

# Code of Ethics

## Introduction

AAC Têxteis recognises that as a manufacturer, it is directly responsible for causing harm to the environment and is totally committed to reducing this impact at every possible opportunity. The unprecedented environmental crisis we, as a global society, are facing, requires radical collective action and AAC Têxteis' approach to being part of the solution, relies on an overarching focus on kindness to both the environment and people. As a business, the company's economic performance, interests and desires are hugely important, but that does not have to be at odds with a business conduct that values the common good and promotes prosocial behaviour. This Sustainability Policy outlines those fundamental principles that underpin AAC Têxteis' efforts to reduce the impact it has, create a fairer society and enact positive change.

## Objective of this code of ethics

This Code of Ethics (hereafter referred to as the "Code") communicates AAC Têxteis' deep commitment to sustainable and ethical business practice, whilst outlining the foundational principles and values upon which it is based. It also sets out to provide a framework for those who work with AAC Têxteis, to make being ethical as easy as possible. The Code plays an integral part in facilitating and promoting a company-wide culture of ethical behaviour, so that ethical considerations are kept top of mind and ethical practice becomes the norm.

## AAC Têxteis

AAC Têxteis understand creative ideas, fully embody the artistic vision and emotions behind them in distinctive garments of the highest quality and throughout the process, take every possible opportunity to move closer to a truly sustainable society. Where those opportunities do not yet exist, AAC Têxteis has to make them.

Our ambition is to change the role of what a manufacturer is and ultimately, elevate 'Made in Portugal' to world leading status.

AAC Têxteis is, above everything else, a family business. Since its establishment in 1984, the management have been operating in a reality, in which the company is regarded as their heritage, to be passed down to the following generation, or taken on from the previous one. Naturally, the sense of attachment to and responsibility for AAC Têxteis, as a representation of the family legacy, intensifies and so too does the commitment to and respect for those people helping the company achieve its aims. Both AAC Têxteis' corporate culture and business conduct have been shaped by this family essence and the company believes that its most basic responsibilities are to deal, at all times, with compassion, empathy, awareness and trust and provide a safe, reliable and supporting working environment for each and every one of its employees.

As may be the case with many family business models, AAC Têxteis' operational approach had to be carefully learnt and fully understood, before being passed on to the current generation. That manner of working has not only provided the foundation for the current management to build upon, as it has taken the company to new levels, but will provide a clear reference point for any future direction.

This approach is underpinned by the following fundamental values:

- Kindness
- Being a change maker
- Excellence
- Removing barriers to creativity
- Complementarity

## Expectation

As much as, AAC Têxteis actively demands that its managers, employees (including temporary employees), suppliers and subcontractors comply fully with the principles set out in this Code, it also recognises that creating a healthy, safe and ethical culture is ultimately its greatest responsibility.

AAC Têxteis start from the assumption that, all humans make mistakes, and this shifts the emphasis away from who caused the problem, to what has gone wrong at a broader organisational level. This means that genuine mistakes become learning opportunities for immediate correction and future prevention. AAC Têxteis is convinced that this is the most effective strategy for achieving a company-wide culture of ethical behaviour that keeps ethical considerations top of mind, at all times.

# Principles

## Equality and anti-discrimination

AAC Têxteis categorically rejects any form of discrimination and is totally committed to ensuring that all people are treated equally, throughout all areas of business, including but not limited to: hiring, remuneration, access to training, promotion, contract termination or access to retirement.

The dignity, privacy and rights of each and every person that is part of, or works / interacts with AAC Têxteis shall be respected and guaranteed. No one person shall be privileged, benefited, impaired, deprived of any right or exempt from any duty based on age, sex, race, ethnicity, language, nationality, sexual orientation, gender identity, disability, personal and social conditions, education, religious or political beliefs, trade union association or opinions, economic status, or on any other discriminatory basis.

## Child labour

AAC Têxteis rejects and is against child labour. This is reinforced in recruitment processes and policies: no person under the age of 18 is permitted to work for AAC Têxteis. This also applies to all AAC Têxteis' supply chain partners, with any suppliers outside of Portugal required to, at the very least, fully comply with the minimum working age prescribed in the laws and regulations of the country where their activities are carried out.

