

BETTER COTTON INITIATIVE ANNUAL REPORT 2015

OUR MISSION

The Better Cotton Initiative exists to make global cotton production **better for the people** who produce it, **better for the environment** it grows in and **better for the sector's future**.

The goal of BCI is to generate transformative, long-term change in the cotton sector, from field to store, by developing Better Cotton as a sustainable mainstream commodity.

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HEAR FROM THE CEO



Alan McClay, CEO

“Overall, we are achieving scale in an exceptionally short time, and building the momentum we need to transform the market.”

» 2015 marked the sixth Better Cotton harvest. Together with our Implementing Partners, we licenced 1.5 million farmers worldwide, who produced 2.6 million MT of Better Cotton lint. That's 11.9% of global cotton production. We saw a 23% increase in participating farmers and a 34% rise in lint, year-on-year. Overall, we are achieving scale in an exceptionally short time, and building the momentum we need to transform the market.

» The year was a watershed for BCI, with the Fast Track Programme successfully accomplishing all its objectives before ushering in the Growth & Innovation Fund (GIF). We will maintain a consistent approach throughout this vital transition, thanks to our strategic partnership with

IDH and the support of pioneering brands and retailers, civil society and governmental bodies. Their collective action is central to delivering BCI farming projects around the world.

» BCI's membership grew by a further 50% in 2015. And some of the world's largest retailers and brands publicly communicated their commitments to procuring sustainable cotton. We are proud that our members are acting on the key sustainability issues we see today in cotton farming, including pesticide and fertiliser use, water management and efficiency, gender issues and labour conditions.

» We have also begun to review the Better Cotton Standard System, in order to ensure it remains relevant and continues to drive effective improvements at farm level. We aim to complete this process by 2016.

» Importantly, BCI is now entering our defining 'Mainstreaming phase', designed to establish Better Cotton as a responsible mainstream commodity, accounting for 30% of global cotton production by 2020. In this way, we aim to catalyse positive change throughout the sector, and promote healthy production for future generations.

» Finally, I would like to thank BCI's partners, members and stakeholders for your ongoing support, and I invite both BCI members and the wider cotton industry to join us in this ground-breaking phase of our evolution.

2015 AT A GLANCE

In 2015, BCI successfully completed our 'Expansion phase', exceeding targets and reaching 1.6 million farmers worldwide. Here, we share highlights and results from 21 countries on five continents.



Country
Highlights



Global
Summary



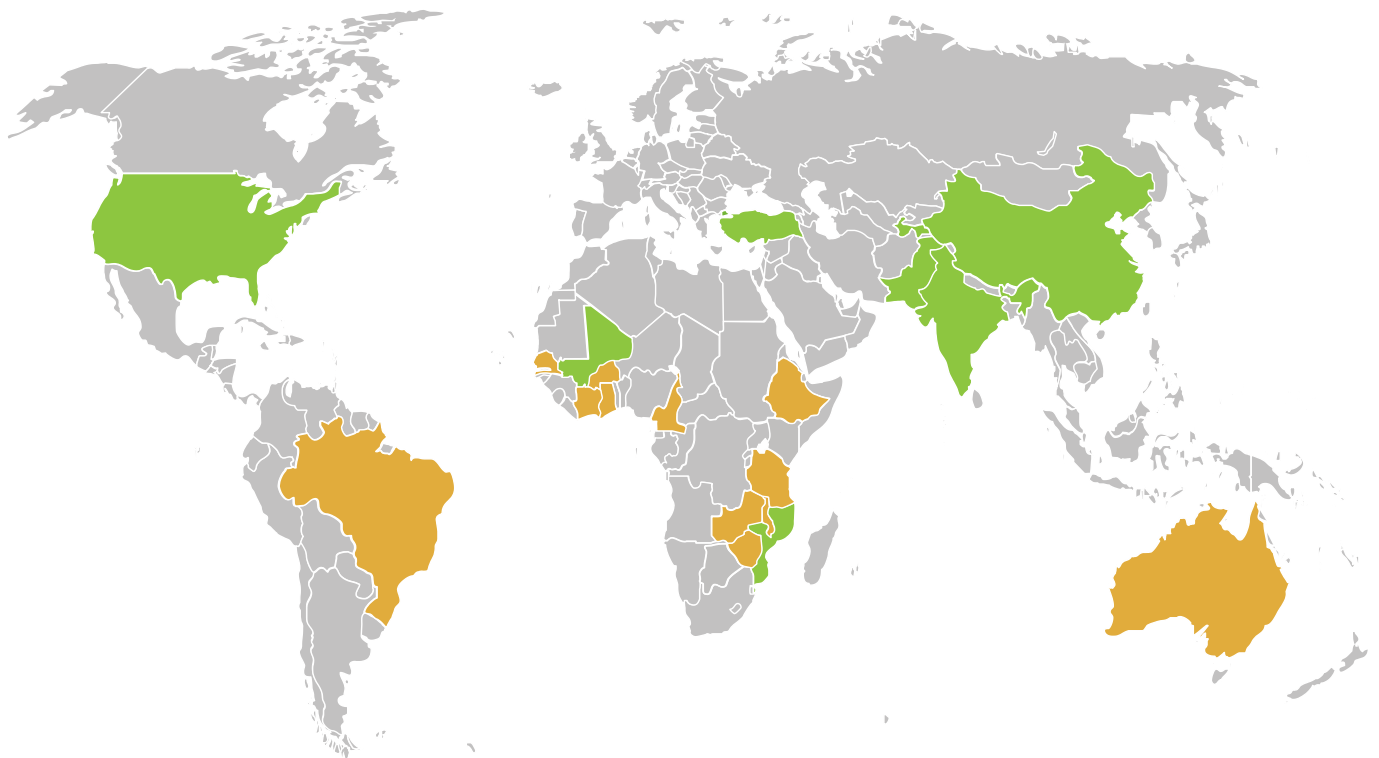
Strengthening
Credibility

COUNTRY HIGHLIGHTS

In 2015, out of the 1.6 million farmers reached, approximately 1.5 million farmers were licensed to sell Better Cotton. Together, they produced 11.9% of global cotton supply.

