REEL COTTON PROGRAMME HANDBOOK

ACCOUNTABILITY & ASSURANCE

COTTON CONNECT

REELCOTTON

Contents

Introduction

The REEL Programme Handbook aims to address the following key issues:

1. To provide a framework that strengthens the accountability of the 'REEL Cotton Programme'.

2. To embed the respective social, economic and environmental management, performance, accountability and reporting practices into the day-to-day business.

3. To collect the core programme elements and processes in one document and put them into context.

The overall intention of the handbook is to serve as guidance on how CottonConnect, owner of the 'REEL Cotton Programme' works towards an integrated sustainability management and reporting framework, and to translate the 'REEL Cotton Programme' into living business practices.

The handbook intends to structure the approach in which CottonConnect defines, describes, administers, implements, evaluates and communicates the accountability related to the programme; all of this with the ultimate aim to assure claims resulting from the programme.

The primary target group of the handbook is those users who are actively involved in the programme, such as:

• The CottonConnect Management Teams (HQ UK and local teams in India, Bangladesh, China, Pakistan).

• The CottonConnect Programme Implementation Partners in the respective countries of origin.

• The appointed 3rd party verifier for 'REEL Programme' and all internal verifiers active on the programme.

The secondary target group are those parties in the supply chains, who are intended to actively support the programme, such as brands. These stakeholders may not need to directly access the handbook; but they should be kept informed about the programme intentions, tools and overall assurance mechanisms for promotional reasons and other awareness creation purposes.

This handbook can be used in a number of ways. It can be read as stand-alone document for a quick introduction to the 'REEL Cotton Programme' or as a door opener to the key principles of sustainability reporting and accountability. It can also be used as a reference document or manual to complement a hands-on training for implementers and verifiers.

The handbook is divided into the following sections:

1. **Sustainability Reporting and Accounting**

An introduction to the key principles of accountability and reporting for private sustainability programmes.

2. **The 'REEL Cotton Programme'**

An introduction to the key intentions and core elements of REEL.

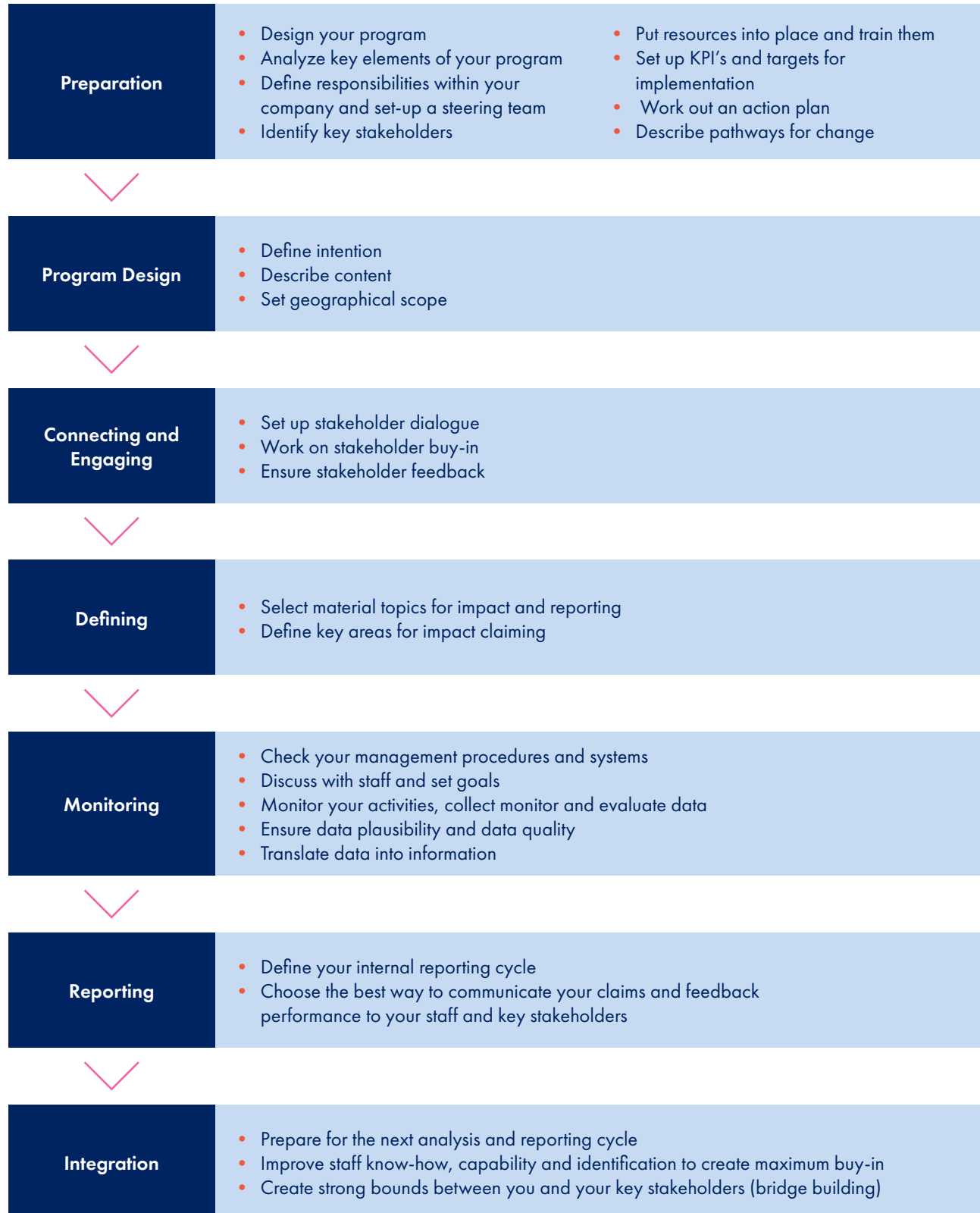3. **The 'REEL Cotton Programme' Verification Architecture**