## Forced or compulsory labour

AAC Têxteis rejects and is against all forms of forced or compulsory labour, including but not limited to restrictions on workers' freedom of movement, withholding of wages or identity documents (or any other personal property for that matter), threats and intimidation, punishment or any other form of slavery or human trafficking. All employees (including temporary employees) of AAC Têxteis and its supply chain partners shall have the right to enter into and leave employment voluntarily and freely, in accordance with minimum notice periods prescribed by law.

## Health, safety and well-being

AAC Têxteis believes that the first promise a company should make to their employees (including temporary employees) is the guarantee of a safe, supportive and healthy working environment. AAC Têxteis takes all necessary measures to protect the health and physical, psychological and social well-being of its employees, suppliers, subcontractors, customers and visitors.

The safety and well-being of all employees is regarded as an integral part of creating a company-wide habit of excellence and a fundamental indicator of competent management. AAC Têxteis strives to maintain a safety culture through measures, such as regular risk assessments, risk mitigation and prevention planning, emergency response and contingency planning and continuous staff training.

## Freedom of association and the right to collective bargaining

AAC Têxteis respects the freedom of association and the right to collective bargaining. All employees (including temporary employees) have the right to form or associate with unions, as well as the right to collective bargaining (to be conducted freely and in good faith by all parties), without any negative consequences, retaliation or discrimination.

## Disciplinary practices

AAC Têxteis commits to treating all people with respect and dignity. Under no circumstances whatsoever are any instances of physical or verbal abuse, threats of violence or any other forms of intimidation or abuse of power permitted.

## Prevention of harassment at work

AAC Têxteis rejects harassment of any kind, be it physical, verbal, sexual or psychological. Any related form of unwanted behaviour that demeans, humiliates, embarrasses, intimidates, distresses or threatens another person or contributes to an intimidating, threatening, offensive humiliating working environment will not be tolerated, as it would completely contravene the safe, supportive and respectful workplace that AAC Têxteis promotes.

## Remuneration, working hours and work-life balance

AAC Têxteis is very aware that its success is almost entirely attributable to the professional excellence of each and every one of its employees and is totally committed to offering a working culture and environment, that reflects its appreciation and gratitude to them.

The provision of a flexible work culture and promotion of a healthy work-life balance, to ensure that every employee can benefit from and enjoy a healthy balance between work and home life, is considered by AAC Têxteis as essential.

On a very fundamental level, AAC Têxteis guarantees normal working hours (40 hours), in accordance with Portuguese law and a remuneration system that, at the very least, provides a living wage (the minimum income necessary for a worker to meet their basic needs) and respects minimum wage law.

The conditions, rights and responsibilities of both the employee and AAC Têxteis, are outlined in the "Employment Contract", which includes confirmation of agreed remuneration and working hours and is signed by both parties, to indicate full agreement and commitment to the terms outlined in that contract.

# Accountability

An ethical culture demands a culture of accountability too. AAC Têxteis's management totally accept, that for accountability to become the norm, they themselves must take full responsibility for the impact of their decisions on stakeholders, society in general, the environment and the economy (at all levels). This means being completely accountable to shareholders, the public and any regulatory or other competent authorities. As a company, AAC Têxteis has always endeavoured and will continue to endeavour to design and have systems in place, that make being ethical as easy as possible. Any such commitment, requires a readiness to fully accept the consequences of any wrongdoing and take any necessary corrective measures immediately, to guarantee that learning happens and unethical behaviour is prevented.

# Transparency

Any attempt to generate an ethical culture, has to be built on mutual trust and AAC Têxteis's management recognizes that for this, trust must be earned. AAC Têxteis sees honesty as the fundamental way of earning trust and the management places huge significance on the transparency of its activities, policies and decisions. It explains its decisions and the motivations behind them, in a clear, precise, timely and complete manner, to those that decision affects. AAC Têxteis is not yet radically transparent, as the balance between transparency and the protection of commercial information is a difficult one to strike. However, part of AAC Têxteis's commitment to transparency involves acknowledging limits, admitting faults and ultimately, working towards resolving these problems.