Thanks to our inclusive approach, working in collaboration with other initiatives and national players, Better Cotton was available from 21 cotton-producing countries.

These figures are projections. Finalised data will be provided in the 2015 Harvest Report, which is released on a rolling basis throughout 2016 when harvest data is finalised for each country.



- BCI projects
- Benchmarked standards:
AbTF-BC benchmarked cotton, Brazil. myBMP through Cotton Australia.

Australia

- » Despite planting on just 48% of the planned area due to early drought, farmers achieved record yields of 11.5 bales (= 2,950 kg) per hectare.
- » Progressive farming practices, ideal growing conditions later in the season, and improved cotton seed varieties all contributed to their success.
- » Better Cotton grown in 2015 represented 6.4% of Australian cotton production.

Brazil

- » 210 farmers signed up to produce Better Cotton at the beginning of the season.
- » BCI licensed 860,000 MT of Better Cotton via the benchmarked national ABR standard, which represents 56% of Brazilian cotton production.
- » Better Cotton production began in the state of Piauí, increasing the number of states where Better Cotton is grown in Brazil to seven.

China

- » Close to 90,000 farmers produced 415,000 MT of Better Cotton, representing 8% of China's cotton production.
- » Chinese spinners more than doubled the volume of Better Cotton they procured in 2015, with volumes rising from 60,000 to 136,000 tonnes, respectively.
- » We established collaboration agreements with the local government and state-owned groups Shandong Binzhou and the Xinjiang Production and Construction Corporation, in order to promote continued expansion.

CmiA (AbTF-BC benchmarked cotton)

- » Aid by Trade Foundation (AbTF) remains BCI's Strategic Partner with a focus on Sub-Saharan Africa, operating in 12 countries (Benin, Burkina Faso, Cameroon, Cote d'Ivoire, Ethiopia, Ghana, Malawi, Mozambique, Tanzania, Uganda, Zambia and Zimbabwe).
- » In 2015, AbTF worked with more than 700,000 farmers.
- » Together with AbTF, we began developing solutions for issues such as calendar spraying and toxic load measurement.

India

- » Roughly 382,000 smallholder farmers produced 369,000 MT of Better Cotton lint, representing approximately 5% of India's total cotton production.
- » With a 58% increase in the number of Better Cotton smallholder farmers, compared to 2014, the area under cultivation rose by 35% to 592,000 hectares, with 17% more Better Cotton harvested.
- » The Central Institute for Cotton Research joined BCI's efforts to build partners' capacity, and supported field trials exploring best practices in agronomy and pest management.

Israel

- » 100% of Israeli farmers have now signed up to BCI, in the wake of a new partnership with the Israel Cotton Production & Marketing Board (ICB).
- » The first Israeli harvest licensed as Better Cotton totalled some 19,000 MT of lint cotton in an area of 10,000 hectares.
- » While Israel is a relatively small cotton producer, it demonstrates highly advanced practices at field level, in particular on water management.

Mali

- » More than 51,000 smallholder farmers participated in the BCI programme, all of whom received or maintained their multi-year licences, thanks to their focus on addressing the socio-economic and environmental impacts of cotton cultivation.
- » Participating farmers grew some 71,000 MT of Better Cotton.
- » We worked closely with our partners Compagnie Malienne pour le Développement du Textile (CMDT) to secure a long-term commitment and explore expansion opportunities.

Mozambique

- » Over the past three years, the BCI programme in Mozambique has expanded its reach to approximately 90,000 farmers.
- » Government officials have embedded BCI's Minimum Production Criteria in national cotton legislation, and our Strategic Partner, Instituto do Algodão de Moçambique (IAM), aims to make Mozambique a '100% Better Cotton country'.
- » About 85% of cotton harvested in Mozambique was Better Cotton, with approximately half under the Cotton Made in Africa (CMiA) programme.
- » Due to extreme weather conditions, cotton farmers abandoned significant planted areas and experienced reduced yields, resulting in a decrease in national cotton production volumes.

Pakistan

- » Nearly 140,000 farmers produced 382,000 MT of Better Cotton lint on 18% of the country's total cotton growing area.
- » Approximately 69,000 farm workers, including 24,000 women, participated in training on different aspects of Decent Work.
- » Pakistan achieved a 22% year-on-year increase of lint procurement, with ginneries declaring 180,000 MT of Better Cotton lint in 2015.
- » In February, the Pakistan Ministry of Textile Industry released a Textile Policy for the years 2014-2019, which recognises BCI's work on sustainable cotton production. The Ministry has committed financial support to help the programme expand.

Senegal

- » Approximately 5,000 farmers produced 3,000 MT of Better Cotton lint.
- » Adverse climatic conditions contributed to a 39% decrease in Better Cotton yields, compared to 2014. Despite this, 72% of Better Cotton produced was of a superior grade, versus 62% of conventional cotton.
- » In the cotton growing region of Kolda, Better Cotton represented 73.6% of cotton cultivated.

Tajikistan

- » 672 smallholder farms and 148 medium-sized farms planted 12,000 hectares of Better Cotton, producing 11,000 MT of Better Cotton lint.
- » Better Cotton grown in 2015 represented 6.8% of Tajikistan's total production.
- » In Tajikistan, BCI works with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), which supports BCI Implementing Partner, Sarob, in training farmers on the ground.

