

# FARM Rio's Supplier Code of Conduct

I. Introduction

Opening Statement - Our Purpose

Farm Rio (the "Company" or "Soma Brands International GmbH"), including all its subsidiaries and affiliates, operates a global fashion business. Following the Company's article of association<sup>1</sup>, Soma Brands International GmbH, also aims to contribute to a more ethical and sustainable industry by using the fashion influence as a powerful tool to encourage changes in social behaviors. In this pathway, the suppliers of Farm Rio develop a key role. Therefore, as stated herein, the Company hereby announces its FARM Rio's Supplier Code of Conduct ("FRSCC") and acknowledges its commitment towards the implementation of best efforts to protect and respect human rights in the conduction of its business and procuring products and services around the world, in compliance with the Company's sustainable corporate policy.

The FRSCC has been designed taking into account (among other industry references and best practices) the relevant international guidelines and agreements on human rights, such as but not limited to the United Nations Universal Declaration of Human Rights (1948), the Guiding Principles on Business and Human Rights ("UNGPs") and the Guidelines for Multinational Enterprises both developed by the Organization for Economic Cooperation and Development (OECD) (2011), and the United Nations Sustainable Development Goals (SDGs) (2015).

Our purpose is to set forth minimum standards and practices that should be considered and complied with by all our Suppliers to do business with the Company in all countries and jurisdictions in which we may operate. Thus, the principles and guidelines provided herein aim to strengthen our corporate relationship with the Company's Suppliers, as well as clarify situations that may originate potential conflicts in business relationships settled by the Company, including negotiations, commercial proposals, entering into contracts and agreements.

We crave long, inclusive, fair, and transparent business relationships based on collaborative actions so that together we may build a better world with increasing responsibility towards the environment, employers, society, stakeholders, and shareholders.

<sup>&</sup>lt;sup>1</sup> Available at: [https://www.farmrio.com/pages/sustainability].

# General Disclaimer

The FRSCC is not meant to be a substitute for international or national legislation. Although the FRSCC does aim to offer corporate guidelines that educate and support workers protection against abusive and oppressive practices, and illegal exploration and, thus, drive our private business relationship with potential suppliers - especially where national laws are inadequate or are not enforced – it does not seek to replace the enforcement of national laws neither to become a key-reference that shall mandatory govern the national labor's inspection work and oversight bodies activities. The FRSCC is not a substitute for secure and independent trade unions nor should it be used as a substitute for collective bargaining.

# Who shall follow the FRSCC?

This FRSCC shall be complied with by all Companies' suppliers and subcontractors (hereinafter mentioned as "Suppliers"). All agents who procure the Company to do business with it (whether or not registered in the Company's Suppliers Enrollment Registry), as well as those agents that already supply or produce products, services, and goods for the Company, regardless of their status or relationship to the Company and whether or not they are employees of the Company, shall also seek to comply with this FRSCC to become a Company's Supplier. The Company's employees and collaborators shall also observe the guidelines and restrictions stated by the FRSCC in their relationship with Suppliers, whenever applicable, to prevent misconducting episodes that this FRSCC aims to prevent and/or combat.

The FRSCC also embraces home-based agents and those who are engaged either informally or on a contracted basis with the Company. The terms 'contractor', 'subcontractor', and 'supplier' mean any individual or legal entity who retains services or contracts business with the Company and is engaged in a manufacturing process, including CMT (cut-make-and-trim), assembly, and packaging, which result in a finished product for the consumer. Compliance with this FRSCC must be an enforceable condition of any agreement settled between and by the Company and its Suppliers.

The FRSCC must be adopted and disclosed by Suppliers in any location and situation and all its relationships, whether with agents or other interested parties, to preserve and strengthen the quality and supervision of the entire value chain, in accordance with the applicable legislation, technical standards and good practices defended by FARM Rio.

Failure to comply with this FRSCC may lead to the application of resolutions and sanctions, including contractual penalties such as the suspension or blockage of the Supplier from the Company's Suppliers Enrollment Registry or even the termination of contracts and/or the relationship business, without prejudice of any additional legal measures (e.g., losses and damages) that the Company may be entitled, as a result from the applicable legislation.