# Sustainability

AAC Têxteis recognises that as a manufacturer, we are directly responsible for causing harm to the environment. AAC Têxteis is committed to taking every possible opportunity (across its supply chains) to reduce this impact and to create a fairer society. Where these opportunities do not yet exist, AAC Têxteis has to make them. The current steps being taken involve: new requirements for current and prospective customers, who must demonstrate a keen interest in and commitment to sustainability; a transition towards only offering sustainable materials for the development of customer products; and the creation of an integrated system for identifying and assessing the most innovative sustainable materials.

# Stakeholder engagement

AAC Têxteis's voice is a collective one. This means, AAC Têxteis develop the most effective systems and processes, to better understand the perspectives and concerns of all its stakeholders, as they relate not only to how the company should operate and develop, but also, its responsibility, on a much broader societal level. It is AAC Têxteis's duty to facilitate inclusive communication, so that all stakeholder voices are heard and acted upon, in the company's strategic decision-making processes.

# Legality

In addition to this Code and at the fundamental level, AAC Têxteis's conduct is informed by full compliance with all national and international laws and regulations applicable to its activity, including, but not limited to: the UN Declaration of Human Rights; the conventions of International Labour Organization (ILO); Human rights norms; Portuguese labour laws (CT); Public policies on diversity and anti-discrimination, Gender equality and work-life balance and all other international and national legal instruments specifically referenced in SA8000 and NP4552 standards.

# Monitoring the application of this code

In order to facilitate and promote a company-wide culture of ethical behavior, through which ethical practice continues to be the norm in day-to-day behaviour and ethical considerations remain top of mind, AAC Têxteis has established a Social Performance Team (SPT), whose primary responsibilities are:

- ensuring that any current and future company strategies and practices remain anchored to and guided by the principles specified by this Code;
- designing and sustaining a system that make being ethical as easy as possible;
- facilitating internal communication between employees and management, so that suggestions, recommendations and criticisms or complaints can be made in full confidence and a collective sense of ownership of and involvement in the ethical culture exists;
- monitoring, evaluating and maintaining AAC Têxteis's (including management, employees, suppliers, subcontractors and any other relevant stakeholder) compliance with the principles, via internal and external auditing;
- carefully analysing and identifying any causes of non-compliance or more general areas for improvement, to guarantee the application of most appropriate corrective and preventative measures.

Suggestions, recommendations and effective feedback are integral to the continuous improvement of AAC Têxteis's ethical system and readers of this Code are actively encouraged to communicate any such feedback through:

- physical suggestion boxes and the electronic form for employees (including temporary employees), available on our website.
- the electronic form for any external reader, available on our website.

## Supplier and subcontractor requirements

AAC Têxteis entrusts and relies upon its suppliers and subcontractors, to ensure that the ethical culture defined and outlined in this Code, is reinforced at every possible opportunity, throughout all its supply chains. As much as this Code is concerned with ensuring the full compliance of AAC Têxteis's employees (including temporary employees) and its suppliers and subcontractors, AAC Têxteis also realises its own duty to create, nurture and maintain that ethical culture, so that ethical practice is always top of the mind and woven into everyday behaviour.

In order to ensure that this ethical culture is being maintained, AAC Têxteis's suppliers and subcontractors are required to know the content of this Code and work with AAC Têxteis, in its attempts to regularly review compliance and performance. This includes: facilitating and supporting any attempt to verify compliance with the Code, via the necessary auditing processes; allowing access to both internal and/or external auditing teams, tasked with assessing degree of compliance and making readily available any relevant documents, that support and evidence compliance with requirements and providing any requisite clarification.

Should a supplier or subcontractor fail to comply with this Code the necessary corrective measures must be taken as a matter of urgency and respective action plan should be sent directly to AAC Têxteis, to be duly monitored. If the necessary corrective measures are not taken, it is at the discretion of AAC Têxteis to decide the correct application of disciplinary measures or sanctions and whether this results in the termination of the existing commercial contract.

Should a supplier or subcontractor of AAC Têxteis subcontract the production of an AAC Têxteis product, they must provide AAC Têxteis with as much advance notice as possible and it is their sole responsibility to ensure full compliance with the requirements set out in this Code.

Suppliers and subcontractors are asked to demonstrate their commitment to ensuring the principles of this Code and the ethical and sustainable business practices they inform, are fully complied with and both understood and reinforced company-wide by signing the "Supplier / Subcontractor Declaration of Commitment".