

GENERAL PRINCIPLES OF IMPLEMENTATION & EVALUATION OF THE PROGRAM



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DEFINITIONS

- . **Agricultural Holding:**
Any entity (natural or legal person or association of persons, with or without legal form, business, or organization of a for-profit or non-profit nature belonging to the private or public sector), which is active in the production and/or marketing of agricultural products, having its own operation and management.
- . **Program Supplier:**
Any ginning mill or agricultural holding, which is active in the production and/or trading of fibers and is certified according to AGRO 2-1 & 2-2 or AGRO 2-4.
- . **Raw Material:**
Short fiber, which comes from the ginning of the unginned cotton produced through Integrated Management practices. The raw material quality specifications are set by the spinning mill.
- . **Internal Program of Cotton Varieties Management:**
Selection program for specific varieties with superior quality characteristics. They are implemented through the cooperation of the ginning mills with the companies producing and selling specific varieties.
The internal varieties management programs must be adapted and comply with the requirements of the Yarn_ID Internal Certification Scheme, while the selection of these must be defined by Nafpaktos Textile Industry S.A. before the start of sowing, each crop year.
- . **Spinning Mill:**
Any company that is active in yarn production.
- . **Program:**
Internal Certification Scheme "Yarn_ID" for Cotton Yarn Production, by Nafpaktos Textile Industry S.A.
- . **Blend:**
The mixing of bales or "recipe", which enables the spinning mill to better process the raw material which is fiber.
- . **Certification body:**
Structure responsible for the control and issuance of a certificate regarding the implementation of the Program by the Nafpaktos Textile Industry.
- . **Implementation body:**
Structure responsible for the planning, implementation, coordination, supervision, and inspection of the Program as well as, for the installation & supervision of the implementation of the program.
- . **Internal Auditor:**
Agronomist of the Implementation Body, responsible for the internal audit of the implementation of the Yarn_ID program.

1. INTRODUCTION

1.1 Frame of reference

NAFPAKTOS TEXTILE INDUSTRY S.A. is committed to working with all its suppliers - *from Farm to Yarn* - to ensure the production of quality and safe products, more specifically, sustainable cotton yarns that fully comply with the set standards and requirements of its customers.

With main pillars the:

- **Quality**

We systematically invest in the excellent quality of our products, through the application of advanced production technology.

- **Innovation**

We adopt new technologies and invest in them while simultaneously implementing environmental protection practices and code of ethics, which are important areas of action for us. Contributing significantly to the quality upgrade of the company's products, the cotton yarns. It is a cornerstone of strengthening the competitiveness of the sector and of the Nafpaktos Textile Industry S.A., itself.

- **Sustainability**

We help develop sustainability with the use of rational methods and production systems that respect the environment.

- **Traceability**

We implement traceability systems regarding the origin & the conditions of production of our products.

The **Internal Certification Scheme Yarn_ID** protocol has been developed, as a holistic cotton yarn production program in which traceability - *from Farm to Yarn* - is pursued.

Traceability for us means “transparency” of origin and quality, combined with a proper environmental and social impact of the cotton yarns produced.



For this reason, the **Yarn_ID Internal Certification Scheme** that we have developed, is essentially an evolution and enrichment of the requirements of **AGRO 2 (2.1., 2.2., 2.4. & 2.5.)**, as a whole.

Through the application of Yarn_ID, the buyers of Nafpaktos Textile Industry S.A. products, will now be able to strengthen the "**traceability program**" they apply in their business, up to their own final product, based on **open-source data** provided.

1.2 Aims & Objectives

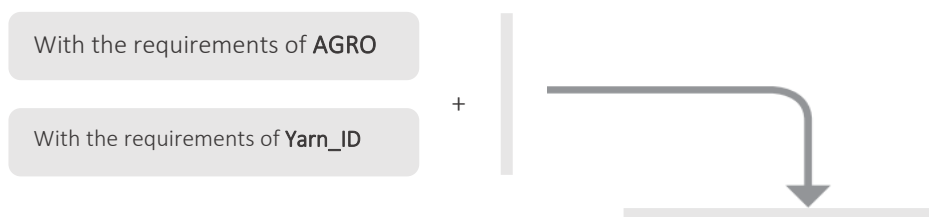
Development of a holistic *Internal Certification Scheme* of cotton yarn production -from Farm to Yarn-, named **Yarn_ID** throughout the supply chain phase, referred to as the **“Program”**, with the aim of:

The production and distribution of cotton yarn of excellent quality, fully "traceable", non-genetically modified, which is produced through *Integrated Management practices*, meaning the responsible application and certification of applicable sustainable practices for cotton cultivation, ginning & spinning.