#### II. FARM Rio's Code of Conduct

#### COMPLIANCE WITH LOCAL LEGISLATION & QUALITY STANDARDS

#### Compliance with Local Legislation

All Company's Suppliers shall take upfront responsibilities and advanced measures to guarantee and evidence the compliance of its activities with the national and local legislation applicable to their business, especially those related to labor, health, tax, consumer, and social-environmental matters. Whenever required by the Company, Suppliers shall be able to evidence their business' compliance with in-force laws and regulations.

#### Compliance with Quality Standards

All Company's Suppliers shall take upfront responsibilities and advanced measures in order to guarantee and evidence the compliance of its products, goods, and services with the technical standards stated by local laws and regulations as well as those quality specifications required by the Company, especially those laws, regulations and contractual specifications regarding products physical and chemical characteristics and their related safety and healthy consume conditions. Whenever required by the Company, Suppliers shall be able to evidence their business' compliance with these standards and specifications.

#### Auditable Production Systems

Under its own business autonomy, the Company's Suppliers should seek to adopt production systems, related procedures, and controls that enable the Company and third parties to evaluate and audit the quality of the Suppliers' line production system and products.

#### Subcontractors' Suppliers Responsibilities

All Company's Suppliers shall be held fully responsible for assuring its subcontractors' compliance with this FRSCC, being also responsible for their subcontractor's actions taken in connection with the supplying services and obligations settled by and between the Supplier and the Company. The Company's Suppliers shall adopt reasonable measures, under their discretion, to enforce this FRSCC or similar conditions to their subcontractors.

#### Supplier's Corporate Governance Minimum Structure and Accountability

Subject to the right of self-organization and association, the Company's Suppliers shall present reasonable corporate governance structures and controls that clearly foresee and hold accountable members of the



board, executives, administrators, managers, or supervisors (as the case may be) for executing and guaranteeing the full compliance with this FRSCC, local legislation and regulations, and technical standards.

#### SUSTAINABILITY AND ENVIRONMENT

#### Socio-Environmental Compliance and Training Programs

All Company's Suppliers shall comply with the applicable environmental legislation and present in force and valid licenses, permits, authorizations, certificates, registries, enrollments required by laws and regulations deemed as mandatory or essential to assure the legal compliance and/or the minimum contractual performance of their business. Whenever the Company requires, Suppliers shall present documents that evidence such legal compliance with the environmental legislation. Further to the above, the Company recommends that Suppliers provide environmental education programs and training to their staff, strengthening the importance of environmental compliance and adopting best practices.

#### Environmentally Sound Waste Management and Destination

All Company's Suppliers shall represent and guarantee their sole and exclusive responsibility for providing the environmentally sound waste management and destination of their (hazardous and non-hazardous) residues by taking reasonable actions to (whenever applicable) prevent, mitigate or compensate wrongful impacts, environmental damages and/or ground and water contaminations (directly or indirectly) caused by their activities, such as (i) providing technical training and programs to educate their staff on how to provide sound waste management correctly, (ii) contracting environmentally licensed and certificated service providers dully enrolled before the environmental competent agency; (iii) enforcing contracts and clauses that require the monitoring the collection, transportation, management and final destination the Supplier's residues.

#### Take Back Responsibilities, Upcycling and Circular Economy

All Company's Suppliers shall represent and guarantee their strict compliance with tack-back policies, whenever applicable, according to enforced laws and regulations, being also exclusively responsible for such compliance. The Company encourages its Suppliers to reuse, upcycle, and recycle all their residues prior to giving them a sound waste final disposal. The Company is open to negotiating CMT subproducts.

**Chemical Substances Control and Reduction** 

All Company's Suppliers shall represent and guarantee their strict compliance with chemical use and management policies, whenever applicable, according to in-force laws and legislations. All Company's Suppliers shall represent and ensure they take reasonable actions to control and reduce their use of chemicals in the production of goods and services contracted by the Company, especially those chemicals deemed as harmful, toxic, flammable, or dangerous to the environment and human health and safety. All Company's Suppliers shall also acknowledge their sole and exclusive responsibility for any harm and/or damage caused to human health or environment quality arising from the wrongful management of chemicals.