Turkey

- » BCI's Strategic Partner IPUD (The Good Cotton Practices Association) oversaw the licensing of 441 farmers, and helped to provide farmer training sessions on integrated pest management, water stewardship and fibre quality.
- » The total area of cotton cultivation in Turkey decreased in 2015, but farmers produced Better Cotton in eight regions, harvesting some 23,000 MT of lint.
- » Yields decreased due to significant pest challenges combined with adverse climate conditions.

USA

- » Farm numbers and volumes more than tripled in 2015, with 76 farms producing over 38,000 MT of Better Cotton.
- » BCI piloted a 'group assurance model', enabling cooperatives, merchants and grower associations to enrol groups of farms in the Better Cotton programme and manage parts of the Better Cotton assurance system. Strong US interest promises rapid supply growth in 2016.
- » After multiple years of drought, California experienced near-normal precipitation in 2015, which positively impacted Better Cotton yields.

RESULTS AND IMPACT

Understanding the impacts of standard systems on the livelihoods of smallholder farmers is vital to evaluating progress and continuously improving standards.

In 2015, we joined ISEAL's "Demonstrating and Improving Poverty Impacts" project, which seeks to determine how three agricultural sustainability standards, including the Better Cotton Standard System (BCSS), affect farmers' lives in the long term. Through rigorous impact evaluations, ISEAL will explore every aspect of these standards, from pre-certification to three years after certification (in BCI's case, pre-licensing to post-licensing).

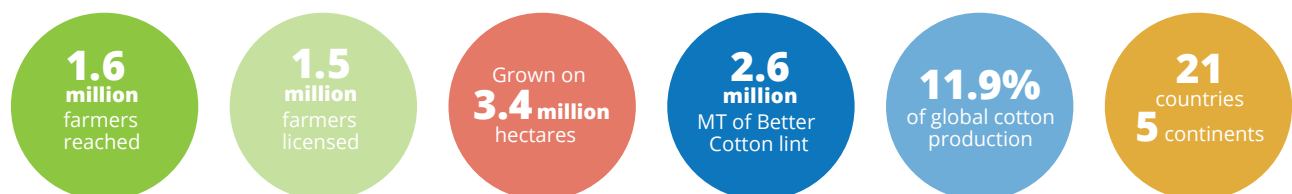
Financed by Ford Foundation, the new studies will supplement the world's growing body of knowledge on the

impact of sustainability standards, while covering important new ground.

The ISEAL assessors are taking a comprehensive approach to evaluating the BCSS, running a randomised controlled trial (whereby Better Cotton farms in southern India will be selected at random and compared to a conventional farm) supported by in-depth surveys. Their initial baseline report is rich in learning about the context in which we are working, and assesses the potential of our standard system to create change over the next three years. We are proud to be part of this exciting research effort.

BCI also continues to participate in independent research led by the Copenhagen Business School, focusing on results and impact in India and Pakistan.

GLOBAL SUMMARY

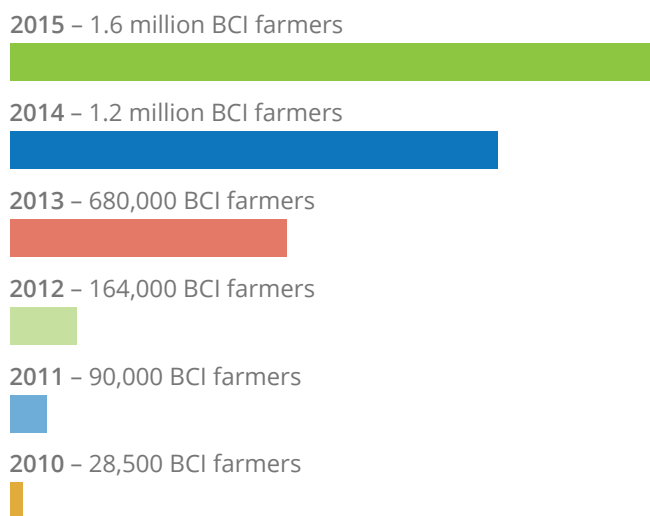


Note: The figures presented in this section are projections. Finalised data will be provided in the 2015 Harvest Report, which is released on a rolling basis throughout 2016 when harvest data is finalised for each country.

BCI GLOBAL NUMBERS

Better Cotton farmers

These figures represent the number of licensed Better Cotton farmers around the world. From 2014 to 2015, the number of farmers grew by 21%.



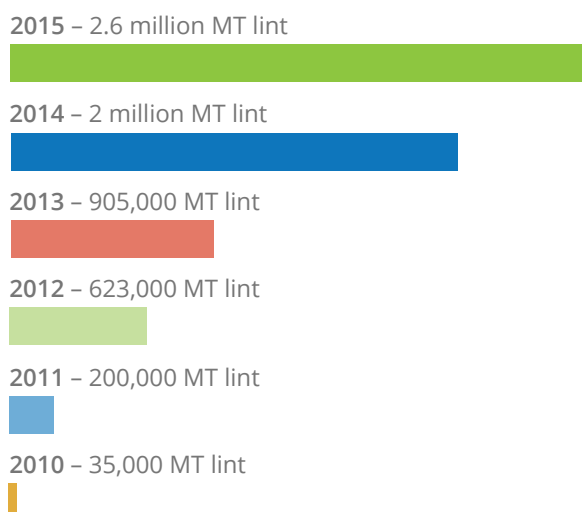
Area (ha) under Better Cotton cultivation

These figures represent the area of land under Better Cotton cultivation. From 2014 to 2015, the area of land under cultivation increased by 30%.



Production (MT lint) Better Cotton

These figures represent the available volume of Better Cotton. From 2014 to 2015, the available volume grew by 34%.



GLOBAL REACH

The global reach indicators presented below provide an overview of the scope of engagement with farmers, the area of cultivated land covered, and the availability of Better Cotton volumes for each country where Better Cotton is grown.

