

AAC Têxteis – Code of Ethics and Conduct

Introduction

Objective of this Code of Ethics and Conduct

This Code of Ethics and Conduct (hereafter referred to as the “Code”) primarily aims to share with all stakeholders AAC Têxteis’ commitment to sustainable development, namely the principles and values by which the company operates as a socially responsible organization.

The Code defines and establishes a set of ethical, responsible and professional rules that form the foundation of our daily practices, both with employees and with third parties with whom we interact within the value chain, namely suppliers, subcontractors, partners, clients, and other entities relevant to our activity.

AAC Têxteis

We are a family-owned company in the textile sector, with over 30 years of experience in the commercialization and production of garments, partnering with international brands. We have evolved and adapted to the high-end and luxury market segments through our investment in service excellence.

We believe it is our responsibility to understand the artistic vision and emotional dynamics that underpin creative ideas, and to incorporate this essence into distinctive, high-quality garments.

The value that AAC delivers lies in the application of our knowledge, which we use to shape tailored solutions in order to strengthen the value and reputation of “Made in Portugal”.

The fundamental challenge we face is finding the balance between fashion and sustainability without limiting creativity.

We expect a strong commitment from everyone in adopting the principles set out in this Code. We operate based on the trust of our clients, partners, and team in implementing the values and principles we stand for.

Mission

To serve our clients by presenting ourselves as a reliable partner, with a passionate team united by the values of ethics and conduct that guide us.

We aim to offer excellent-quality products and services to our partners, finding the right balance between fashion and sustainability, while fostering long-lasting and principled relationships.

Vision

To consolidate our position as a leading company in the development and production of garments, through innovation, technology, and the pursuit of the best solutions for luxury segment brands that manufacture in Portugal.

To elevate “Made in Portugal” to a position of global leadership in the apparel industry.

Values

In alignment with the Sustainable Development Goals, we act responsibly in the interest of a modern and balanced society, capable of generating employment and wealth, while simultaneously respecting nature and human rights, with a view to creating value for all stakeholders. Our values are therefore:

- Ethics and Transparency
- Ambition and Commitment
- Creativity and Innovation
- Social Responsibility and Appreciation of People
- Sustainability and Responsibility
- Citizenship and Cooperation

Sustainability Commitments

Aware that our planet faces major economic, social, and environmental challenges, and in cooperation with different stakeholders to promote prosperity and well-being for all, protect the environment, and combat climate change, we align our economic growth with the social and environmental impact of our actions. Accordingly, throughout the value chain and together with our partners, we are committed to promoting:

- Social practices that promote work-life balance and inclusion;
- Environmental practices that reduce water, energy, chemical and waste consumption;
- Ecodesign practices, more sustainable products/processes, lower-impact raw materials and circular economy;
- Practices that foster strong economic performance, business continuity and stakeholder satisfaction.

Principles

Aligned with AAC's identity and the normative standards on social responsibility and work-life balance, the AAC Management has established the following principles:

Equality and anti-discrimination

All individuals are treated with equality and non-discrimination throughout the different stages of their relationship with the company, including recruitment, remuneration, access to training, promotion, termination of employment, and access to retirement.

The same social dignity is always ensured for all, and no one shall be privileged, favoured, disadvantaged, deprived of any right, or exempted from any duty on the basis of, namely, family responsibilities, sex, ancestry, disability, age, race or ethnicity, marital status, language, territory of origin, nationality, religion or belief, political or ideological convictions, trade union or association membership, education, economic, social or family situation, sexual orientation, gender identity, or any other discriminatory ground.

Child labour

AAC 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. This also applies to all AAC 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 does not use or tolerate forced or compulsory labour, whether through physical coercion, threats, punishment or other practices related to slavery, prison labour or human trafficking. Workers are free, and no pressure or retention of identity documents, wages or other personal belongings may be used to force a person to continue working for the organisation. Workers are free to leave employment, respecting the notice period provided by law.