# Climate Change Impacts and the Transition to a Low-Carbon Economy

The Company formally acknowledges global warming as a severe collective problem resulting from the intensification of historical human activities. The climate change impacts in the short, medium, and long terms are undeniable, and their severe consequences on society and the global economy require responsive answers to preserve and expand the Company's businesses in a low carbon economy. Along with the Company climate change adaption plan (stated in the Company's Sustainable Policy), the Company highly recommends that their Suppliers deal with this ongoing reality and address new business strategies, goals, policies, and plans that guide the conversion of their activities and portfolio to a low carbon economy basis, by the UN Sustainable Development Goals, to preserve their good business relationship with the Company in the medium and long terms.

# Sustainable Good Practices and Promotion of Benefits

The Company believes the adoption of voluntary and additional environmental measures beyond the minimum and mandatory environmental requirements and standards established by law and regulations (sustainable good practices) by Suppliers is a vital sign of potential longer-lasting business relationships. The Company highly recommends its Suppliers to adopt such good practices.



#### HUMAN, SOCIAL AND LABOUR RIGHTS

#### Protection of Human Rights and Social and Labor Statutes

The Respect and commitment to the preservation, protection, and enforcement of human rights, hereby deemed as all liberties, rights, and freedoms, including the right of action and appeal, and their related guarantees stated in the Universal Declaration of Human Rights of the United Nations, as well as in other international conventions and treaties applicable to the Supplier, according to the execution of their business (including but not limited to those listed below) or any other national legislation that entitles and protects individuals right of living with dignity, is an essential condition for becoming and remaining a Company's Supplier. The proven violation of this commitment may characterize an agreement dealbreaker due to good cause, regardless of any other legal or contractual sanction eventually applicable against the Supplier. Here, we list indispensable references of international conventions:

- ILO Convention 182 on Prohibition of the Worst Forms of Child Labor;
- United Nations Convention on the Rights of the Child of the Organization of United Nations;
- ILO Conventions 29 and on Forced or Compulsory Labor;
- ILO Convention 111 on Discrimination in Employment and Occupation;
- ILO Conventions 87 and 98 on the Right of Association.

#### Combating Forced Labor or Slavery-Like Practices

Any forced labor or practices similar or equivalent to slavery, including the submission of workers to exhausting hours, precarious conditions of health or hygiene, retention of documents, deprivation of liberties or easements for debt (ILO Conventions 29 and 105), are absolutely intolerable and forbidden by the Company, under penalty of immediate withdrawal of the Supplier from the value chain, despite any other applicable legal consequences or contractual sanctions and measures, being certain that the Supplier shall take full responsibility for compensating any adverse impacts resulting from that violation.

#### **Combating Child Labor**

Any practice of child labor by our Suppliers is absolutely forbidden, under penalty of immediate withdrawal of the Supplier from the value chain, despite any other applicable legal consequences or contractual sanctions and measures, being certain that the Supplier shall take full responsibility for compensating any adverse impacts resulting from that violation.

Suppliers and their subcontractors must have to observe the rules established by the International Labor Organization ("ILO"), in particular, but not limited to, Conventions Nos. 29, 105, 182, and 138, and their protocols and complementary recommendations, also observing the minimum age for admission to employment or work established therein, such as employees under 18 shouldn't be employed in hazardous conditions.

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# Freedom of Association and the Right to Collective Bargaining

All Company's Suppliers shall respect the right of their employees and workers, without distinction, to (i) join or form trade unions of their own choosing, (ii) bargain collectively, (iii) not be discriminated as a union representative, and (iv) carry out their representative functions in the workplace (ILO Conventions 87, 98, 135 and 143). The Company repudiates any forms of inhibition or retaliation against unions or worker protection organizations. Where the right of free association and collective bargaining is somehow restricted by law, the Company encourages their Suppliers to facilitate, voluntarily, and does not hinder the development of parallel means for promoting the free association and bargaining.