An introduction to the external assurance framework for REEL.
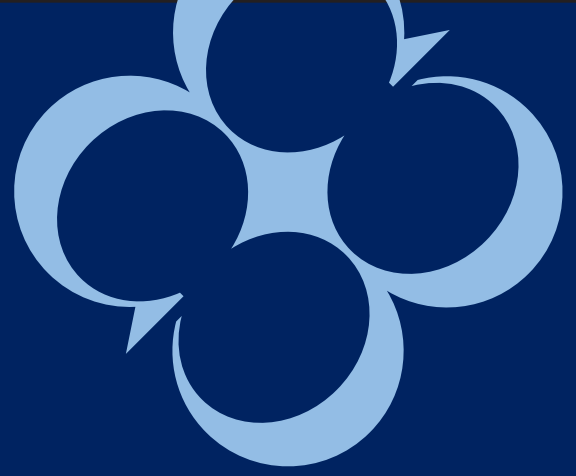
Section 1:
Sustainability Reporting and Accountability

SUPPLY CHAINS | REIMAGINING THE FUTURE FOR

Sustainability Reporting and Accountability

HOW TO GET PREPARED FOR SUSTAINABILITY REPORTING AND ACCOUNTABILITY?

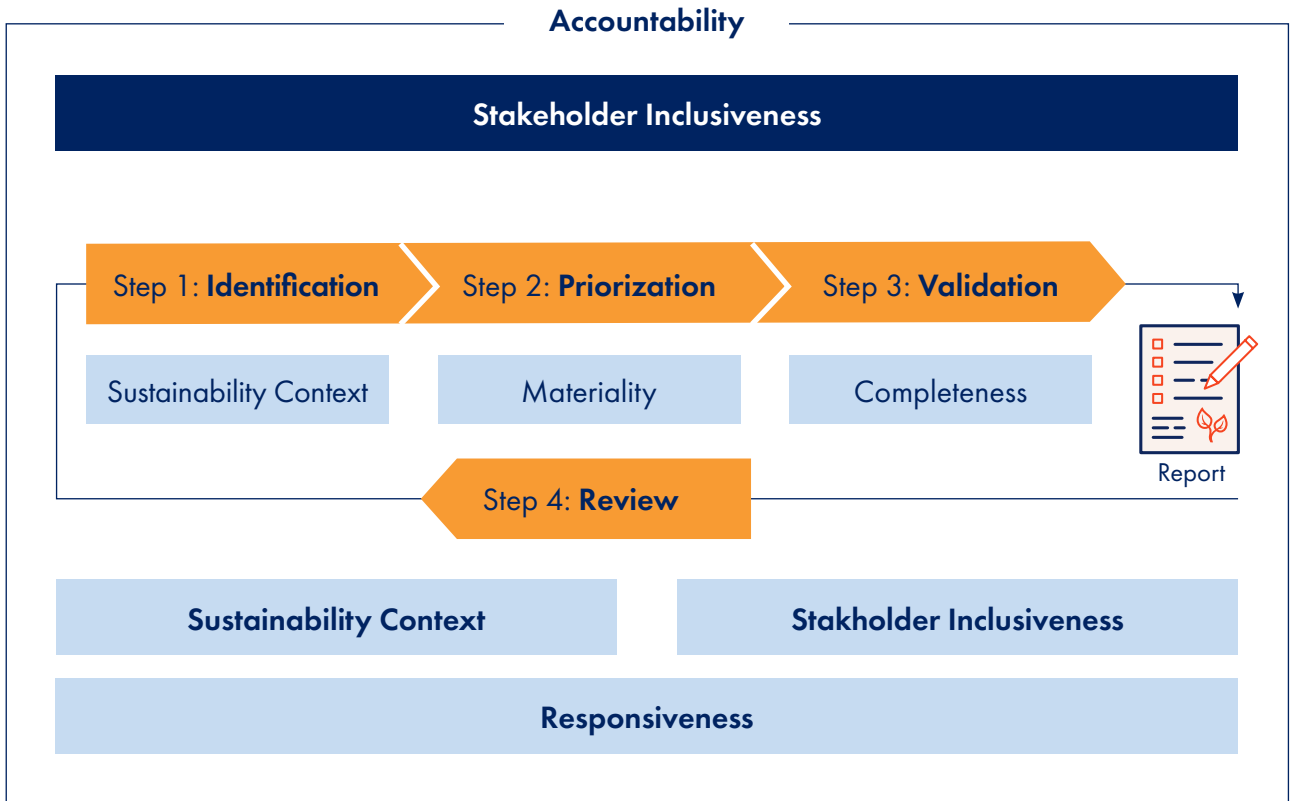| **Preparation**	• Design your program • Analyze key elements of your program • Define responsibilities within your company and set-up a steering team • Identify key stakeholders	• Put resources into place and train them • Set up KPI's and targets for implementation • Work out an action plan • Describe pathways for change
Program Design	• Define intention • Describe content • Set geographical scope	
Connecting and Engaging	• Set up stakeholder dialogue • Work on stakeholder buy-in • Ensure stakeholder feedback	
Defining	• Select material topics for impact and reporting • Define key areas for impact claiming	
Monitoring	• Check your management procedures and systems • Discuss with staff and set goals • Monitor your activities, collect monitor and evaluate data • Ensure data plausibility and data quality • Translate data into information	
Reporting	• Define your internal reporting cycle • Choose the best way to communicate your claims and feedback performance to your staff and key stakeholders	
Integration	• Prepare for the next analysis and reporting cycle • Improve staff know-how, capability and identification to create maximum buy-in • Create strong bounds between you and your key stakeholders (bridge building)	