Health, safety and well-being

A healthy and safe working environment is ensured, promoting the well-being of all employees. To this end, AAC relies on existing infrastructure and measures adopted in compliance with applicable occupational health and safety legislation, including risk assessment, mitigation, prevention, training and response capacity in the event of an accident or emergency. In terms of health and well-being, several initiatives are promoted that contribute to physical, psychological and organisational balance.

Freedom of association and the right to collective bargaining

Freedom of association and the right to collective bargaining are respected, safeguarding employees' freedom to form or join trade unions, as well as their right to collective bargaining, without any negative consequences, retaliation, or discrimination.

Disciplinary practices

AAC 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

No form of harassment, whether psychological or sexual, is permitted. Consequently, any unwanted behaviour (gestures, words, attitudes, etc.) carried out with a degree of repetition and intended to, or having the effect of, undermining a person's dignity or creating an intimidating, hostile, humiliating or destabilising environment is prohibited.

- Harassment – Unwanted behaviour (gestures, words, attitudes, etc.) carried out with a degree of repetition and intended to, or having the effect of, undermining a person's dignity or creating an intimidating, hostile, degrading, humiliating or destabilising environment.
- Psychological Harassment – Consists of verbal attacks of an offensive or humiliating nature, as well as physical attacks, or more subtle acts, which may involve physical and/or psychological violence, aimed at undermining the victim's self-esteem and, ultimately, at causing them to leave their job.
- Sexual Harassment – Unwanted behaviour of a verbal or physical nature of a sexual nature (sexual advances, sending messages of a sexual nature, attempts at unwanted physical contact, blackmail to obtain employment or career progression in exchange for sexual favours, obscene gestures, etc.).

Remuneration and working hours

AAC seeks to ensure fair remuneration practices, in compliance with applicable legislation and aligned with living wage benchmarks. Compliance with working hours, 40 hours per week, is ensured in accordance with applicable legislation. The employment contract defines the conditions of the relationship between the employer and the employee, including rights and duties, remuneration and working hours, as provided for by labour law. The employment contract is signed by both parties, confirming agreement with the contractual terms.

Work-Life Balance

With a view to promoting effective work-life balance, AAC encourages better work planning and new organisational methods aimed at achieving a greater balance between employees' family and/or personal needs, as well as promoting an equal participation of men and women in public and private life.

Accountability

AAC Management assumes responsibility for the impact of its decisions on stakeholders, the economy, and society. It is accountable for its decisions and activities to its shareholders, public authorities, regulatory bodies, and other competent entities with regard to laws and regulations. This principle also involves accepting the consequences of wrongful conduct, taking appropriate measures to remedy it, and acting in such a way as to prevent its recurrence.

Transparency

AAC Management is transparent in its policies, decisions, and activities, making them known in a clear, precise, objective, and complete manner, within what is reasonable and sufficient. Information is made available in a timely manner, in appropriate locations, and is accessible in a meaningful way to all persons who may be affected by it.

Sustainability

AAC is committed to managing and seeking to minimize the environmental impacts associated with its activities and value chain, promoting the efficient use of natural resources, pollution prevention, and the continuous improvement of environmental and social practices.

Where applicable and within the scope of its influence, AAC works in coordination with its partners to:

- monitor and collect information on water, energy, and raw material consumption;
- promote ecodesign, circularity, and product durability practices;
- ensure compliance with applicable legislation;
- provide relevant environmental information for reporting and regulatory compliance purposes.

Chemical Product Management

AAC is committed to ensuring that products placed on the market fully comply with applicable chemical legislation, namely the REACH Regulation and other relevant legal or regulatory restrictions.

AAC recognises the ZDHC initiative's MRSL List as a benchmark of good practices and promotes its progressive adoption in a manner proportional to the nature of operations, without prejudice to full compliance with applicable legal requirements.

Due Diligence and Transparency in the Supply Chain

AAC adopts a risk-based due diligence approach, aligned with SA8000 standards and international best practices, recognising its role, level of influence, and control within the value chain.