# Qualified Health and Safety Management

The Company highly encourages its Suppliers to promote the continuous improvement of conditions of work, relying on policies and strategies that seek to ensure the balance between hours of work and rest, respecting working hours limits and encouraging intervals and hours of rest and leisure, according to labor legislation and conventions or collective agreements.

#### Working Conditions are Safe and Hygienic

All Company's Suppliers shall also comply with laws and standards relating to occupational safety and health, including the implementation of risk training and prevention measures in order to promote a safe work environment, healthy and hygienic, with good conditions that encourage productivity, ensuring clean bathrooms, potable water, adequate safety equipment (individual and collective), as well as sufficient lighting, ventilation, and locomotion spaces and optimized for the workplace. If kitchens, dining rooms, or dormitories, they must be safe, clean, and meet all needs workers' basics.

#### Decent Work and Fair Remuneration

All Company's Suppliers shall promote policies on incomes and wages that ensure all employees a fair and reasonable payment in the legal tender at regular intervals, in accordance with the category national minimum compensation or industry benchmark standards, whichever is higher for the category, as well as all benefits guaranteed by current legislation or pursuant to determine by local collective bargaining agreements, in addition to working hours regulations of work, the limit of daily hours and paid weekly rest, as current local legislation to meet the needs of the worker.

The payment of wages and shall observe the job profile and function expected, as well as the employee performance, forbidden any kind of discrimination based on gender, nationality, color, race, religion, social class, sexuality, health condition, pregnancy, age, union affiliation or political conviction. Deductions from wages as a disciplinary measure shall not be permitted, nor shall any deductions from wages not provided for by national law be permitted without the expressed consent issued and registered by the

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worker concerned. The Company encourages that all disciplinary measures taken by Suppliers should be recorded.

#### Labor Journey

All Company's Suppliers shall comply with the limit of maximum working hours as permitted by national laws and/or collective agreements settled with unions or employee's representatives. Whenever national laws conflict with those collective agreements, the Company highly recommends that the Supplier shall privilege whichever (law or collective agreement) provides greater protection for workers. The labor journey, therefore, excluding overtime, should be defined by contract and shall not exceed the labor maximum journey admitted by law or agreed upon in collective agreements.

Moreover, overtime should be voluntary and should not become a rule and replace the ordinary labor journey, be used responsibly. In this regard, the Company highly recommend their Suppliers should previously consider and balance the following criteria whenever using overtime scales to prevent questionable maneuvers that may imply into fraud of the labor legislation:

- (i) be aware of the extent, frequency, and hours of overtime worked by an individual, considering the available workforce as a whole;
- (ii) overtime shall always be compensated at a premium rate. As a benchmark, the Company suggests the premium rate paid due to overtime does not undercome 125% of the ordinary pay;
- (iii) workers shall be provided with at least one day off in every 7-day period or, where allowed by national law, 2 days off in every 14-day period.
- (iv) The total hours worked in a 7-day period should not exceed 60 hours, saved exceptional circumstances under motivation, proof, and registration of the following:
  - the exception circumstance is allowed by national law or collective agreement freely negotiated with a workers' association that represents a significant portion of the workforce;
  - appropriate safeguards are taken to protect the workers' health and safety;
  - in case the work takes place in hazardous, confined, or unhealthy locations, additional compensations and limitations of overtime working hours should be taken;
  - the employer may be able to proof and evidence that exceptional circumstances have occurred and were applied (i.e. unexpected production peaks, eventual accidents, or emergency circumstances).

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#### Prejudice and Discrimination are not Admitted

All Company's Suppliers shall not tolerate any act of prejudice or discrimination within its administrators, executives, employees, staff, candidates, and former employees. Everyone should be treated equal, with dignity and respect, regardless of their color, gender, social class status, race, sexuality, marital status, health status, pregnancy, age, religion, including union affiliation and political conviction, or any other prohibited parameter by Law. The Company highly encourages its Suppliers to promote a free environment of prejudice and discrimination, always respecting and defending human rights and valuing diversity.