Australia (MyBMP Certified)

19 BCI Farmers
12,000 Better Cotton hectares
32,000 Better Cotton MT lint

Brazil (ABR Standard)

210 BCI Farmers
570,000 Better Cotton hectares
860,000 Better Cotton MT lint

China

86,575 BCI Farmers
246,000 Better Cotton hectares
415,000 Better Cotton MT lint

CmiA (AbTF-BC benchmarked cotton)

748,102 BCI Farmers
1,106,000 Better Cotton hectares
399,000 Better Cotton MT lint

India

381,993 BCI Farmers
592,000 Better Cotton hectares
369,000 Better Cotton MT lint

Israel

91 BCI Farmers
10,000 Better Cotton hectares
19,000 Better Cotton MT lint

Mali

51,124 BCI Farmers
157,000 Better Cotton hectares
71,000 Better Cotton MT lint

Mozambique

67,875 BCI Farmers
63,000 Better Cotton hectares
8,000 Better Cotton MT lint

Pakistan

139,718 BCI Farmers
548,000 Better Cotton hectares
382,000 Better Cotton MT lint

Senegal

4,989 BCI Farmers
6,000 Better Cotton hectares
3,000 Better Cotton MT lint

Tajikistan

820 BCI Farmers
12,000 Better Cotton hectares
11,000 Better Cotton MT lint

Turkey

441 BCI Farmers
13,000 Better Cotton hectares
23,000 Better Cotton MT lint

USA (Pilot from 2014)

76 BCI Farmers
28,000 Better Cotton hectares
38,000 Better Cotton MT lint

STRENGTHENING CREDIBILITY

Creating transformational change in the global cotton market requires a robust, holistic, and above all, credible approach that all our members can get behind. The Better Cotton Standard System sits at the heart of our efforts to achieve sustainable cotton production on a scale that makes a real, tangible difference to farmers, the environment and industry. It's vital that all the components of the system (Production Principles and Criteria, Capacity Building, Assurance Programme, Chain of Custody, Claims Framework, Results and Impact) work together to support this aim. That's why we consistently innovate to refine and strengthen the system, listening to our stakeholders, and importantly, the people who use it on the ground.

Together, we will transform cotton farming practices, and take Better Cotton mainstream.

In 2015, we made significant progress in demonstrating the credibility and scalability of the Better Cotton Standard System. We completed our three-year 'Scaling up' phase by **reaching 1.6m farmers worldwide**, who **cultivated some 2.6m MT of licensed Better Cotton**, significantly **exceeding our targets by 50% and 80%** respectively.

By strengthening the system, promoting continuous improvement, and engaging our members and stakeholders, we are increasingly seeing positive results. According to the latest harvest data, BCI farmers in India, for example, have **raised their yields by 11%** while cutting their use of synthetic pesticides by 20%. We remain committed to measuring the long-term impacts of cultivating Better Cotton through independent, ongoing studies.

As we move into the 'Mainstreaming' stage of our strategy, we are reviewing our standard system to ensure it remains relevant, consistent and accessible. We initiated a thorough, inclusive review of the Production Principles and Criteria in March 2015, consulting a broad spectrum of stakeholders. We established our Standard Setting and Revision Committee in July 2015, and in September, the committee held its first meeting to explore important social and environmental topics, including land use change, water stewardship and climate change.

We will follow our first round of stakeholder outreach, held in November 2015, with further rounds of public consultations and stakeholder workshops throughout 2016. We expect to publish the updated Principles before the end of the year, adding new requirements and bringing greater clarity to existing criteria.

In conducting this review, we followed the ISEAL code of practice for setting and reviewing standards. ISEAL, whose mission is to define credibility principles and strengthen sustainability standards systems, assessed our performance against all three of its codes in 2015 (including impact evaluation and assurance) to determine our membership potential. Becoming a full ISEAL member in 2016 will further reinforce the credibility of our system and spark new opportunities for mutual learning and knowledge-sharing with other renowned voluntary standards systems.