This approach includes:

- identifying and assessing social, ethical, and environmental risks associated with its activities and supply chain;
- prioritizing the most severe or likely risks;
- adopting proportionate measures for prevention, mitigation, or remediation;
- regular monitoring and promotion of continuous improvement;
- engaging with suppliers and partners, prioritizing dialogue, awareness, and clarity of requirements.

AAC recognises that not all risks are under its direct control and nevertheless commits to exercising reasonable due diligence and acting responsibly.

Ethical Conduct

AAC acts ethically, basing its conduct on the values of honesty, fairness, and integrity. These values imply concern for the people who are part of the organisation, its stakeholders, and society in general. It is part of AAC's identity and organisational culture to actively promote ethical conduct by making its core values and fundamental principles known both within the organisation and among the entities with which it interacts. To this end, AAC has established control mechanisms and channels to facilitate the submission of complaints or reports whenever such situations arise.

Anti-bribery and anti-corruption

AAC employees, suppliers and subcontractors are prohibited from participating in bribery or any form of corrupt behaviour. This includes refraining from accepting, requesting, or agreeing to receive bribes from any individual or entity. Likewise, they must not offer, provide, pledge, or authorise any form of payment or non-financial benefit to influence or reward decisions or actions related to AAC's business in a corrupt or improper manner. A bribe means money, cash equivalents, such as a gift card, or any other financial or non-financial advantage, such as gifts, travel or hospitality, job offers or internships, or any other advantage that may be of interest to the recipient, offered or promised in order to obtain a commercial, contractual or regulatory advantage.

Respect for Stakeholders

AAC respects, considers, and responds to the interests of its stakeholders. To this end, AAC consults them and takes their views into account regarding interests that may be affected by a decision or activity. Furthermore, AAC is committed to supporting social initiatives within the surrounding community, contributing to a more inclusive and responsible society.

Legal and Regulatory Requirements, Public Policies, and Conventions

AAC is committed to complying with the applicable national and international laws and regulations in force that apply to its activities, including the conventions of the International Labour Organization (ILO) and the United Nations (UN); the Universal Declaration of Human Rights; the UN Guiding Principles on Business and Human Rights; the Constitution of the Portuguese Republic; and the Labour Code. It is also committed to using as references and promoting, as guidance on good practices, public policies and frameworks such as the *Programa 3 em Linha*, as well as certification standards such as NP 4552 and SA 8000.

Monitoring the application of this code

AAC has appointed a Social Performance Team (SPT), which actively monitors:

- compliance with the principles set out in this Code of Ethics and Conduct;
- the proper functioning of internal communication mechanisms, ensuring that there are no irregularities and that confidentiality requirements are upheld;
- compliance with the procedure applicable to suggestions, concerns, complaints or reports, ensuring that the reporting party is not subject to any form of retaliation;
- the process of root cause analysis and definition of corrective actions whenever non-conformities are detected;
- compliance with social responsibility principles by suppliers and/or subcontractors, through social audits, requesting corrective/improvement measures and monitoring their implementation whenever any non-conformity or improvement opportunity is identified;
- the results of the monitoring of this Code, as well as the implementation of corrective and/or improvement actions, from a continuous improvement perspective.

For the purpose of submitting suggestions for improvement, grievances, complaints or reports under this Code of Ethics:

Internal Level

AAC employees may do so through the “Suggestions and Complaints” boxes located in various areas of the company, or through the electronic form available on our website.

External Level

Through the electronic form available on our website.

Supplier and subcontractor requirements

AAC Têxteis, through this Code of Ethics and Conduct, sets out the commitments undertaken and the requirements to be met by its suppliers and subcontractors. In this context, AAC reaffirms its commitment to the principles of ethics, integrity, social responsibility, legal compliance, and sustainability, promoting their application throughout the supply chain.

AAC undertakes to periodically review the performance of its Management System, defining strategies that ensure its full compliance, and evaluating and disclosing its performance to different stakeholders.