And aims to provide a clear account of the following:

- . Support to AGRO 2.
- . Strengthening of the cooperation model with the ginning mills and by extension, the Greek producers.
- . Establishment and communication of quality specifications based on cotton as a “natural raw material”, identified with quality, traceability & sustainability.
- . Creating added value & traceability in the production chain.
- . Achieving quality standards.
- . Separation of products which fall under the program, through their labeling.
- . Satisfying the demands of the market regarding Greek Cotton Yarns.



with the aim of meeting the market needs for:

Quality

Traceable & Sustainable Production

Creation of added value at the final product

The Yarn_ID evaluation program includes, in addition to the AGRO 2 standard, **twenty-three (23) check points and compliance criteria** and can be evaluated in conjunction with the AGRO 2 standards.

In addition, specifications have been designed to support the compliance of yarn production with the rules of *Integrated Management, Quality Assurance, Environmental Protection, Corporate Social Responsibility and Traceability*.

Nafpaktos Textiles has the right of absolute control, evaluation, and final acceptance regarding the suitability of the production, at the time it is transferred to its facilities, with analyzes that will be carried out on each bale of cotton in its laboratories.

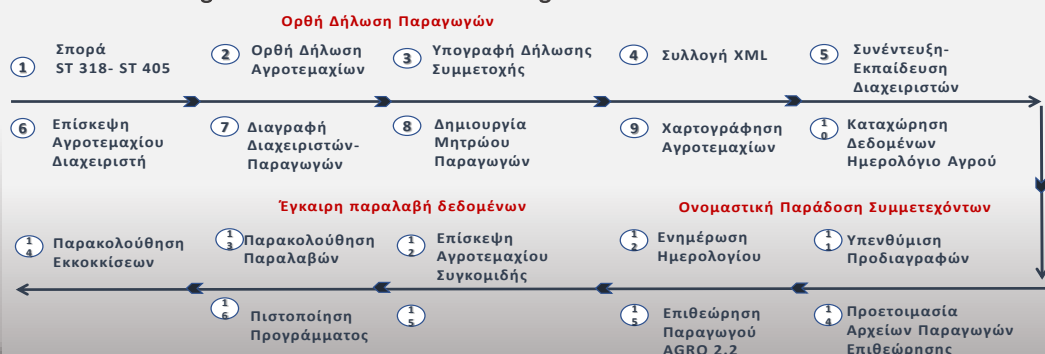
2 SCOPE & OBLIGATIONS OF PARTIES INVOLVED

Yarn_ID Internal Certification Scheme was issued to be implemented by cotton farms/producers, ginning mills, as well as by the Nafpaktos Textile Industry S.A.

More specifically, its scope concerns:

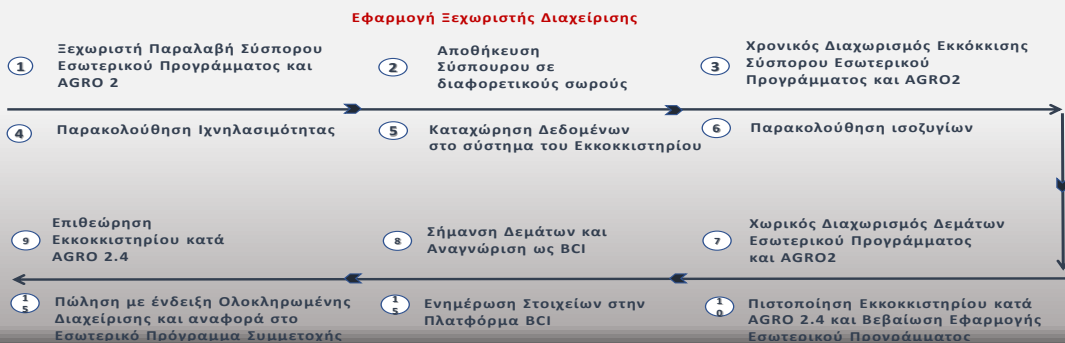
Agricultural Holding: AGRO 2.1 -2.2 + Internal Program