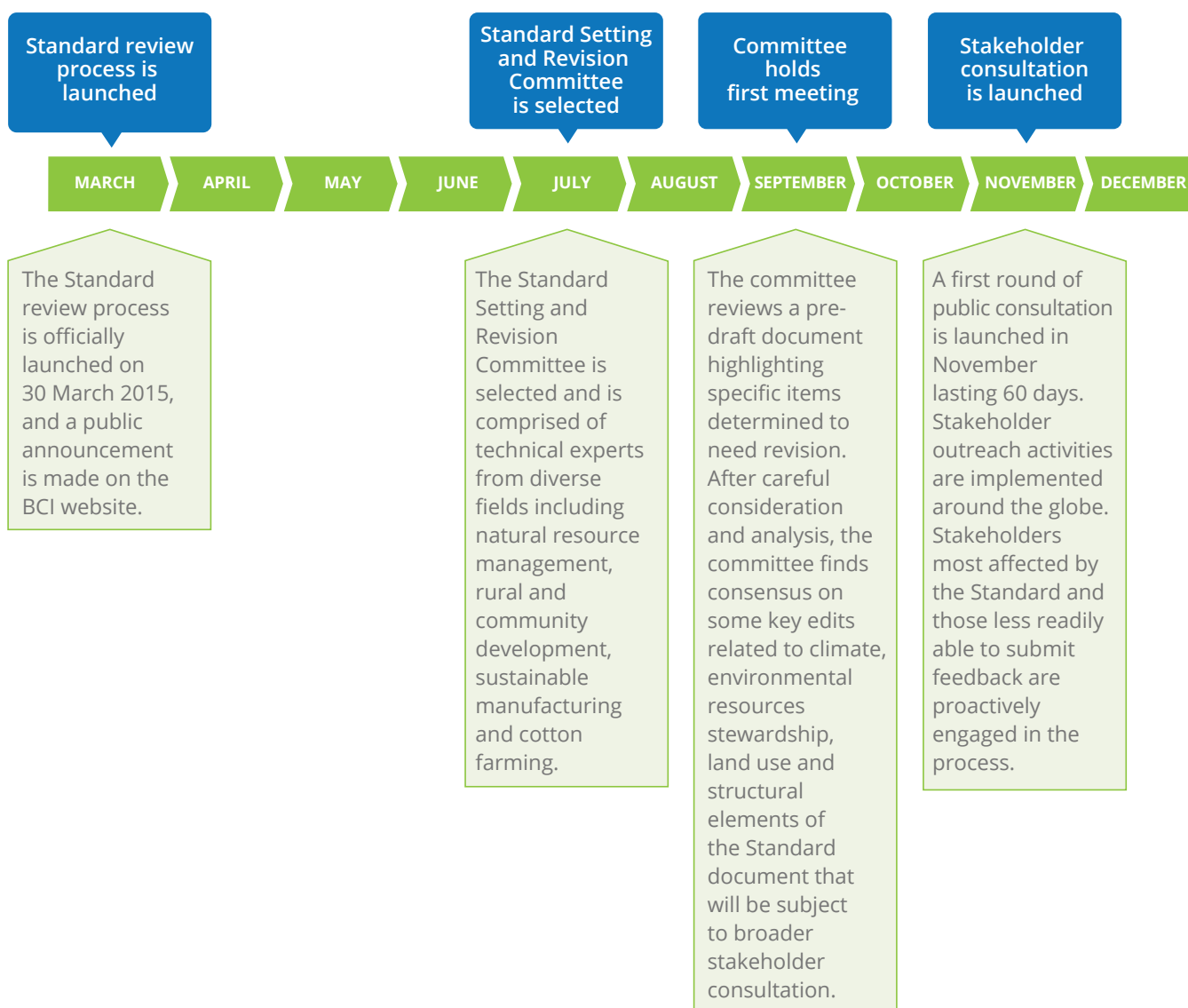
Looking ahead to our ambitious 2020 targets, we will continue to enhance our system to ensure it provides the most robust, transparent and effective tools possible to achieve sustainable cotton production – at scale.

STRENGTHENING CREDIBILITY

Standard Review Process

Below you will find information about the steps that were taken in 2015 to conduct a thorough and inclusive review of the Better Cotton Standard System.

Standard Review Process Timeline



GROWING DEMAND

BCI membership grew by 50% in 2015, and we enhanced the Better Cotton Tracer to enable the tracking of Better Cotton sourcing from field to store. In this section you can find information on these and other efforts designed to foster demand for Better Cotton.



Highlights



Growth



Hear from
our members

HIGHLIGHTS

- » We achieved a key milestone by making it possible for buyers and sellers of Better Cotton to report transactions electronically through the Better Cotton Tracer, creating a traceable record of Better Cotton volumes from field to store.
- » Our training and events schedule proved highly popular with retailers, brands, merchants and manufacturers. It included a webinar series on Better Cotton Tracer training, five outreach events in locations including New York, San Francisco, Milan, and Paris, and supply chain events in China, India, Pakistan, Bangladesh and Turkey.
- » In 2015, we explored collaborations with multiple initiatives to deliver value for our members. In particular, we worked with the Sustainable Apparel Coalition (SAC) and the UK's Sustainable Clothing Action Plan (SCAP). Better Cotton is now included in the new Design & Development Module of the SAC's Higg Index self-assessment tool. In this way, designers sourcing Better Cotton in new product development will now gain points on the Higg Index moving them closer fulfilling their own sustainability targets.



GROWTH

Membership Growth

BCI surpassed our membership target in 2015, closing the year with 706 members, including 46 retailers and brands. We're delighted to share that 13 more companies joined us during the year. They are: Thomas Pink Ltd (UK), Adler Modemärkte (Germany), Kathmandu (New Zealand), G-Star Raw CV (The Netherlands), American Eagle Outfitters, Inc (USA), Ann, Inc. (USA), WE Fashion Europe BV (The Netherlands), Burberry Ltd (UK), Ellos AB (Sweden), C&A (Switzerland), Next Retail Ltd (UK), Williams-Sonoma Ltd (USA) and Marc Jacob International (USA).

- Suppliers & Manufacturers
- Retailers & Brands
- Civil Society
- Associate Members
- Producer Organisations

2015 - 706 members



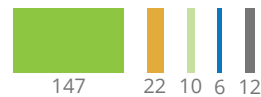
2014 - 468 members



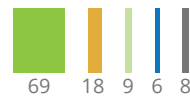
2013 - 313 members



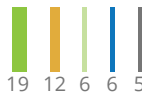
2012 - 197 members



2011 - 110 members



2010 - 48 members



Procurement Growth

In 2015, BCI retailer and brand members more than doubled their declared uptake of Better Cotton, year on year.

Retail and brand procurement

2015 - 251,000 MT



2014 - 117,000 MT



2013 - 85,000 MT



HEAR FROM OUR MEMBERS



China
Marry Sun, Vice Director
of Overseas Market,
Huafu Top Dyed
Melange Yarn Co.
Supplier & Manufacturer,
Spinner



Our product used 5,000 tonnes of Better Cotton in 2014, and in 2015, we have already increased by 100% to 10,000 tonnes. It's amazing progress, and we are looking to increase by a further 50% in the next year, knowing that our cotton lint is more responsible and sustainable by being grown following BCI principles and criteria.



Pakistan
Malik Muhammad
Aijaz Nazam Awan,
Managing Director,
M Nazam Industries
Supplier & Manufacturer,
Ginner



Since working with BCI, we have seen better supply chain management. The approach to supply chain actors' safety and security has improved, as has the working environment of cotton workers and growers.



