

Prevention Plan: Corruption and Related Infractions

AZEMAD, LDA

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1. Context

The present Prevention Plan for Corruption and Related Infractions has been prepared pursuant to Articles 5 and 6 of General Regime for the Prevention of Corruption (RGPC), annexed to Decree-Law No. 109-E/2021 of December 9, as established in Article 1, point (b), and taking into account the Recommendation of the Council for the Prevention of Corruption dated July 1, 2015, regarding Corruption Risk Prevention Plans and Related Infractions.

There is no universally accepted definition of corruption. However, it is commonly agreed that corrupt conduct involves the abuse of public power or function for the benefit of a third party, in exchange for a sum of money or another type of advantage.

Corruption is a behavior that undermines the fundamental principles of the rule of Law, fosters inequality, reduces investment levels, and seriously harms social and economic development.

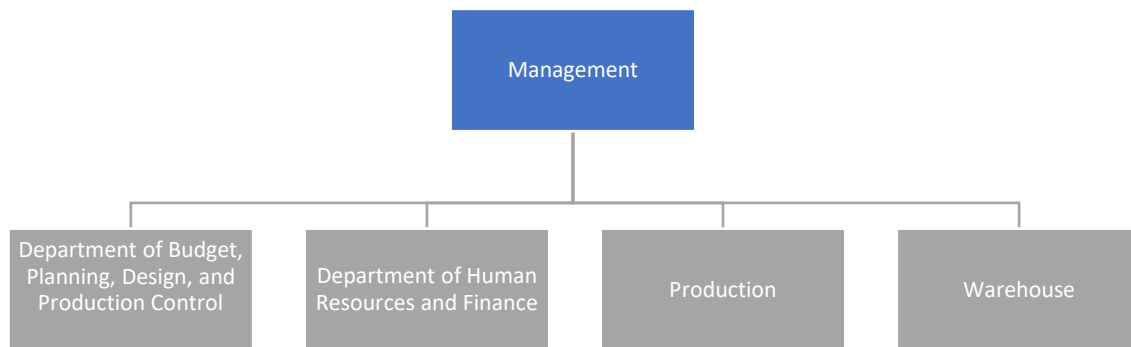
2. Overview of AZEMAD

AZEMAD is a Portuguese legal entity whose corporate purpose includes the manufacture of furniture and decorative items; the provision of installation and assembly services for carpentry, joinery, furniture, floor and wall coverings, as well as other specialized construction activities; retail trade of sporting goods, camping and leisure equipment in specialized stores, and wholesale trade of toys, games, and sporting goods; and the production and commercialization of energy from wind, geothermal, solar, among other sources.

In the pursuit of its activities, members of the corporate bodies, employees, and collaborators of AZEMAD are bound to comply with the law and legal standards, and their conduct must be guided by loyalty, personal honesty, integrity, transparency, and responsibility.

This plan aims to serve as a tool that enables AZEMAD to prevent, detect, suppress, and sanction acts of corruption and related infractions committed against or through the company, covering its entire organization—including management, executive direction, and operational areas—and, consequently, applicable to all its employees or collaborators and to all activities carried out by the Company within the scope of its corporate purpose.

The current organizational structure of AZEMAD is as shown in the following organizational chart:



3. Objectives

In the preparation of this plan, the main objectives are assumed to be:

- The clarification of the concepts of risk, prevention, and risk management, as well as corruption and related infractions;
- The detection and analysis of corruption risks and related infractions within the scope of AZEMAD's activities, including the assessment of the probability of their occurrence;
- The identification of existing measures and those planned for implementation to prevent such situations, as well as the corrective actions to be taken should they occur;
- The designation of the person responsible for the management, monitoring, and updating of the Plan.

4. Concepts

4.1 Risk

Risk is defined as a future event, situation, or circumstance with a probability of occurrence and a potential positive or negative consequence if it occurs.