THE FIVE KEY PRINCIPLES
There are five key principles which govern the process for sustainability accountability and reporting:

1. Sustainability Context

2. Inclusivity

3. Materiality

4. Responsiveness

5. Completeness

THE ACCOUNTABILITY AND SUSTAINABILITY LOOP

Accountability

Stakeholder Inclusiveness

Step 1: **Identification**   Step 2: **Priorization**   Step 3: **Validation**

Sustainability Context   Materiality   Completeness   Report

Step 4: **Review**

Sustainability Context   Stakholder Inclusiveness

Responsiveness

SUSTAINABILITY CONTEXT

In terms of the sustainability context, this handbook describes the historical context which led to the development of the programme framework and rethinking business practices accordingly. The context also defines the key geographical areas of intervention and the boundaries of the programme.

INCLUSIVITY

Inclusivity describes the involvement and the role of stakeholders within the programme. Active stakeholder participation in developing, performing and achieving a strategic response to sustainability is considered crucial for the success of the programme. There should be a commitment to those on whom the programme intends to generate an impact and to those whose business practices have an impact on the programme owner and its business in return.

A programme owner should, therefore, drive stakeholder participation for the success of the programme which will strongly depend on collaborative efforts and buy-in at all levels.

Inclusivity requires a process of engagement and participation which provides comprehensive and balanced involvement and entails the sharing of results with the programme owner's key stakeholders to generate a collective learning.

Stakeholders are those who can be significantly affected by your activities, product or services and whose actions can reasonably be expected to affect the ability of your business to successfully implement its strategies and achieve its objectives.

Typical key stakeholders in the programme owner's business environment are:

- Employees.
- REEL Cotton programme farmers and implementation partners.
- Customers' brands - users of the programme and other supply chain partners involved.

Typical stakeholders in the wider environment of the programme owner's business are:

- Groups (e.g. vulnerable groups within local farming communities, civil society).
- Other business entities and/or organizations (e.g. suppliers of agrochemicals, consultants, intermediaries).

In order to manage stakeholder engagement, the programme owner would ideally have a simple process of participation in place, for this is an ongoing course of action.

The stakeholder participation process should result in developing and achieving an accountable and strategic response to the sustainability programme. This may serve as a tool for understanding the expectations and interests of stakeholders to guarantee that they are motivated and actively contribute to the success of the programme.

When the programme owner encounters conflicting views or differing expectations among its stakeholders, the programme owner should question, understand and try to balance these views – as the programme owner acts as 'bridge builder' across programme users, and key supply chain stakeholders - and therefore the programme owner is the key responsible and the driver of the programme.

Within the stakeholder participation process the programme owner documents:

- Which stakeholders to engage with.
- How and when to engage with them.
- How the engagement influences the programme owner's sustainability activities.

Accountability strengthens trust between the programme owner and its stakeholders; trust renders the programme credible in return.

HOW TO IMPLEMENT A STAKEHOLDER PARTICIPATION PROCESS

1. **Identify** key stakeholders, understand their needs and expectations.

2. **Implement** robust and balanced engagement strategies for key stakeholders.

3. **Facilitate** understanding and learning among stakeholders.

4. **Establish** ways for stakeholders to feedback and give suggestions for improvement.

5. **Strengthen** the capacity of internal stakeholders and build up capacity for external stakeholders to engage.

6. **Build bridges between key stakeholders** by managing the information flow and by resolving conflicts or misunderstandings between different stakeholder expectations.

MATERIALITY

In order to get a comprehensive understanding of the programme owner's sustainability context, it is important to identify the most relevant and significant material issues (topics) for the programme owner and for its stakeholders to be resolved.

In the materiality determination process, the programme owner, thus, clearly identifies key relevant topics for its business and for the business of its key stakeholders, which can be related to economic, social or environmental practices.

Evaluate the relevance of the identified sustainability issues and check whether they are:

- **Credible, clear and understandable.**
- **Replicable, defensible and reliable.**

The materiality determination process results in a comprehensive and balanced prioritization and management of core aspects of your programme. At the same time, this relates to business practices which enable their very implementation.

RESPONSIVENESS

A responsive programme owner has to make sure to explain how the internal and external accountability of the programme is managed. This may include a) core policies and procedures for stakeholder training on programme content, b) data collection and data management systems, c) data analysis resulting in action plans, d) monitoring and evaluation and e) continuous learning to track impact and to report on the programme owner's claims. This way, the programme owner puts in place all the necessary competencies, capacities and processes to actively achieve the responses committed to in the first place. As a result, the programme owner should be able respond to its material issues and to its stakeholders in a comprehensive and balanced way.