Carl Peltzer,
Director
Cargill Cotton UK
Supplier & Manufacturer,
Cotton Merchant



Cargill is committed to promoting sustainable cotton production across the global markets where we operate. As the largest trader within the Better Cotton Initiative (BCI) system, being part of BCI has been key to helping us deliver on this approach and we will continue to play our role in strengthening improvements to cotton sustainability around the world.



India
Mr. S P Oswal,
Vardhman Textiles
Limited
Supplier & Manufacturer,
Spinner



The demand for larger volumes of Better Cotton from major brands is increasing. Besides this increase in volume, we do feel that we are meeting our social responsibilities by sourcing Better Cotton, working towards BCI's primary objective to make global production better for the people who produce it, better for the environment it grows in and better for the sector's future.

SPREADING THE MESSAGE

Here are some examples of how our members and partners are communicating their commitments to Better Cotton, helping to make it a responsible mainstream commodity.



Press



In-Store



Video



Sustainability Reporting



Blog



Website



Video



Social Media

SPREADING THE MESSAGE

ECOTEXTILE

The environmental magazine for the global textile supply chain NEWS

MAGAZINE LATEST RETAIL STANDARDS MATERIALS DYES & CHEMICALS

Published on Tuesday, 24 February 2015

Adidas exceeds sustainable cotton target

Written by Brett Mathews



This article appeared in Ecotextile, an environmental magazine for the global textile sector, on 24 February 2015. It highlighted the adidas Group's achievement in sourcing 30% of its cotton from Better Cotton suppliers.



Better cotton is better fashion.

As part of our journey towards truly sustainable fashion, H&M has committed to using only sustainably sourced cotton by 2020. Learn more about our actions for a sustainable fashion future at hm.com/conscious.

#H CONSCIOUS

As part of the 'Conscious' sustainability initiative, H&M shared the Better Cotton message in stores across the globe. Signage featuring Better Cotton appeared alongside its own commitment to sustainably sourced cotton.



Better Cotton in Mozambique



106 views

IDH published this video in October 2015 to demonstrate the work BCI is doing with farmers and partners in Mozambique. Farmers are trained on techniques to minimise the negative impact of fertilisers and pesticides while caring for water, soil health and natural habitats. They are experiencing the social and economic benefits of implementing the Better Cotton Standard.



PRAMOD SINGH
IKEA Cotton Leader, IKEA of Sweden

This year is the beginning of a new era for cotton at IKEA. Reaching our goal of sourcing 100% of cotton from more sustainable sources is a great achievement, but it also marks the start of our next challenge – to maintain the 100%, and to find even more ways to support cotton producers around the world to be sustainable. Our hope is that one day, sustainable cotton will replace all conventional cotton farming.

COUNTRIES WE SOURCED COTTON FROM IN FY15 (% cotton sourced)

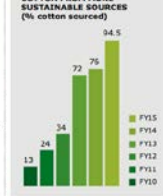


Cotton is used in IKEA products like soft furnishings, bedding, towels and rugs. As a natural, renewable fibre, cotton is a popular material and its production is an important source of jobs and income for communities around the world.

We use almost 3% of the world's annual cotton supply and are committed to sourcing all of our cotton from more sustainable sources. We achieved this milestone at the end of FY15. Our reach means we can make a big difference in tackling the challenges that can exist in cotton production, such as child labour, health and financial difficulties for farmers, and damage to local water supplies through the use of agricultural chemicals and high-volume irrigation.

We want sustainable cotton to be the norm for the entire industry, not just IKEA. This can only happen through collaboration across different

COTTON FROM MORE SUSTAINABLE SOURCES (% cotton sourced)



In its 2015 Sustainability Report, IKEA featured its membership to BCI and its commitment to sourcing all of its cotton from more sustainable sources.

SPREADING THE MESSAGE

Levi Strauss & Co. praised its supplier Tavex, one of North America's largest denim fabric mills, for joining BCI. In an 'Unzipped' blog post published on 21 April 2015, the company shared that Tavex's commitment will help Levi in achieving its goal of sourcing nearly 75% of its cotton from Better Cotton suppliers by 2020.

Better Cotton is featured on the Marks & Spencer website along with a commitment to work with farmers who are using less water and fewer pesticides.

Nike, along with US and Australian farmers, WWF, and the Nature Conservancy, explain why BCI's work is important and how it helps them achieve their own goals related to sustainability. This video was funded by Nike and Cotton Australia for a US stakeholder held in 2015.

Here, the director of WWF's Market Transformation Initiative shares the story of BCI's origins, and the leadership role IKEA has played by investing in farmer training and committing to sourcing Better Cotton. This LinkedIn post was published on 30 October 2015.

FINANCIALS

BCI remains in a strong financial position and continues to move closer to being 100% financially independent. Our priority remains to invest as much as possible in field-level efforts, including training and capacity building. For example, in 2015, BCI and its partners invested nearly €12 million in 70 farm projects across eight countries.



Financial
Update



Financial
Statements



Funding
Global
Change

FINANCIAL UPDATE

The financial statements presented in this report represent the activities of the Better Cotton Initiative worldwide. They include the following accounts:

- » The BCI secretariat, located in Geneva, an association governed by Swiss law. This account covers income and expenses for programme activities at field level in production countries where our secretariat maintains responsibility for operational activities.
- » The affiliate local entity in Shanghai, China, which has been legally registered as the “Resident Representative Office of Foreign Enterprise” since October 2012.

Our partner IDH manages the project funding (totalling €11 million) generated through the Better Cotton Fast Track Program (BCFTP).

This funding is in addition to the financial statements shown in this report. To read more, see page 21-22.