Suppliers and subcontractors undertake to fully comply with the principles and requirements set forth in this Code, as well as to ensure their application in operations, products, and services related to supply to AAC.

1. General obligations

AAC suppliers and subcontractors undertake to:

- select, maintain, and manage a supply chain compatible with the principles and requirements established in this Code;
- identify the place of production and the main suppliers, subcontractors, and other relevant parties involved in supplying goods or services to AAC;
- cooperate with AAC, or with third parties designated by AAC, in questionnaires, due diligence, risk assessments and other verification actions;
- immediately notify AAC of any actual or potential non-compliance that may affect adherence to this Code;
- inform and raise awareness among their relevant commercial and operational partners regarding the requirements applicable to them;
- ensure that the information provided to AAC is complete, accurate, verifiable, up to date, and delivered in a timely manner.

2. Information and transparency duties

Suppliers and subcontractors undertake to provide AAC, whenever requested and in proportion to their role and degree of control in the value chain, with relevant environmental and social information associated with their activities, products, or processes.

Such information may include, where applicable:

- data on resource consumption, including energy, water, and other relevant raw materials;
- information regarding emissions, waste, effluents, or other environmental impacts;
- relevant social and labour data;
- documentation necessary for legal compliance, audits, risk assessments, due diligence, reporting obligations, traceability and origin verification processes, including, where applicable, documentation required under the EU Deforestation Regulation (EUDR), applicable ecodesign and product transparency requirements under the Ecodesign for Sustainable Products Regulation (ESPR), and information or evidence supporting product compliance, safety, certification or import requirements in destination markets.

3. Obligations regarding chemical substances

Whenever applicable to the nature of the supplied articles and their destination markets, suppliers and subcontractors undertake to comply with applicable legislation and regulatory requirements regarding chemical substances, including the REACH Regulation, the CLP Regulation, California Proposition 65, Guobiao (GB) standards, and other equivalent requirements.

Suppliers and subcontractors undertake to:

- not use prohibited substances, nor supply products in violation of prohibitions, restrictions, concentration limits, or other legally applicable conditions;
- not use or supply substances subject to authorisation under the REACH Regulation without valid authorisation, where legally required;
- immediately inform AAC of the presence in any supplied article of substances from the Candidate List of Substances of Very High Concern (SVHC) at concentrations above 0.1% w/w, providing sufficient information to allow safe use of the article and compliance with applicable legal obligations;
- provide, where applicable, declarations of chemical compliance and supporting documentary or analytical evidence;
- cooperate in compliance verification, traceability, and risk assessment actions related to the management of chemical substances.

4. Supply chain and subcontracting

Suppliers and subcontractors must ensure that the obligations established in this Code are properly communicated, understood, and enforced among their own suppliers, subcontractors, and other relevant parties in the supply chain.

Whenever they subcontract operations related to the manufacture of products or the provision of services to AAC, suppliers and subcontractors must:

- inform AAC in advance of such subcontracting;
- ensure that subcontractors comply with the applicable requirements of this Code;
- maintain adequate mechanisms for monitoring, supervision, and verification of compliance with these requirements.

Suppliers and subcontractors shall cooperate in verifying compliance with this Code of Ethics and Conduct through audits, allowing free access to internal or external audit teams designated by AAC to assess the level of compliance with the requirements set out in this Code.

Whenever non-conformities are identified, suppliers and subcontractors undertake to implement appropriate corrective measures for their elimination or mitigation and must present a corrective action plan indicating the measures to be implemented. AAC may monitor the implementation of corrective actions and request additional information on their execution status.

5. Declaration of commitment

Suppliers and subcontractors undertake to fully comply with the obligations arising from this Code of Ethics and Conduct, formalizing their commitment through the signing of the **Supplier/Subcontractor Declaration of Commitment**.

Failure to adopt the necessary corrective measures, refusal to cooperate in verification processes, or serious breach of the principles and obligations set out in this Code may lead to a review of the contractual relationship in force and may result in its termination.