4.2 Prevention and Risk Management

Risk management is a systematic process through which organizations assess, in a structured manner, the risks associated with their activities, with the aim of achieving sustained advantages both in each specific area and in their overall operations.

The potential occurrence of future situations involving corruption, related infractions, or conflicts of interest represents a risk factor that must be identified in a timely manner. It is the organization's responsibility to analyze these potential risks and adopt appropriate measures to prevent and discourage their materialization.

4.3 Corruption and related infractions

In general terms, corruption can be defined as the practice of committing or omitting any act, whether lawful or unlawful, in exchange for receiving or being promised any undue compensation, either for oneself or for a third party.

The main legal source for the classification of corruption-related infractions is the Portuguese Penal Code, which, in Articles 372 and following, sets out the crimes of undue receipt of advantage and corruption.

Corruption crimes are essentially divided into two categories: active corruption and passive corruption, depending on whether the individual is offering/promising or requesting/accepting an undue material or non-material advantage. Each category is further distinguished based on whether the requested or committed act is contrary to the duties of the corrupted official's position.

The criminal concept of corruption also includes, even when there is no abuse of public power or function, crimes such as corruption in international trade and private sector activity – as set out in Law No. 20/2008, of April 21 – and those included in the Legal Regime on Criminal Liability for Anti-Sporting Conduct (Law No. 50/2007, of August 31).

However, in society, the concept of corruption takes on a broader meaning, encompassing other criminalised conduct committed in the exercise of public functions, such as embezzlement, unlawful participation in business, extortion, abuse of power, misconduct in office, influence peddling, or money laundering.

A related infraction consists of the act of obtaining an undue advantage (or compensation), with examples including bribery, embezzlement, extortion, influence peddling, unlawful participation in business, and abuse of power (Articles 363, 375 to 380, among others, of the Penal Code). All these examples are mentioned in the Penal Code, but many other acts may also be considered related crimes.

According to Article 3 of the General Regime for the Prevention of Corruption (RGPC), annexed to Decree-Law No. 109-E/2021 of 09/12, as referenced in Article 1(b), “corruption and related infractions” shall be understood as crimes of corruption, undue receipt and offering of advantage, embezzlement, unlawful participation in business, extortion, abuse of power, misconduct in office, influence peddling, money laundering, or fraud in obtaining or diverting a subsidy or credit grant, as provided in the Penal Code (approved by Decree-Law No. 48/95, of 15/03), in Law No. 34/87 of 16/07, in the Military Justice Code (annexed to Law No. 100/2003, of 15/11), in Law No. 50/2007 of 31/08, in Law No. 20/2008 of 21/04, and in Decree-Law No. 28/84 of 20/01, all in their current wording.

Given the nature of AZEMAD, LDA’s activities, some examples of crimes that, in abstract, could potentially result in its liability are listed below:

Active Corruption – Article 374 of the Penal Code

- Anyone who, either personally or through a third party, with their consent or ratification, gives or promises an employee — or a third party indicated by or known to that employee — a material or non-material benefit, in return for an act or omission in the performance of their duties, even if such act or omission does not constitute a breach of their professional obligations.

- Shall be liable to a prison sentence of up to 5 years or a fine of up to 360 daily units (€1.800 – €180.000), in the case of natural persons.
- Legal persons may be sentenced to a fine of up to 600 daily units, ranging from €60.000 to €6.000.000.

Offer of Advantage – Article 372 of the Penal Code

- Anyone who, either personally or through a third party, with their consent or ratification, gives or promises to an employee — or to a third party indicated by or known to that employee — a material or non-material advantage, which is not due to them, in the exercise of their duties or because of them.
- Punishable by a prison sentence of up to 3 years or a fine of up to 360 daily units (€1.800 – €180.000), in the case of natural persons.
- A legal entity may be sentenced to pay a fine of up to 360 daily units, ranging from €36.000 to €3.600.000.