BCI recorded an operating income of €5,040,545 for 2015, against €4,835,802 of expenses, resulting in a €204,743 operating surplus. However, due to currency fluctuations, we made a net loss of €8,306. We absorbed this minor loss through our financial reserves, which now total €455,083, (equivalent to one month of operation).

We increased our membership by some 50% in 2015, ending the year with 706 members, compared to 468 members in 2014. In this way, we have steadily grown our membership income, reaching €2,988,542 in 2015, up from €2,224,186 in 2014. In addition, we introduced a new income stream with the Better Cotton Tracer user fee. We designed

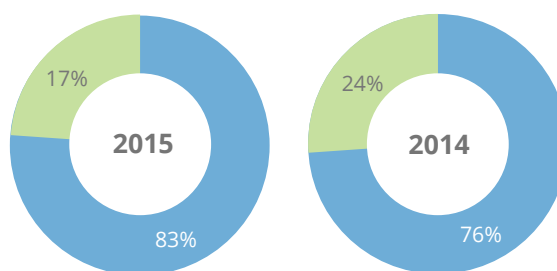
this service for fabric mills wishing to access the Better Cotton Tracer without being a BCI member. As demand for the service increases, we will make the option available to ‘cut and sew’ suppliers in 2016. We expect income from the service to grow in the future.

The total amount of grants we received from institutional donors remained stable from €898,733 in 2014 to €861,137 in 2015. Given the increase in unrestricted funding, we depended less on institutional funding in 2015, which decreased by 7% over the previous year.

In January 2015, the Euro weakened materially against other international currencies, notably the Swiss Franc. Our management team made significant budget revisions and established a hedging policy to limit the impact of the devaluation. The team decided to cover 80% of our estimated need for Swiss Francs with Euros. Our annual operating result therefore remained positive at year end. However, it proved more challenging to mitigate the impact of the weakened Euro on the financial gain and loss.

BCI remains financially strong, with a cash balance at year end of €2,084,725. We have a cash reserve policy in place to maintain a minimum amount of cash worldwide. The minimum amount was €600,000 in 2015 and we did not go under the limit during the year. BCI carries no debt.

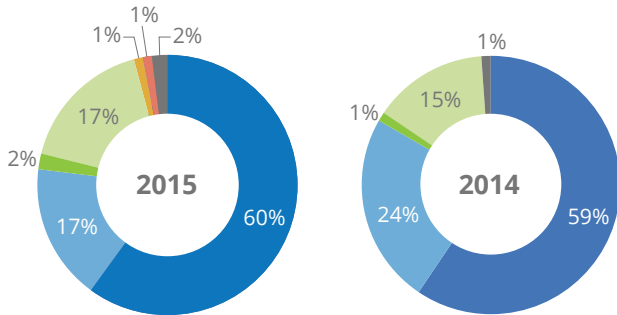
Sustainability of BCI



■ Earned income
■ Institutional grants

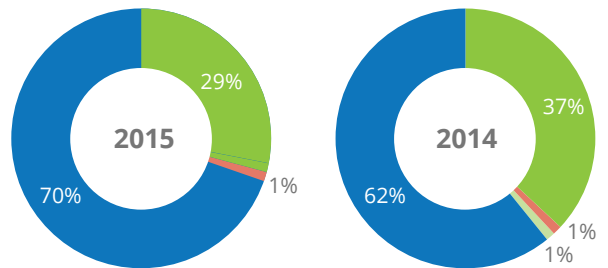
FINANCIAL UPDATE

Income Stream



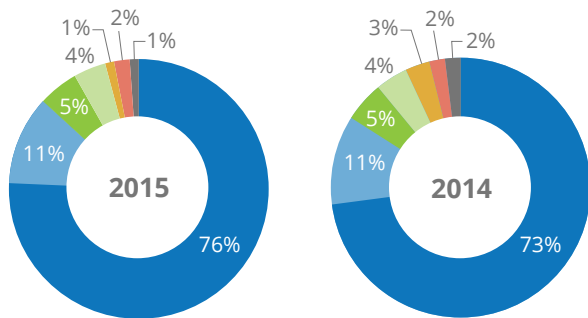
- Membership
- Institutional grants
- Traceability
- Project credibility
- User fees
- Events & Training
- Miscellaneous

Membership fees by member category



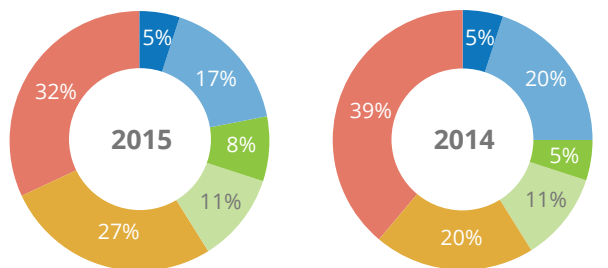
- Retailers and brands
- Civil Society
- Associate members
- Suppliers & manufacturers

Expenditure by country



- Global headquarters
- China
- India
- Pakistan
- Mozambique
- USA
- Other

Secretariat spending by activity



- CEO Office
- Finance and administration
- Communication and fundraising
- Standard and assurance
- Demand programme
- Supply programme

FINANCIAL POSITION

AS OF 31ST DECEMBER 2015 (Euros)

	2015	2014
ASSETS		
Cash	2,084,725	1,106,858
Receivables	844,254	1,290,985
Current accounts	0	6,443
Accrued income	74,593	75,754
Deferred expenses	35,796	16,627
Total current assets	3,039,369	2,496,667
Financial assets	45,753	40,961
Intangible assets	146,038	265,486
Total non-current assets	191,791	306,447
Total ASSETS	3,231,160	2,803,113
LIABILITIES & FUNDS		
Payables	128,485	91,638
Provision for VAT	487	397,533
Deferred income	2,503,789	1,718,276
Accrued expenses	143,316	132,278
Total current liabilities	2,776,077	2,339,725
Retained surplus from previous years	463,389	406,142
Net result of the year	-8,306	57,247
Total funds	455,083	463,389
Total LIABILITIES AND FUNDS	3,231,160	2,803,113