COMPLETENESS

The programme owner's final impact reporting should cover all core material aspects and their boundaries. Completeness refers to the extent to which the principles have been achieved. All activities and resulting outcomes plus impact should be correctly documented within a defined reporting cycle (e.g. one year).
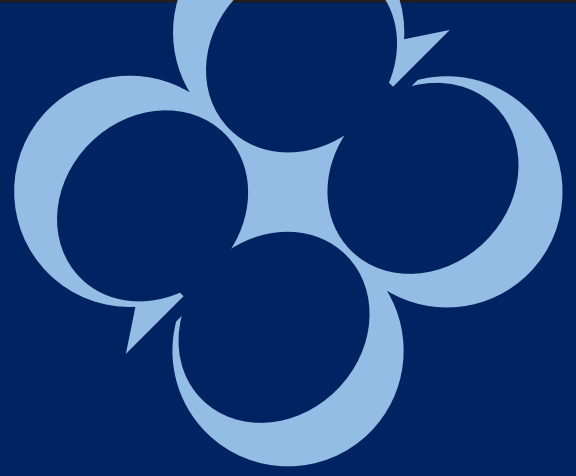
Section 2:
The REEL Cotton Programme

The REEL Cotton Programme

PROGRAMME AND RESOURCES

REEL is a private programme owned by CottonConnect. The 'REEL Cotton Programme' assumptions are:

Better farming practices lead to higher yields, better quality, improved livelihoods and long-term supply chain loyalty.
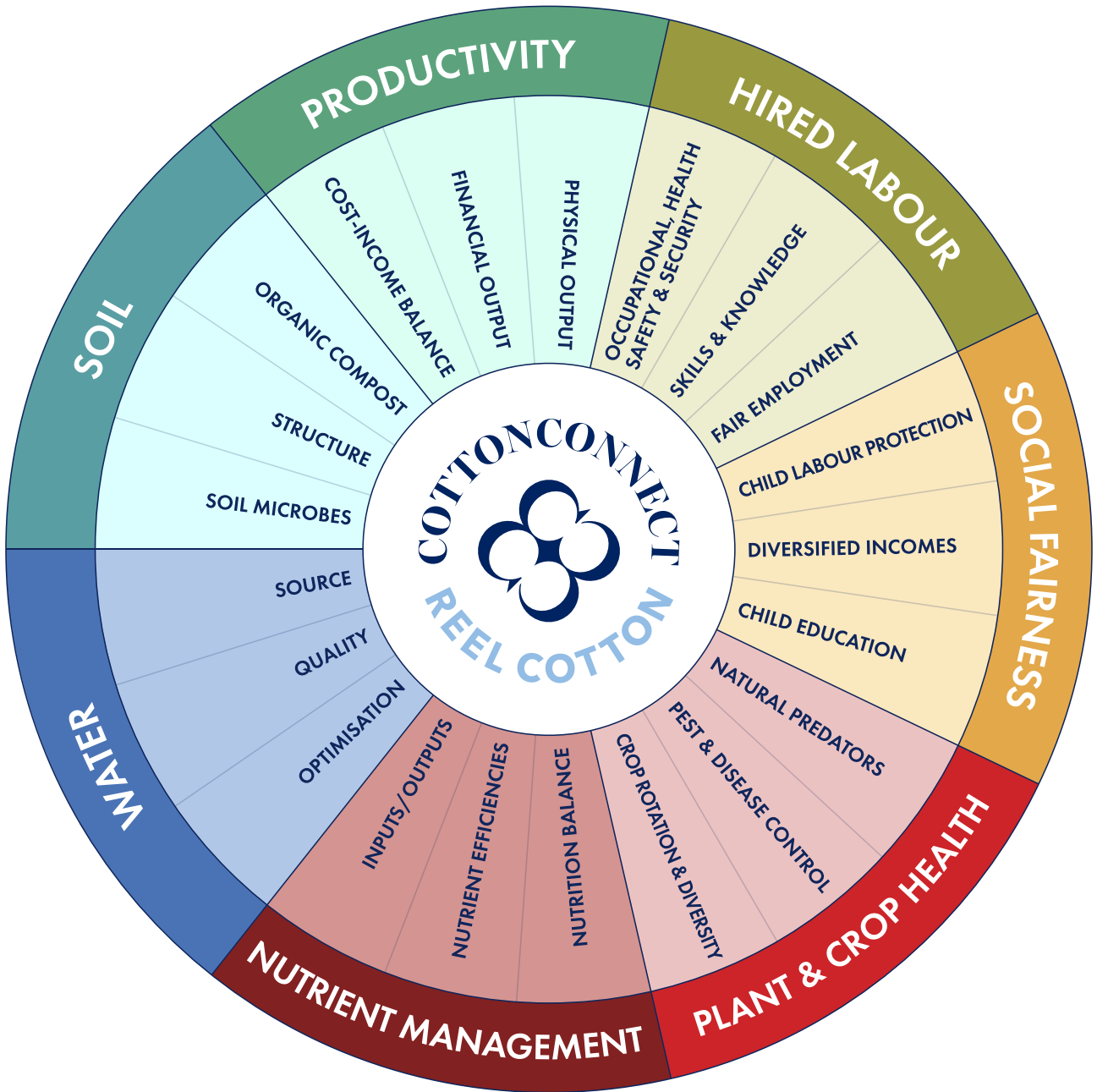
Smallholder cotton farmers have long suffered from lack of profitability. Despite almost two decades of multiple sustainability certification efforts in cotton, the primary reason for low profitability is that only a few small farmers are able to maintain their farms as businesses and do not have access to adequate agricultural and sustainable farming practices. Formalized trainings to teach basic farm management and business skills to the communities have, in most cases, never been available. Instead, farmers rely on what they have observed from elder generations or neighbours.