#### Diversity, Equity, and Inclusion

The Company encourages its Suppliers to adopt, as we do, corporate policies that promote equal treatment, compensation for function, promotions, and new opportunities for all administrators, executives, employees, staff, and candidates, without discrimination of any kind, except for encouragement to the representativeness, inclusion, and plurality of minority groups in the framework of employees and leadership positions.

#### Combating Violence and Harassment

Any form of (moral, psychological, emotional, or sexual) harassment or (psychological, or physical) violence or persecution, or vexatious exposition (stalking and bullying), regardless of whether they occur inside or outside the work environment, is absolutely intolerable.

The Company's Suppliers that violate this guideline and/or have been complacent, tolerate, or even omitted in supervising and punishing these undesirable practices, after all due investigations, may be immediately removed, without prejudice to the adoption of applicable contractual and legal measures, and the report of facts to the competent authorities.

#### Corrective and disciplinary measures

All Company's Suppliers shall not apply any other kind of disciplinary measures against their staff and employees, provided those strictly foreseen in the applicable legislation to warn, suspend, or terminate contracts – provided the proportionality of sanctions and the right of the alleged offender to be heard and to explain him(her)self. The Company repudiates any practice of disciplinary acts based on corporal punishment, psychological, financial (except those strictly permitted by law), intimidation or threats (physical or verbal), or any other not authorized by law.

#### Migrant Workers

The Company encourages all kinds of diversity. Nonetheless, the Company highly recommends Suppliers strictly follow the legal requirements and conditions to legally hire and/or provide the due regularization of migrant workers. Whenever required by the Company, Suppliers shall evidence the due regularity of workers engaged in the production of goods and services contracted by the Company, including the visas and other documentation that appoints the country of origin of eventual migrant workers and their current status. For that, the Company highly recommends that Suppliers ensure that Migrant Workers:

- (i) have access to all their legal rights, benefits, and well-being;
- (ii) are due authorized and held in force and valid visa to work in the country;
- (iii) are treated with respect, responsibility, and dignity, with no discrimination;
- (iv) are due enrolled before the government's social security agency and labor bodies;
- (v) have access to professional training and qualification, including education on their rights;
- (vi) have access to the same opportunities other workers may have (i.e. promotion conditions);
- (vii) are not under the oppression of Recruitment Agencies, Labour Providers, or the Supplier itself,

Any kind of document retaining against the workers will characterize slavery-like practice, being subject to legal and contractual consequences indicated in the guideline "Combating Forced Labor or Slavery-Like Practices".

#### Human Trafficking and Migrant Smuggling

In compliance with the UN Convention against Transnational Organized Crime, as well as pursuant to the California Transparency in Supply Chains Act (SB657) and the UK Modern Slavery Act of 2015, the Company shall not set business with Suppliers based on those countries that have not ratified the UN Protocol to Prevent, Suppress and Punish Trafficking in Persons. By its sole discretion, the Company shall block from its Enrollment Supplier Registry and suspend all kind of business with any Supplier that (i) support or hire (directly or indirectly) workforce from organized networks or individuals related to Human Trafficking and Migrant Smuggling practices; and (ii) have been convicted, investigated and/or somehow connected with human trafficking and migrant smuggling.

#### Parental Leave and Pregnant Support

Following the Company's lead on diversity subject, the Company recommends its Suppliers adopt and provide favorable corporate policies on maternity leave and paternity, encouraging the extension of benefits to same-sex couples and single-parent families.

Prohibition of the Use of Alcohol, Narcotics and Weapons

The Company's Suppliers represent and guarantee that no consumption of alcoholic beverages or narcotic substances (nor the performance of work under the effects of those substances) shall be allowed during the performance of the contracted goods and services, neither in the commercial relationship with the Company. Further, the Company's Suppliers also represent and guarantee that weapons of any kind are permitted in their facilities, except by professionals dully trained and/or by people expressly authorized to do so.

# Outsourcing

The Company's business relationships are based on mutual trust. The Company selects its Suppliers based on the capability and capacities provided by the Supplier to perform the production under contract. The Company strongly recommends its Suppliers to not outsource any production process to a third party if there is capability and capacity in the Supplier's main site. Suppliers shall disclose any subcontractors or outsourced parties to the Company via email to <u>globalcompliance@farmrio.com</u> and provide certain information upon request. This code of conduct must be implemented through all subcontracted sites, including homeworkers.