Influence Peddling – Article 335 of the Penal Code

- Anyone who, either personally or through a third party with their consent or ratification, gives or promises to a private sector employee — or to a third party known to that employee — a material or non-material advantage, which is not due to them, in exchange for an act or omission that constitutes a breach of their professional duties.
- Punishable by a prison sentence of up to 5 years or a fine of up to 240 daily units (€1.200 – €120.000), in the case of natural persons.
- A legal entity may be sentenced to pay a fine of up to 600 daily units, ranging from €60.000 to €6.000.000.

Active Corruption in the Private Sector – Article 9 of Law No. 20/2008 of 21 April

- Anyone who, either personally or through a third party with their consent or ratification, gives or promises a private sector employee — or a third party known to that employee — a material or non-material benefit, which is not lawfully due, for the performance of an act or omission that constitutes a breach of their professional duties.
- Punishable by a prison sentence of up to 5 years or a fine of up to 600 daily units (€3.000 – €300.000), in the case of natural persons.

- A legal person may be sentenced to a fine of up to 600 daily units, ranging from €60.000 to €6.000.000.

Corruption in the Private Sector – Article 8 of Law No. 20/2008 of 21 April

- Any private sector employee who, either personally or through a third party with their consent or ratification, requests or accepts, for themselves or for a third party, a material or non-material advantage — or the promise thereof — which is not lawfully due, in return for any act or omission that constitutes a breach of their professional duties.
- Punishable by a prison sentence of up to 8 years or a fine of up to 600 daily units (€3.000 – €300.000), in the case of natural persons.
- A legal person may be sentenced to a fine of up to 960 daily units, ranging from €96.000 to €9.600.000.

Active Corruption to the Detriment of International Trade – Article 7 of Law No. 20/2008 of 21 April

- Anyone who, either personally or through a third party with their consent or ratification, gives or promises a material or non-material advantage — which is not lawfully due — to a public official (national, foreign, or from an international organisation), a political officeholder (national or foreign), or to a third party known to any of them, in order to obtain or retain a business deal, contract, or any other undue advantage in international trade.
- Punishable by a prison sentence of 1 to 8 years, in the case of natural persons.
- A legal person may be sentenced to a fine of up to 960 daily units, ranging from €96.000 to €9.600.000.

Money Laundering – Article 368-A of the Penal Code

- Anyone who converts, transfers, assists with, or facilitates any operation involving the conversion or transfer of assets obtained — by themselves or by a third party, directly or indirectly — with the purpose of concealing their illicit origin or avoiding criminal prosecution for the crime(s) committed.
- Punishable by a prison sentence of up to 16 years, in the case of natural persons.

- A legal person may be sentenced to a fine of up to 1.920 daily units, ranging from €192.000 to €19.200.000.

Fraud in Obtaining a Grant or Subsidy – Article 36 of Decree-Law No. 28/84 of 20 January

- Anyone who, when submitting a request for the granting, continuation, or modification of the conditions of a loan intended for a business or company:
 - a) Provides inaccurate or incomplete written information intended to support the request or which is relevant to the decision on the application;
 - b) Uses inaccurate or incomplete documents concerning the financial situation, namely balance sheets, profit and loss statements, general asset descriptions, or valuations;
 - c) Conceals deteriorations in the financial situation that occurred after the application and which are relevant to the decision on the request.
- Punishable by a prison sentence of up to 5 years or a fine of up to 200 daily units (€1.000 – €100.000), in the case of natural persons.
- A legal person may be sentenced to a fine of up to 600 daily units, ranging from €60.000 to €6.000.000, or even to the penalty of dissolution.

Fraud in Obtaining Credit – Article 38 of Decree-Law No. 28/84 of 20 January

- Anyone who, when submitting a request for the granting, continuation, or modification of the conditions of a credit facility intended for a business or company:
 - a) Provides inaccurate or incomplete written information intended to support the application or which is relevant to the decision on the request;
 - b) Uses inaccurate or incomplete documents relating to the economic situation, namely balance sheets, profit and loss accounts, general asset descriptions, or valuations;
 - c) Conceals any deterioration in the economic situation occurring after the application, compared to the situation previously presented, where such deterioration is relevant to the decision on the request.
- Punishable by a prison sentence of up to 5 years or a fine of up to 200 daily units (€1.000 – €100.000), in the case of natural persons.