CottonConnect observed this situation for many years and after consulting with suppliers and buyers decided to move towards proactive training to enable farmers to achieve holistic and sustainable business goals.

To provide farmers with the skills they need to improve productivity and profitability and at the same time to implement and maintain a baseline set of socio-environmental criteria, CottonConnect developed the 'REEL Cotton Programme' – an agricultural programme providing farmers with training on sustainable cotton farming practices. Secondly, CottonConnect connects brands and REEL Programme farmers to support the journey of farmers towards more sustainable business practices and direct trade. In the context of REEL Farmer trainings, CottonConnect cooperates with local implementation partners embedded in various cotton growing regions in the world to drive the change via trainings, awareness creation and continuous improvement of business practices. Results of the training programme are measured via on-the-ground data collection and respective Monitoring, Evaluation and Learning (MEL) conducted by CottonConnect.

CIRCULAR REPRESENTATION OF REEL COTTON PROGRAMME COMPONENTS

CottonConnect REEL Cotton wheel showing programme components:

- **PRODUCTIVITY**: Cost-income balance, Financial output, Physical output
- **HIRED LABOUR**: Occupational, health safety & security, Skills & knowledge, Fair employment
- **SOCIAL FAIRNESS**: Child labour protection, Diversified incomes, Child education
- **SOIL**: Organic compost, Structure, Soil microbes
- **WATER**: Source, Quality, Optimisation
- **NUTRIENT MANAGEMENT**: Inputs/outputs, Nutrient efficiencies, Nutrition balance
- **PLANT & CROP HEALTH**: Natural predators, Pest & disease control, Crop rotation & diversity

DEVELOPMENT OF THE 'REEL COTTON PROGRAMME' AND REEL COTTON CODE OF CONDUCT

The 'REEL Cotton Programme' was created in 2010 by CottonConnect as a three-year agricultural programme providing farmers with training on sustainable cotton practices.

REEL CODE MULTI-STAKEHOLDER CONSULTATION

In 2015 FLOCERT was appointed to translate the REEL Cotton Training Programme into a 3rd party verification Code of Conduct.

In the first phase of code building a draft Code was designed and prototype tested with a pilot group in Gujarat, India. Alongside the pilot, multi-stakeholder consultations were conducted. Stakeholders included:

- Brands supporting the 'REEL Cotton Programme'.
- Implementation partners and producer groups.
- Government Agricultural University/Regional Resource centres.
- Non-Governmental Organisations training implementers.
- REEL Cotton farmers.
- Non-REEL Cotton farmers.
- Ginners

1. Relevant content was gathered and analysed for inclusion in the Code of Conduct from:
   a. CottonConnect's Sustainable Agriculture Handbook
   b. Sustainable Agriculture standards already available in the market

2. Comparative analysis of five different sustainable agriculture standards was conducted against the REEL Cotton Sustainable Agriculture Practices (SAP) Handbook. The analysis specifically compared standards on:
   a. Pest Management
   b. Soil and Fertilisers
   c. Water
   d. Ecosystem
   e. Land use
   f. Waste
   g. GMO

3. A comprehensive risk analysis was undertaken, including mitigation and action for all risks.

4. Next to the draft Code a draft accompanying Assessment Tool was developed to record compliance of the Code.

5. Post the multi-stakeholder consultation, the final REEL Cotton Code of Conduct version 1.0[i] was developed, based on the following principles:
   a. Management skills
   b. Plant and field management
   c. Soil nutrient management
   d. Pest management
   e. Water management
   f. Ecosystem protection
   g. Waste management
   h. Social performance

The REEL private Code of Conduct is internally implemented and monitored by CottonConnect and 3rd party verified by external auditors.

2016 Revision: The revision of REEL Cotton Code leading to Version 2.0 included strengthening the social criteria on employment conditions and health and safety.

2021 Revision: The revision of REEL Cotton Code leading to Version 3.0 included recommendations from a survey conducted with farmers and implementing partners; a review of the Delta indicators for sustainable cotton; enhanced health and safety for gins; and region-specific customisations. The revision included a stakeholder consultation in August 2021.

i. Presently the revised REEL CoC 3.0 is used for verification. REEL CoC 3.0 is also developed in partnership with Flocert.

MONITORING AND EVALUATION: DATA AND INFORMATION STREAMS

The results of the REEL trainings for farmers are constantly measured, monitored and evaluated. Data is collected by local Implementation partners of CottonConnect to properly survey performance at a level of economic and socio-environmental expectations as defined by CottonConnect. The data collection process is globally systemized and conducted by local Implementation partners via farmer handbooks which are later digitalized and evaluated by CottonConnect India in Gurgaon. In short: 'REEL Cotton Programme' data is locally collected and centrally managed in a CottonConnect owned MEL (Monitoring, Evaluation and Learning) system to allow the global 'REEL Cotton Programme' management team in Gurgaon to maintain detailed farmer records and conduct respective monitoring, evaluation and learning processes for future impact assessment. The evaluated data allows feedback on individual needs of farmers in the various origins and in order to refine future trainings.