#### 10. Regular employment is provided

To every extent possible, work performed must be based on a recognized employment relationship established through national law and practice. Obligations to employees under labor or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labor-only contracting, sub- contracting, or home-working arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment, nor shall any such obligations be avoided through the excessive use of fixed-term contracts of employment. Younger workers shall be given the opportunity to participate in education and training programs.

# Prohibition of Corruption

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The Company repudiates and does not accept any form of corruption, active or passive, public and private, including by its Suppliers, with any corrupt practices, such as bribery, overpricing, promises of advantages (such as unofficial jobs, payments or fees) to you or others, provision of services without invoice, money laundering, extortion and payment of facilitation. In accordance with the US Foreign Corrupt Practices Act of 1977 and other applicable international laws, suppliers may not pay bribes or otherwise make improper payments. In the event a suspicious corruption episode occurs and/or involves a Supplier, the Company will seek to monitor the investigation upon the Supplier cooperation. Meanwhile, the Company may take upfront and preliminary measures to block the Supplier from its Enrollment Supplier's Registry and suspend of kind of business with any Supplier until the investigation reaches its conclusion, in accordance



with contractual provisions. Supplier who may be held responsible for corruption may be block, suspended or even excluded from the Company's Enrollment Supplier Registry, regardless any other legal and contractual consequences, including compensations to third parties.

#### Free Competition

The Company encourages the free competition among its Suppliers in benefit of the market efficiency, competitiveness, fair prices, and product quality. In this regard, the Company repudiates all forms of unfair competition and predatory pricing practices (such as dumping), and/or schemes that may jeopardize the Company's efficiency in accessing markets fair prices in their chain of supply, including cartels and unfair sharing of information among Suppliers to illegally influence the market price. Suppliers who may be connected with predatory practices may be blocked, suspended, or even excluded from the Company's Enrollment Supplier Registry, regardless of any other legal and contractual sequences, including compensations to third parties.

#### **Receiving Gifts and Other Offers**

All Company's Suppliers shall not offer or provide gifts, benefits, or considerations to the Company's executives, administrator, employees, and staff, including travel, accommodation, meals, and entertainment invites, except those considered as of a promotional nature, impersonal, negligible commercial value (limited to the amount of U\$100). The recurrence in the offer and/or acceptance of gifts, benefits, or favors, even if limited to that abovementioned value, may suggest undue concession and should be avoided.

#### Kinship and Intimate Relationships

All Company's Suppliers shall keep an impartial and professional business relationship with the Company. Any degree of kinship, consanguinity, or affinity, as well as romantic relationships or close friendship between Suppliers and the Company's executives, administrators, employees and/or staff that may influence or interfere with the contracting or negotiation processes with the Supplier, shall be previously informed by Supplier to the Company, under penalty of disqualification.

#### **Conflict of Interests**

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All Company's Suppliers must inform the Company of any possible conflicts of interest, thus understood as any situation capable of influencing the decision of business of the Company, immediately from the knowledge of such condition.

Relations with Authorities and Government Employees

All Company's Suppliers shall represent and guarantee their strict compliance with the rules related to foreign law, among which are examples of the Foreign Corrupt Practices Act - FCPA of the United States of America and the United Kingdom Bribery Act of the United Kingdom in the relationship with authorities and public servants during professional practice. The Company highly recommends its Suppliers and staff to adopt a respectful, ethical, and professional relation, with a strict focus on the subject to be dealt with, avoiding individual meetings and behind closed doors and observing the limits imposed by the legislation that governs the conduct of the public.

#### **Communication to Employees**

The communication and relationship between Suppliers and the Company's executives, administrators, employees, and staff shall be guided by the clarity and integrity of the information, courtesy, ethics, honesty, respect, equal treatment, and opportunities.