- Production in the Farm
- Harvesting and Distribution to the Ginning Mills



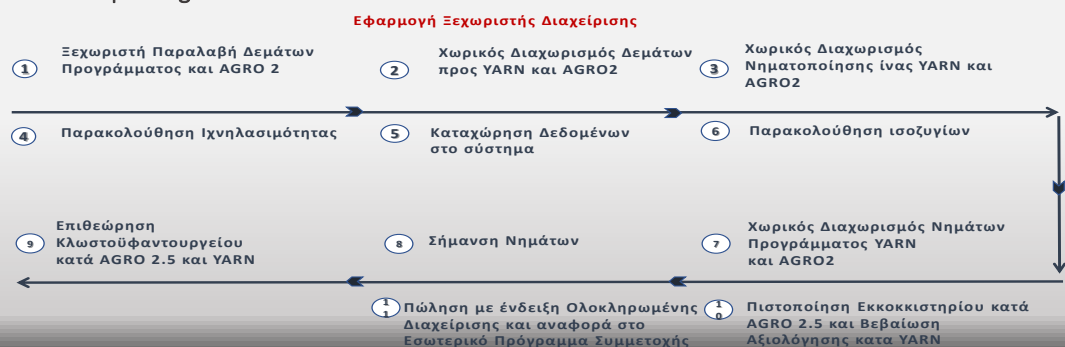
Ginning mills: AGRO 2.1 -2.2 -2.4 + Internal Program

- Receiving and Storage
- Ginning and Distribution to Nafpaktos Textile Industry S.A.



Spinning Mill: AGRO 2.5 + Yarn_ID

- Receiving and Storage
- Spinning and Distribution to the Customers



The participants in the program have the following obligations:

- A. The ginning mill that will be approved by **NAFPAKTOS TEXTILE INDUSTRY S.A.** for its participation in the program, is responsible for:
- . the declaration of participation of producers and registration of plots of land in the **software program** that will be indicated by Nafpaktos Textile Industry S.A. based on the declaration of a Single Application for Support (Declaration of Integrated Management & Control System **OSDE**).
 - . the **training** of producers in collaboration with the Implementation Body in the correct application of the program requirements.
 - . the maintenance of **a record** of cultivation operations - a field logbook (sowing, irrigation, fertilizing, plant protection, harvesting, etc.) for the farms included in its supplier program.
 - . the registration of **cultivation data** in the software program that will be indicated by Nafpaktos Textile Industry S.A.
 - . the **separate harvest control** of the specific cotton varieties of the internal program
 - . the cooperation with the Implementation Body designated by NAFPAKTOS TEXTILE INDUSTRY SA. in monitoring the implementation of the program.
 - . the **separate receipt and storage** of the varieties determined by the internal certification scheme from AGRO 2.1 & 2.2 certified Farms.
 - . being audited by an **Independent Certification Body** and has been certified according to the requirements of the AGRO 2.4 standard.
- B. **NAFPAKTOS TEXTILE INDUSTRY S.A.** is responsible for:
- . the signing of an agreement with the suppliers of the program.
 - . the separate receipt and storage of bales determined by the "Yarn_ID" program from AGRO 2.1 & 2.2 & 2.4 certified Ginning Mills.
 - . the monitoring of the traceability of the certified products.
 - . ensuring for the produced bale, the quality conditions determined by the program.
 - . the cooperation with the Implementation Body in monitoring the implementation of the program.
 - . the cooperation with the Certification Body in the final evaluation of the implementation of the program.
 - . being audited by an *Independent Certification Body* and being certified according to the requirements of the AGRO 2.5 standard.
 - . carrying out the inspection at such a time, as to ensure the full scope of the Program on products and processes.

3 EVALUATION PROCESS

The Yarn_ID program requires a third-party assessment conducted by an independent certification body.

A. Yarn_ID evaluation can be conducted in conjunction with the AGRO 2 standard inspection. During the inspection the operator must:

- . **evaluate** all the criteria of the requirements of the Yarn_ID Checkpoints Questionnaire for compliance with the internal certification scheme of NAFPAKTOS TEXTILE INDUSTRY S.A.
 - . **explain** all non-conformities and draw up a report with results and recommendations.
 - . After the positive evaluation of the application, the body can issue an evaluation certificate for NAFPAKTOS TEXTILE INDUSTRY S.A.
- The validity period of the Assessment certificate is defined as one year.