- A legal person may be sentenced to a fine of up to 600 daily units, ranging from €60.000 to €6.000.000, or even to the penalty of dissolution.

Misappropriation of subsidy, grant or subsidized credit – Article 37 of Decree-Law No. 28/84, of January 20

- Anyone who uses funds obtained as a subsidy, grant, or subsidized credit for purposes other than those legally intended or foreseen in the credit line determined by the legally competent authority.
- Punishable by a prison sentence of up to 6 years or a fine of up to 200 daily units (€1.000 – €100.000).
- A legal entity may be sentenced to a fine of up to 720 daily units, ranging from €72.000 to €7.200.000, or even to the penalty of dissolution.

5. Criteria for classifying risk situations

In identifying situations that may give rise to risks of corruption and related infractions, risks are assessed in the abstract based on their severity and potential or probability of occurrence, regardless of whether they have actually materialized, as the objective is to prevent them.

Each identified risk was classified according to the probability of occurrence and the severity of its consequences. The following criteria were used for this plan:

Probability of occurrence:

- **High (Likely)** – Strong possibility of occurring; the risk arises from frequent and routine processes within the organization.
- **Medium (Possible)** – Possibility of occurring, but on a sporadic basis.
- **Low (Unlikely)** – Unlikely to occur, except under exceptional or rare circumstances.

Foreseeable Impact / Severity of Consequence:

- **High** – Seriously harms the company's operations and interests, whether economic or institutional.

- **Medium** – Moderately harms the company's operations and interests, whether economic or institutional.

6. Identification and Categorization of Situations Involving Risks of Corruption and Related Infractions

There are several factors that contribute to an activity having a higher or lower risk, among which the following stand out:

- The integrity of managers and decision-makers;
- The legitimacy and legality of acts and actions;
- Employee motivation;
- The quality and effectiveness of the internal control system.

Considering the activities of AZEMAD, LDA, the following situations/areas of activity are identified, by way of example, as potential sources of corruption risks and related infractions, assessed in the abstract. These are classified according to the criteria outlined in the previous section, along with the indication of preventive and corrective measures.

7. Preventive and corrective measures

The preventive measures implemented and to be implemented aim to inform and hold accountable all individuals working for Azemad, LDA, as well as to deter the commission of acts that constitute corruption or related infractions. In general terms, the preventive and corrective measures are as follows:

- a) The existence of a supplier evaluation system;
- b) The existence of a company Code of Conduct;
- c) The organization of work in a way that encourages knowledge sharing and promotes teamwork;
- d) The regular assessment of employees' skills and training, particularly regarding awareness of corruption prevention;
- e) Monitoring the proper execution of signed contracts and enforcement of legal guarantees;

- f) The drafting of internal communications and dissemination of relevant legislation across various legal fields, with particular emphasis on legislation applicable to the company's activity and compliance with legal obligations related to corruption prevention;
- g) The existence of sanctioning mechanisms for detected situations, such as the application of disciplinary sanctions provided for in the Labor Code, as well as Azemad's obligation to report all situations that amount to criminal offenses.

Disciplinary liability is independent of the existence of civil or criminal liability, and may, however, be applied concurrently with the others.