Our Suppliers are not authorized, for internal or external purposes, to use the logo and images of the Company, nor provide information about their commercial relationship with the Company and the products that are contracted. Posts and/or comments regarding the Supplier and its business relationship with the Company on press, social media, and websites are unauthorized, except when expressly permitted or granted by the Company. The same applies to the Company concerning its Suppliers.

#### Secrecy and Confidentiality of Information

All Company's Suppliers must observe the duty of secrecy of confidential information and/or sensitive issues involving your business relationship with the Company, which extends to administrators, representatives, and agents, who protect the documents and data made available by the Company, who must use them responsibly and ethics, under contractually established terms.

#### Copyright

All products and services developed by the Company, including brands, drawings, images, domain names, and logos, even if produced in cooperation with our Suppliers or characterized as leftovers at the end of a particular production, shall be deemed as original and exclusive property of the Company, know as of Company's intellectual property. Therefore, in addition to protecting them, Suppliers may not disclose and/or market them without prior and express authorization from the Company.

#### **Privileged Information**

It is strictly prohibited to use any information obtained by yourself or third parties due to professional practice or commercial relationship with the Company, except notoriously public information or demonstrably accessible by other means to the user.

# Privacy & Security

All Company's Suppliers shall comply with applicable privacy and data protection laws and maintain privacy and security policies and controls that meet or exceed all applicable legal and regulatory requirements.

# FURTHER COMPLIANCE GUIDELINES

#### Counterterrorism

Consistent with local and international legislation applicable – especially the United Nations Convention on Terrorism – the Company is firmly committed to the global fight against terrorism and/or any order kind of violence (moral, physical, psychological, emotional, sexual) based on xenophobia, discrimination of all kind, and/or political or religious reasons. The Company shall block from its Enrollment Supplier Registry and suspend any kind of business with any Supplier that, directly or indirectly, support, fund, individuals, or entities associated with terrorism.

#### **OFAC Compliance**

The Company shall block from its Enrollment Supplier Registry and suspend any kind of business with any Supplier that will act or provide any materials or services, directly or indirectly, for or on behalf of any country, person or entity that appears on the Specially Designated Nationals and Blocked Persons List, as maintained by the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury or is otherwise subject to OFAC sanctions.

#### North Korea

The North Korea Sanctions and Policy Enhancement Act of 2016 includes a provision that any goods, wares, merchandise, and articles made by North Korean citizens or nationals anywhere in the world are presumed to be forced-labor goods under Section 307 of the Tariff Act of 1930. Any shipment of goods believed by US Customs and Border Patrol to be made with forced and/or prison labor may be banned from all US ports of entry.

Suppliers must ensure that no North Korean nationals or citizens are employed in the manufacture of FARM Rio's raw materials or finished goods wholly or in part. Suppliers must immediately notify the Company at globalcompliance@farmrio.com should they become aware of any North Korean workers in any manufacturing stage so appropriate next steps can be taken by the Company. Suppliers must promptly



provide all documentation required by the Company and the applicable authority to receive back any banned products by such power due to their link or suspected link to North Korea.

The Company will utilize its existing verification processes and procedures to ensure compliance.

# 17. Uyghur Forced Labor Prevention Act (UFLPA)

The Uyghur Forced Labor Prevention Act (H.R.6256) aims to ensure that goods made with forced labor in the Uyghur Region (or through government labor schemes involving Uyghurs, Kazakhs, Kyrgyz, Tibetans, or members of other persecuted groups) do not enter the United States market.

Suppliers must ensure that no products manufactured by the Company are linked in any way to the Xinjiang Uyghur Autonomous Region (XUAR) and must be able to clearly demonstrate, upon request, that the merchandise was not mined, produced, or manufactured wholly or in part by forced labor, this includes indirect connections such as subcontractors, recruitment of workforce, or investment activities that are connected to the XUAR region. Suppliers must immediately notify the Company at globalcompliance@farmrio.com should they become aware of any direct or indirect links or suspected links, to the XUAR or any forced labor, so the Company can take appropriate next steps. Suppliers must promptly provide all documentation required by the Company and the applicable customs authority to release any products detained by such customs authority due to their link or suspected link to XUAR.