INCOME & EXPENDITURE

(Euros)

	2015	2014
OPERATING INCOME		
Membership fees	2,988,542	2,224,186
Event & Training income	46,233	19,221
Grants from institutional donors	861,137	898,733
Traceability system income	96,121	26,024
Project credibility income	836,846	588,677
Partnership income	14,479	12,866
User fees	51,625	-
Other operating income	98,850	32,215
Total Operating Income / BCI operations	4,993,843	3,801,921
Farmer Support / Field Investment	46,711	-
Total OPERATING INCOME	5,040,545	3,801,921
OPERATING EXPENSES		
BCI staff in Geneva headquarters	1,666,950	1,364,986
BCI agents based outside Switzerland	1,056,918	664,388
Other third-party consultants & service providers	1,046,197	897,828
Office running	233,831	209,016
Travel & meetings	424,345	471,990
Other operating expenses	360,849	149,600
Total Operating Expenses / BCI operations before exceptional expense	-4,789,091	-3,757,809
Provision for VAT	-	98,837
Total Operating Expenses / BCI operations including provision for VAT	-4,789,091	-3,658,972
Farmer Support / Field Investment	46,711	-
Total OPERATING EXPENSES	-4,835,802	-3,658,972
OPERATING RESULT	204,743	142,949
Financial income	6,896	5,932
Financial expenses	73,443	43,654
Foreign exchange gains & losses	146,502	47,981
NET RESULT	-8,306	57,247

FUNDING GLOBAL CHANGE

Overview of Financial Support and Funding Streams

Our income comprises public and private sector sources, and includes institutional grants from funding partners.

Our funding partners are more than financial supporters; they also offer valuable advice and guidance. They support us because they believe that Better Cotton can address complex development challenges, while presenting a credible business and field model worthy of their investment.

We direct the financial support, together with other income, into two distinct streams:

» **Farmer support and Fieldwork:** Addressing the environmental impacts of cotton production and improving farmers and workers' livelihoods requires training programmes, capacity building and robust verification. Initially, we supported this stream via the Better Cotton Fast Track Programme (BCFTP) convened by IDH, the Sustainable Trade Initiative. Starting from the first of January 2016 the newly created BCI Growth & Innovation Fund (GIF) will replace the BCFTF and will continue providing direct support to Better Cotton farmers around the world.

» **Operations:** These include policy-setting, strengthening the credibility of our standard system, raising awareness of our mission and managing stakeholder relationships. Delivered by our global staff, these efforts combine to create worldwide momentum for BCI.

We aim to generate enough income to cover our operations and be 100% financially independent of philanthropy. In 2015, we reached 83%, a 7% increase on 2014 and a great leap towards self-sufficiency. For the moment, we need the ongoing backing of funding partners to bridge the gap. Improving our ability to generate income is integral to scaling up the Better Cotton movement. We will invest as much as possible directly in the field.

As more farmers around the world join the Better Cotton movement, the need for field funding support will increase, allowing us to train more farmers and connect people across the supply chain. Establishing Better Cotton as a responsible mainstream commodity accounting for 30% of global cotton production is a substantial ambition. However, with our committed supporters and stakeholders, we are confident that we can turn this dream into a reality.

From Catalysing Progress to Funding Growth and Innovation

The Better Cotton Fast Track Programme (BCFTP) was created in 2010 to generate one million MT of Better Cotton in five years.

In 2015, we completed the programme with much to celebrate. In particular, the BCFTP has played a significant role in increasing Better Cotton's share of global cotton production.

BCI and our partners invested almost €12 million through the BCFTP in 2015, supporting 70 farm projects across eight countries. We reached more than 724,000 farmers, who produced some 2.2 million MT of Better Cotton. Working together with retailers, brands and supply chain partners, the BCFTP and BCI teams hit our programme goal of 250,000 MT of cotton lint declared as used by retailers and brands by 2015.

In 2015, the BCFTP will come to an end and the Growth & Innovation Fund (GIF),

a global project portfolio, will further our mission by allowing us to focus on farm level interventions such as capacity building. In particular, we aim to foster innovation in the sector by investing in research and development, enabling farmers to continuously improve their practices and exchange knowledge.

BCI is excited about harnessing the potential of the GIF to take Better Cotton mainstream. We look forward to collaborating with our GIF partners to realise our shared vision of making Better Cotton 30% of global cotton production by 2020.

Finally, we would like to thank all our members and partners who helped to make the BCFTP a success. We express our sincere gratitude to our 11 BCFTP brand partners: adidas, BESTSELLER, C&A, H&M, IKEA, Levi Strauss & Co, M&S, Nike, TESCO, Tommy Hilfiger and VF Corporation – as well as our four public funders – IDH, Rabobank Foundation, Solidaridad and ICCO.

Thank you to our funding partners.



THANK YOU

Thanks to the following individuals and organisations who, by supporting and participating in BCI, are driving change:

- » Our implementing partners, who bring the Better Cotton Standard to life every day and help us reach millions of farmers around the world.
- » Our funding partners—IDH, SECO, SIDA and WWF-Sweden, WWF-Pakistan, GIZ and the Farmer Support Programme (Solidaridad)—for their generous support.
- » All our Retailer and Brand members who are driving demand for Better Cotton and providing funds for farmer support.
- » All the BCI members from across the supply chain who are working with us in creating transformational change within the cotton sector.
- » Cotton Australia and WWF-Sweden for providing the footage used in the video.

We invite BCI members and everyone in the cotton sector to join us as we redouble our efforts and establish Better Cotton as a responsible mainstream commodity.

Better Cotton Initiative

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