



Dear Mr. Rubens Carvalho,

Better Cotton welcomes this report by Earthsight exploring land grabbing and deforestation amongst other issues in cotton production in Brazil. Reports like this from civil society organisations can highlight areas where the objectives outlined in the Better Cotton Standard may not be fully achieved. They give us an opportunity to evaluate the situation and determine if there are ways to continue to improve and strengthen our approach. We are also interested in sitting down with Earthsight and discussing these issues and your suggestions for constructive actions in more detail.

Based on the information we have gathered so far, there are three cotton farms with Better Cotton licenses that are owned or managed by the companies targeted in the report. It is important to note that Better Cotton does not operate our standard system directly in Brazil. Brazilian cotton farms are certified against the Responsible Brazilian Cotton Program (ABR), which is owned and managed by our Strategic Partner, ABRAPA. Through our strategic agreement and a thorough benchmarking process, we recognise the ABR standard system as equivalent to the Better Cotton Standard System. Since the farms compliance with the ABR/Better Cotton Standard has been determined by ABRAPA according to their own protocol, we have asked ABRAPA to investigate. They submitted their initial findings to us on 30 August, and ABRAPA indicates that the companies' most recent third-party auditor reports have not identified any non-compliance issues on these farms. Both companies deny all allegations outlined in the letter and have submitted responses to the allegations.

Because of the structural issues around conflicting claims to land in the region, we have, nonetheless, made the assessment that further research is required to determine if these farms are in compliance with the Better Cotton Standard. We are also approaching this situation from a lens that goes beyond compliance in order to better understand the risks present in the region and what they could mean for credible implementation of the Standard.

We will contract an independent auditor to run enhanced verification visits focusing on areas of risk highlighted in the report. We aim to have these third-party assessments completed within the next 12 weeks. Once we have received the reports from the auditors, we will determine next steps. If there is evidence that the farms do not comply with requirements in the Better Cotton Standard, their licenses will be revoked, and they will not be considered eligible for licensing until a corrective action plan is in place and all concerns have been sufficiently remedied.

Here are responses to the additional questions outlined in your letter.

- **Traceability:** After the cotton leaves the gin, we use a mass balance chain of custody model. Mass balance is a volume-tracking system that allows Better Cotton to be substituted or mixed with conventional cotton by traders or spinners along the supply chain while ensuring that the amount of Better Cotton sold never exceeds the amount of Better Cotton purchased. We use this model because supply chains are complex and mass balance helps to simplify the process while still, importantly, delivering direct benefits to farmers, which is why it has been so effective at driving demand for sustainable practices worldwide. Our focus is on how we can best support farmers and our systems have been designed with this in mind.



Due to mass balance, we do not allow finished goods to be labelled as containing Better Cotton. However, growing demand for supply chain visibility has created a need for traceable Better Cotton. New physical chain of custody models will begin to be available from November 2023. Learn more about this transition [here](#).

- **Grievance mechanism:** Better Cotton is committed to conducting its business with honesty and integrity and to maintain high standards of work at all times. Any suspected wrongdoing must be reported as soon as possible. There are two ways in which one can report an incident. You can fill out an online whistleblowing incident report form on the Better Cotton [website](#) or send a report directly to whistleblowing@bettercotton.org. On the website you can also find the policies and processes relating to both [complaints](#) and [whistleblowing](#).
- **License denial:** Through our assurance programme, every season we identify some farms that do not meet the core requirements in the Better Cotton Standard. In these instances, a license is either cancelled or denied. Our ethos is centred around continuous improvement, and our mission dictates that we engage in communities where there are the biggest opportunities to improve sustainability practices. We, therefore, maintain engagement with these farmers and communities so that in the future they are better equipped to meet the requirements.

We will share a summary of the third-party auditor reports once they are completed along with any follow up actions we plan to take. Please let me know if you are interested in setting up a meeting to discuss these important issues in more detail.

Best,

Eva Benavidez Clayton
Director of Communications
Better Cotton