none"> (i) Corroborative evidence demonstrates that a Core Indicator is not respected, and (ii) Producer Unit cannot provide sufficient evidence that the Internal Management System (IMS) prevents such practices
<p>Consequences: The Producer Unit has 6 months to implement corrective actions to prevent the identified non-conformity from re-occurring in future. The BCI Secretariat is responsible for validating the implementation of corrective actions, either through the evaluation of submitted evidence, and / or by ensuring a follow-up External Assessment is conducted the following season. Failure to remediate the incidental non-conformity in the given timeline results in cancellation of the licence.</p>	<p>Consequences: The Producer Unit is denied a licence. If the systemic non-conformity is identified during an active licence period, the Producer Unit's licence is cancelled immediately. In both cases, the Producer Unit may re-apply for licensing the following season and will be subject to a mandatory External Assessment.</p>

Producers are responsible for identifying the root cause of any non-conformities detected and developing a corrective action plan to fully address these non-conformities and prevent their re-occurrence.

3.3 Decision-making mechanism

The final decision on whether to grant a Producer a licence to sell Better Cotton is made by the BCI Assurance Managers based on the outcomes of Self-Assessment and External Assessment. For Producer Units and Large Farms under the Group Assurance model, an initial licensing recommendation is made by Programme Officers/ Coordinators, which is then reviewed and confirmed (or denied) by the Assurance Manager.

For individual Large Farms, an initial licensing recommendation is made by 3rd party verifiers based on Self-Assessment and the 3PV visit. This recommendation is then reviewed and confirmed (or denied) by the Assurance Manager.

Licensing recommendations and final decisions are made using a licensing scorecard, which reflects the outcome of Self-Assessment and any relevant External Assessment and generates an automated recommendation. If the scorecard identifies any discrepancies between assessment findings (e.g. a 2nd Party Credibility Check shows compliance, but a 3rd Party Verification indicates non-compliance), BCI Assurance Managers review the findings of all assessments and provide an evidence-based rationale for the final licensing decision.

A single licence is issued for all farmers in a compliant PU.

3.4 Disqualification

For Producer Units (smallholders/ medium farms), licences can be cancelled or denied in the following cases:

1. **Systemic non-conformity on a Core Indicator:** any systemic non-conformity raised against a Core Indicator results in a denial or cancellation of the licence, as it demonstrates that the PU has not met BCI's Minimum Requirements for licensing.

Any Incidental non-conformities that re-occur during the following season will automatically escalate to a Systemic non-conformity, as this indicates the corrective actions have not been sufficient to fully address the root cause of the issue.

2. **Failure to fully correct Incidental non-conformities:** If a PU does not implement satisfactory corrective actions on incidental non-conformity within 6 months, the PU's active licence is cancelled.
3. **Non-submission of Results Indicators:** the submission of Results Indicators to BCI is a Minimum Requirement to receive or retain a licence to sell Better Cotton. Licences granted in advance of the annual Results Indicator submission deadline are always considered conditional. Licences can also be cancelled if Results Indicator data is:
 - Submitted after the deadline⁵
 - Incomplete
 - Systemically erroneous (e.g. fertilizer data in place of pesticide data)
 - Falsified or Fabricated
4. **Additional Cause for PU Licence Cancellation:** A Producer Unit's active, multi-year licence must be cancelled should any of the following circumstances occur:
 - The PU stops growing cotton
 - Non-submission of Self-Assessment survey 4 weeks before harvest
 - The PU undergoes >33% change in farmer composition compared to the previous season

The licence for a Large Farm can be denied or cancelled in the following cases:

1. Non-conformity with any Core Indicator
2. Non-submission of Results Indicator Data
3. Non-submission of Self-Assessment survey 4 weeks before start of harvest⁶

⁵ As with Self-Assessment, an extension request process is available in extenuating circumstances.

⁶ If a LF stops growing cotton while holding an active multi-year licence, the licence remains valid provided the LF fulfils the annual Self-Assessment requirement.

4. Oversight

External oversight is conducted through Assurance System Reviews, which occur at planned intervals at least every 3 years. Assurance System Reviews are conducted by an independent body contracted by BCI, and serve to determine the consistency of assurance globally, assess the competence of assurance providers, and identify challenges and areas for improvement in the Assurance Programme at large. BCI responds to these findings by conducting further internal assessment, implementing corrective actions, and reviewing its risk assessment and management plan to facilitate improvements in its Assurance Programme.

5. On-going Scrutiny

On-going scrutiny such as market surveillance occurs outside the scope of the Better Cotton Assurance Programme, falling under the Chain of Custody and Claims Framework components of the Better Cotton Standard System.