3.1 Technical Requirements

The technical requirements of the Yarn_ID Internal Certification Scheme are defined at two levels:

- . In the requirements of the standard **AGRO 2.1 & 2.2** in Agricultural Farms, in the corresponding ones of **AGRO 2.4** in Ginning Mills and **AGRO 2.5** in NAFPAKTOS TEXTILE INDUSTRY S.A.
- . In the Yarn_ID CHECKPOINTS Questionnaire, in addition to the AGRO 2 standard.

3.2 Structure of Special Requirements Checkpoints

The structure of the Yarn_ID Checkpoints Questionnaire has been aligned with the structure of the AGRO 2 standard. The points are divided into **three (3) compliance level categories**:

Obligatory:

Legal requirement concerning the activity of the agricultural holding/business. Full compliance at all checkpoints is obligatory. In case of non-compliance, no certificate is issued.

Mandatory:

Requirement of the standard of a technical nature with particular importance. Full compliance at all required checkpoints is mandatory. In case of non-compliance with a category question, 15 days period is given to remove it.

Recommended:

Requirement of the non-critical assessment program, for compliance with measures to implement continuous quality improvement and sustainability. There is no minimum compliance rate.

3.3 Required documentation

The documentation required to be completed for each question on the questionnaire is described as an instruction to the Inspector.

3.4 Inspector's evaluation

Audit Results: NAFPAKTOS TEXTILE INDUSTRY S.A. complies with the requirements of each point.

- **Documentation:** Compliance documentation is completed by the Inspector for each questionnaire's question, according to the instructions described in the "Documentation Required" field. The Inspector must record comments for each control point assessed. The purpose of the comments in the list of additional Yarn_ID checkpoints, is to make the evaluation trail transparent and to provide a better classification of the information collected during the evaluation.
- **Non-conformity:** At the point where non-conformity was detected, its description is filled in, exactly as it will be subsequently transferred to the special non-conformity form. If during the inspection, a *Mandatory non-conformity* is found that has not been corrected within 15 days period, then the entire inspection has failed, and no certificate is issued. Corrective action programs will always be assessed by the inspector.

4 REGISTRATION OF INTERESTED PARTIES

4.1 Application options

The following can apply for participation in the program: Any ginning mill that implements the **AGRO 2.4 Quality System**, has a Cotton Production Farm (implementing the Agricultural Production Quality System) in accordance with the **AGRO 2.1 & 2.2** standard and complies with its requirements, can voluntarily submit a declaration of interest to NAFPAKTOS TEXTILE INDUSTRY S.A. to evaluate the possibility of participating in the Program.

3.2 Selection of Implementation Body

NAFPAKTOS TEXTILE INDUSTRY S.A. designates, for the purposes of implementing the Program, an Implementation Body responsible for the planning, implementation, coordination, supervision, and inspection of the Program.

3.3 Selection of Certification Body

To carry out the control of the implementation of the Program by the Ginning Mills and/or the **Agricultural Holding** & Nafpaktos Textile Industry S.A., the company must cooperate with a Certification Body that is approved exclusively by NAFPAKTOS TEXTILE INDUSTRY S.A.

4 REVISION OF THE PROGRAM STANDARD

The Revision of the requirements of the Program can be implemented by a decision of NAFPAKTOS TEXTILE INDUSTRY S.A. and the cooperation with the Implementing Body, considering the evolving needs of the market.

6. OWNERSHIP AND USE OF THE LOGO

The copyright of "Yarn_ID" and the use of the registered trademark, belong fully and exclusively to NAFPAKTOS TEXTILE INDUSTRY S.A.

7. DOCUMENTATION

The regulatory documents that provide information on the implementation and assessment of enterprises, according to the requirements of the "Yarn_ID" Internal Certification Scheme, are as follow:

- a. **General Principles** of Implementation and Evaluation of Yarn_ID.
- b. **Yarn_ID Checkpoints Questionnaire** in addition to the AGRO 2, required by the Program.
- c. **Agreement** between Nafpaktos Textile Industry S.A. and the Ginning Mill where all the requirements of the Program are defined for the proper cooperation of supply and receipt of ginned cotton of predetermined quality specifications, as defined by the Yarn_ID holistic Internal Certification Scheme.
- d. Documentation of Program's requirements.

The documents follow the structure described in the AGRO 2 standard for each contracting party.