#### III. Compliance

To ensure that suppliers and subcontractors are fulfilling their obligation to implement and monitor compliance to this Code of Conduct, the Company reserves the right to monitor and supervise its Supplier's compliance status, including by undertaking in loco or remote verification audits through internal or external parties. Whenever required by the Company, Suppliers shall be able to evidence their business' compliance status with the applicable law, standards, and specifications set forth herein.

Audits should verify all the points mentioned in this FRSCC as well as all applicable practices related to Health and Safety, Environmental Assessment, and Business Ethics. Suppliers shall be able to receive the auditing body and related requests for the necessary period for walk-through evaluation, confidential interviews and documentation reviews. In case of any non-compliance issues, the Company highly recommends its Suppliers agree to undertake the Corrective Action Plan suggested by the auditing body requiring Suppliers improvement. The Corrective Action Plan shall state the period allowed for remediation of non-compliances, which are passive of a follow-up audit.

In the event the Supplier rejects or prevents the occurrence or conclusion of an audit, the Supplier will automatically be fully in breach of this FRSCC and may lose the right to produce or organize production of

goods for the Company. The frequency of full audits will be determined by initial audit results, varying from 1 year (for "B", "C", and "D" grades) to 2 years (for "A" grades). To fully understand grading criteria, please refer to Annex A. The principle and guidelines provided herein aim to strengthen our corporate relationship with the Company's Suppliers, as well as clarify situations, to prevent or mitigate the generation of potential conflicts in the business relationships settled by the Company, including negotiations, commercial proposals, and entering into contracts and agreements. All provisions set forth herein shall not replace national laws nor become a key reference that shall mandatory govern the national labor's inspection work and oversight bodies' activities. Furthermore, the FRSCC is a private document created to guide the Company's business relationships with their Suppliers, and in this sense, shall not be used as a legal or contractual basis to support any employment claim between Suppliers and their employees nor Suppliers and the Company.

#### PENALTIES AND VIOLATIONS

Any violations (and/or suspicious violations) on this FRSCC shall be reported to the Company via email to <u>globalcompliance@farmrio.com</u>. Additional information on the alleged violation may be requested to collect all information necessary to drive an internal investigation. The Company assures the anonymization of any report on alleged violations. Once confirmed, the violator of this FRSCC is exposed to legal and contractual sanctions (such as suspension or blockage of the Supplier from the Company's Suppliers Enrollment Registry or even the termination of contracts and/or the relationship business, without prejudice of eventual losses and damages and other consequences eventually due to the Company or third parties, as a result from the applicable legislation.



Annex A

Grading criteria

Audits can be graded differently according to the scheme used (e.g., SMETA, BSCI, Higg FSLM, etc). To standardize the grading criteria, FARM Rio developed a matrix crossing the number of non-compliances (NCs) with its impact level. Please note the matrix in the Figure 1 below:

IMPACT	0	1	2	3	4	5	6	7	8	9	10+
MINOR		A	Α		Α	Α	в	B	B	B	C
MAJOR		Α	B	B	B	C	C	C	C	D	D
CRITICAL		C	C	D	D	D	D	D	E		E
BUSINESS CRITICAL		D	E	E	E	E	E	E	E	E	E

#### AUDIT RESULTS > FARM GRADING

Fig. 1: FARM Rio Grading Matrix

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The frequency of audits will be determined upon grading. Please note below in Figure 2:

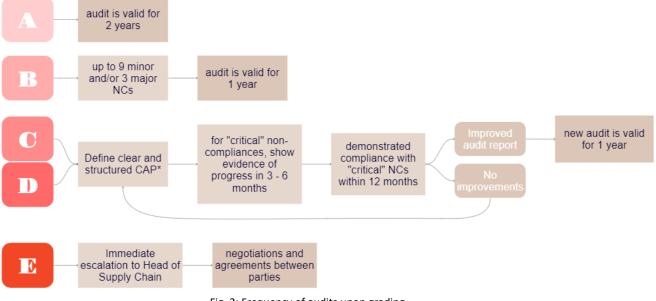


Fig. 2: Frequency of audits upon grading.