INTERNAL MANAGEMENT SYSTEM (IMS)

The 'REEL Cotton Programme' has been set up in a stakeholder integrative process, in dialogue with CottonConnect global staff, implementation partners, cotton farmers, ginners, brands and retailers. The implementation of the programme is actively supported by highest leadership entities at CottonConnect Head Quarters in London, UK. For practical reasons, the implementation of the programme for various cotton origins is managed from their respective project regions. In this sense India forms a part of 4 key implementation origins (India, Pakistan, China and Bangladesh), and at the same time hosts the global implementation manager and the respective global 'Internal Management System' of 'REEL Cotton Programme'.

At the level of the global 'IMS', farmer trainings are designed and distributed for implementation to implementation partners on the ground. Implementation partners of CottonConnect conduct internal self-assessments against REEL private Code and also continuously collect programme data at farm level in the various origins. Self-assessments and programme data are centrally evaluated and managed at CottonConnect India, Gurgaon office, to properly document the 'REEL Cotton Programme'. CottonConnect India hosts the global 'Internal Management System' for 'REEL Cotton Programme'

In the various countries of origin, local implementation partners of CottonConnect are responsible for leading the regional training implementation of the 'REEL Cotton Programme' and liaise directly with staff of local CottonConnect country offices.

CottonConnect expects that after participation in training, a majority of farmers will adopt improved agricultural and business practices, and that the use of better farming and business practices will lead to yield increase, improved quality, lower cost of production and increased income to farmers. In combination with access to dedicated markets, CottonConnect also expects long-term stability of supply and increased loyalty between key players in the supply chain (farmer-ginner-spinner-CMT-brands/retailers).
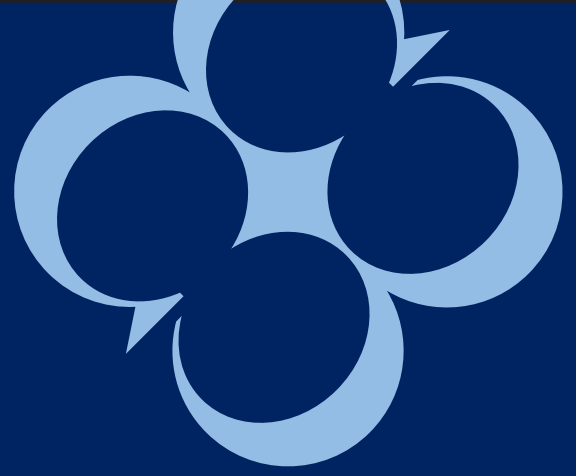
The REEL Cotton Programme Verification Architecture

To meet branded manufacturers and retailers need for a 3rd party verified programme, CottonConnect worked with FLOCERT on the development of a private REEL Code of Conduct that is 3rd party verified by reputed auditors (FLOCERT or other 3rd Party Verifiers engaged by CottonConnect). CottonConnect choose to work with FLOCERT due to its experience of providing Fairtrade International certification and its experience in translating sustainability programmes into verifiable private codes.

The REEL Code enables CottonConnect to verify internally and externally the compliance of REEL Cotton farmers with key requirements of the 'REEL Cotton Programme'. In 2017 the verification architecture was extended (in collaboration with FLOCERT) to further verify the plausibility of REEL M&E data collected on the ground.

The 'REEL Cotton Programme' consists today of REEL farmer training, REEL Code of Conduct implementation & Code compliance verification and REEL M&E data collection, data evaluation and data plausibility verification.

3rd Party verifiers who are assigned by CottonConnect to conduct 3rd party verification of the 'REEL Cotton Programme' are faced with the task of objectively assessing the following:

- The accountability of CottonConnect in the role as the programme owner, programme manager and programme reporter **(Type 1 Verification at level of the REEL Internal Management System).**

- The compliance with REEL private Code of Conduct requirements and the plausibility of M&E data collected by CottonConnect's implementation partners in 4 main cotton origins **(Type 2 Verification at level of REEL Cotton Programme farmers).**
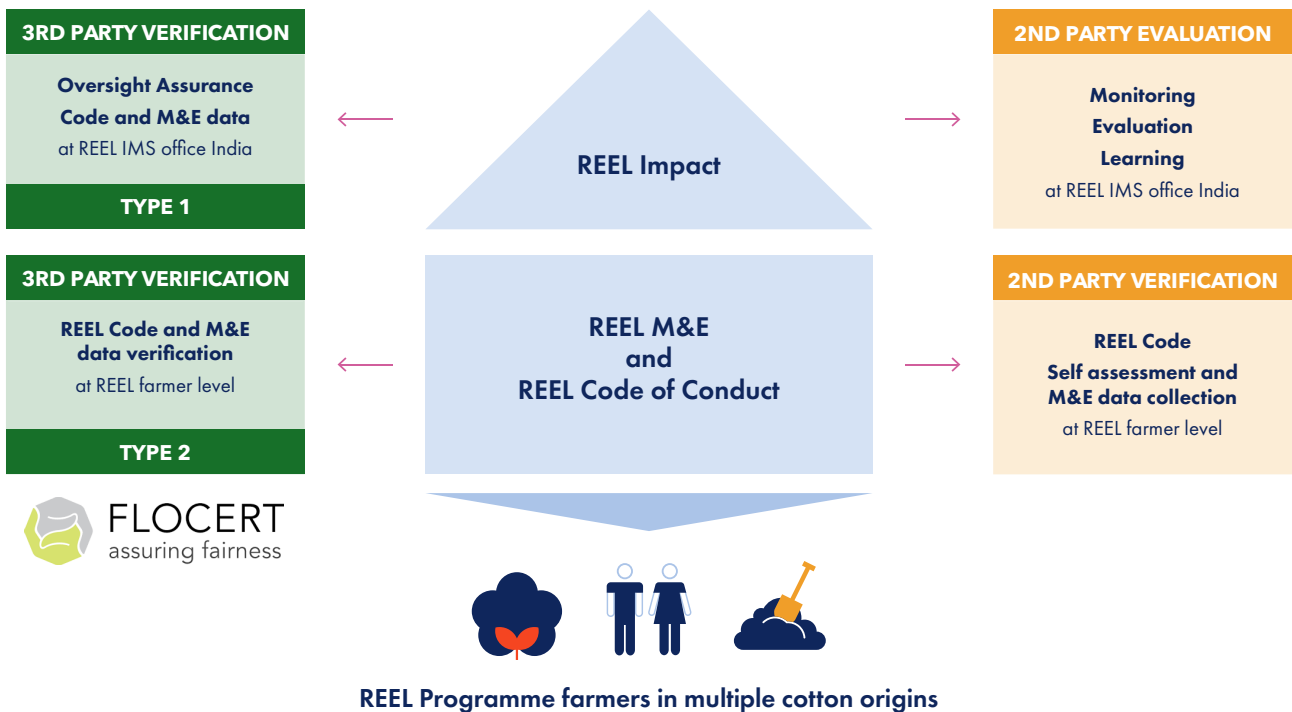
Private sustainability programmes such as REEL necessitate a new approach to verification which equally focuses on enabling rather than on policing, and also put strong emphasis on the long-term impact intentions behind the Programme.

The verification approach described below focuses on internationally recognized principles of sustainable accountability and impact reporting. It is based on the intention to verify the accountability of CottonConnect as the programme owner towards its 'REEL Cotton Programme' and, in addition, to check the plausibility and quality of the related data collected. The core intention is to strengthen the ability of the programme owner to implement, manage and report in a highly self-responsible way and in close interaction with key stakeholders. Via oversight audits, 3rd party verification controls the ability of CottonConnect to internally manage the programme in an accountable and plausible manner.

VERIFICATION ARCHITECTURE REEL COTTON PROGRAMME

3RD PARTY VERIFICATION

Oversight Assurance Code and M&E data
at REEL IMS office India

TYPE 1

3RD PARTY VERIFICATION

REEL Code and M&E data verification
at REEL farmer level

TYPE 2

FLOCERT
assuring fairness

REEL Impact

REEL M&E and REEL Code of Conduct

2ND PARTY EVALUATION

Monitoring Evaluation Learning
at REEL IMS office India

2ND PARTY VERIFICATION

REEL Code Self assessment and M&E data collection
at REEL farmer level

REEL Programme farmers in multiple cotton origins

The 3rd party verification intervention is building up directly on internal management processes for private REEL Code of Conduct self-assessment and 'REEL Cotton Programme' data collection and respective Monitoring, Evaluation and Learning (MEL) conducted by CottonConnect and their local Implementation Partners.

Under AA1000, Type 1 audits are mainly focusing on the overall accountability and communication of sustainability performance. This is primarily done at the Internal Programme Management System (IMS) at CottonConnect India, where global programme implementation and programme oversight is located and where data from all implementing origins is centrally managed. The respective verification of REEL Code compliance and REEL M&E data plausibility (data quality, data gathering process) is conducted in Type 2 audits in the various implementation origins.

TYPE 1 VERIFICATION – PROGRAMME ACCOUNTABILITY

- **What:** Assessment of programme accountability.

- **Where:** Global REEL IMS, at CottonConnect India, Gurgaon office and respective country offices, 3rd party verification of programme & resources, data streams & management processes.

- **How:** Introductory meeting on sustainable context of programme, cross-check global implementation, global resources, global self-assessment oversight on REEL Code of Conduct, data streams and MEL processes. Remote sample interviews with implementation partners in origins (selected square root sample of total number of programme origins).

Type 1 verification audit is focusing on the plausibility of the programme design and the implementation and management of core programme elements and related processes in accordance with key principles of sustainability accounting and reporting. Besides the verification of the sustainability context of the global programme, it includes an in-detail remote verification of a representative sample of the programme origins via an interview of the head of implementation partner team in the countries of origin combined with sample controls of farmer records from sample origins in the global REEL database. Since any of the programme origins can be a subject to the verification sample, the global IMS responsible must ensure that programme resources, data streams and management processes are put in place, documented and accessible for external 3rd party verification at moment of Type 1 verification.

- **Who:** 3rd party verifier, global 'REEL Cotton Programme' manager, Implementation Partners/ CottonConnect field staff in selected countries of origin (via remote interviews).

- **Duration:** Two days preparation, two days IMS office audit, two days of reporting.

- **Reporting:** Type 1 verification audit will be reported in a Type 1 assurance report.

TYPE 2 VERIFICATION – CODE OF CONDUCT COMPLIANCE AND M&E DATA PLAUSIBILITY CHECK

- **What:** Assessment of the REEL Code of Conduct compliance and REEL M&E data plausibility.

- **Where:** Local Implementation Partners/ CottonConnect field offices, REEL farmer groups, ginners: 3rd party verification: 'REEL Cotton Programme' implementation & resources, data streams & management processes. REEL private Code of Conduct verification

- **How:** Local Office: Introductory meeting at regional Implementation Partner/regional CottonConnect office level with focus on local 'REEL Cotton Programme' & resources, farmer trainings, Code of Conduct self-assessment, M&E data collection process.

Field: Onsite verification audit of REEL Code of Conduct and REEL M&E Data plausibility at a number of selected programme farmers (half square root of total farmers on-boarded) and ginner(s).

Type 2 verification audit is focusing on the implementation of the 'REEL Cotton Programme' Code of Conduct in local REEL Cotton projects and the respective management of processes for training, REEL Code self-assessment and M&E data collection at the level of 'REEL Cotton Programme' farmers. Next to this, an organized sample of farmers is selected and the Code compliance and data collection process is verified in greater detail.

- **Who:** 3rd party verifier, local Implementation Partner, local CottonConnect team, sampled farmers, ginners.

- **Duration:** depending on size of REEL farmer group

- **Reporting:** Type 2 verification audit will be reported in a respective Type 2 assurance report per origin. Accumulated verification results (Type 1 including Type 2) will be reported in an Accountability Statement at the end of a verification year.

PROPOSED VERIFICATION CYCLE

In light of the fact that the global implementation of the 'REEL Cotton Programme' is ongoing since 2010 and implemented at different speed levels by CottonConnect in the different origins, it is recommended to organize the respective implementation of external 3rd party Verification in a concentrated approach.

The verification cycle is an annual cycle where 2nd party verification conducted internally by CottonConnect in cooperation with local Implementation Partners starts first and the third-party verification follows.

The geographical scope of verification covers the global IMS located at CottonConnect India, and four cotton origins namely India, Bangladesh, Pakistan, and China. The geographical scope will be expanded basis CottonConnect's expansion to new geographical areas.

AUDITOR QUALIFICATION

For Type 1 audit(s):

- Trained practitioner within the AA1000 framework.

- Strong capacity in assessing internal management systems.

- Experience in providing assurance and accountability statements.

- Explicit understanding of sustainability-related reporting systems.

- Acquainted with impact-related reporting in global agricultural supply chains.

- Strong enabling and feedback capacities.

For Type 2 audit(s):

- Strong capacity in assessing internal management systems.

- Local experience in auditing and verification of key sustainability standards at farm level.

- Agro-economic background and in depth experience of the cotton sector (particularly cotton farming practices).

- Experience in analyzing and cross-checking reliability of economic, social and environmental data

THIRD PARTY AUDITING AND VERIFICATION METHODOLOGY

The auditing and verification methodology is highly applicable within private sustainability programmes, has a strong focus on impact, should be objective by nature and – at the same time – shall be conducted in a collaborative and enabling spirit. Auditees and verifiers should, thus, follow the below mentioned principles:

- Encourage active involvement of implementation teams and programme farmers.

- Through enabling discussions, allow the freedom for both programme farmers and programme implementers, to share their ideas and perceptions and give active feedback regarding the programme.

- Create awareness and enable stakeholders to identify priorities and challenges.

- Encourage the building of strong relationships between programme implementer and programme farmers.

In the past two decades, agricultural supply chains have seen an increasing demand for sustainability certification where audits are uniquely focusing on compliance. These approaches tend to rely on detailed checklists, which specifically ask for 'yes' or 'no' answers about whether or not certain standards or items are in place.

In impact-related programmes, such compliance-focused auditing techniques are not effective. On the one hand, they cannot properly mirror the relationship and co-responsibility of key stakeholders within a programme and can also not adequately monitor the improvement of stakeholders' performance over time.

Impact programmes, before measuring at all, start with a joint commitment, install trainings and expect a situation to slowly improve over time. Stakeholders in the supply chain take co-responsibility when setting up interventions to improve economic, social and environmental conditions. The focus of these programmes, therefore, lies on the improvement and enabling of the respective situations. Thus, it is intended to create awareness at stakeholders' level and stimulate a behavioural change by identifying why problems arise and how they can be best remedied.

Impact related auditing must, therefore, allow for the expression and capturing of the attitudes and behaviours of a wider range of key stakeholders in a supply chain programme at different levels of programme strategy building, programme implementation and programme management. Taking these factors into account, it takes a 'participatory approach' to successfully complete the auditing.

In impact related verification processes, it is inadequate to take a single snap shot of compliance with a set of given standards. Impact verification can rather be described as a process, involving a series of audits at the level of the key implementing company (CottonConnect) that creates awareness, promotes understanding, helps facilitate remedial action, strengthens the programme accountability and supports the programme owner and key stakeholders to bring about change over time.

REIMAGINING THE FUTURE FOR SUPPLY CHAINS