In addition to these measures, there are also the preventive and corrective measures detailed in the table below:

Department	Situation	Risk	Probability of Occurrence	Predictable Impact	Preventive and Corrective Measures
Budgeting, Planning, Design, and Production Control Department & Human Resources and Finance Department	Consultation, cost estimation, negotiation, contract awarding, and execution.	Undue favoritism towards suppliers of goods, labor, or service providers, with the aim of obtaining personal benefits or favoring third parties.	Low	High	Code of Ethics and Conduct; Monitoring and supervision of negotiation processes by the hierarchical superior and management.
Budgeting, Planning, Design, and Production Control Department & Human Resources and Finance Department	Development of studies, proposals, and cost estimates	- Disclosure of information to competitors with the intent of securing personal advantage or conferring benefits to third parties; - Deliberate omission of information in situations involving a conflict of interest, or of facts that may compromise the impartiality, accuracy, and legality of internal management decisions, as well	Low	High	Code of Ethics and Conduct; Monitoring and supervision of negotiation processes by the hierarchical superior and management.

		as actions and contracts entered into with public and private entities.			
Human Resources and Finance Department & Warehouse	Sales	• Undue favoritism towards a third party; • Offering or accepting favors in exchange for granting advantages and/or benefits; • Use and/or disclosure of privileged information for personal benefit or for the benefit of third parties.	Low	High	Code of Ethics and Conduct; Monitoring and supervision of negotiation processes by the hierarchical superior and management.
Human Resources and Finance Department	Acquisition of raw materials	• Procurement of raw materials not based on genuine requirements and/or under conditions that are not market-based. • Omission and/or manipulation of information with the aim of influencing acquisition decisions; • Undue favoritism towards a specific supplier or service Provider; • Offering or accepting favors in exchange for granting advantages and/or benefits; • Use and/or disclosure of privileged information for personal benefit or	Low	High	Code of Ethics and Conduct; Monitoring and supervision of negotiation processes by the hierarchical superior and management.

		for the benefit of third parties.			
Human Resources and Finance Department	Recruitment of employees	• Lack of impartiality and objectivity in the selection criteria; • Undue favoritism or disadvantage towards a candidate; • Offering or accepting favors in exchange for granting advantages and/or benefits; • Conflict of interest situation.			Code of Ethics and Conduct; Monitoring and supervision of negotiation processes by the hierarchical superior and management.
Human Resources and Finance Department	Payroll processing	• Non-compliance with the rules regarding variable remuneration; • Undue payments; • Offering or accepting favors in exchange for granting advantages and/or benefits.	Low	High	Code of Ethics and Conduct; Monitoring and supervision of negotiation processes by the hierarchical superior and management.
Human Resources and Finance Department	Bank account transactions	• Undue payments; • Omission and/or manipulation of information with the aim of influencing decisions.	Low	High	Code of Ethics and Conduct; Acompanhamento e supervisão de todos os processos por superior hierárquico e administração.
Human Resources and Finance Department	Submission of credit applications within the scope of bank credit lines	• Provision of inaccurate or incomplete written information, particularly regarding the company's financial situation, for the purpose of obtaining credit; • Use of funds obtained through subsidized credit for purposes other	Low	High	Code of Ethics and Conduct; Monitoring and supervision of negotiation processes by the hierarchical superior and management.

		than those intended.			
All employees	Giving and accepting gifts or courtesies	Offering or accepting courtesies in exchange for granting advantages and/or benefits.	Low	High	Code of Ethics and Conduct; Monitoring and supervision of negotiation processes by the hierarchical superior and management.

8. Execution and monitoring

This plan is a dynamic management tool, serving as an instrument for controlling the company's internal processes and is subject to monitoring to ensure the applicability, usefulness, and effectiveness of the measures established within it.

The managers of each company section are responsible for the implementation and monitoring of the measures outlined in this plan, as well as for the preparation of any necessary information and reports that will reflect the results of the evaluations conducted.

9. General responsible for the plan execution

The person responsible for the overall execution, control, and revision of the plan is Mr. Nuno Portugal, who will be accountable for fulfilling the following obligations:

- Preparation of an interim evaluation report in cases where high-risk situations have been identified;
- Preparation of an annual evaluation report, containing the quantification of the degree of implementation of the identified preventive and corrective measures, as well as the timeline for their initial implementation;
- Revision of the plan every 3 years or whenever there is a change in the organizational or corporate structure of the entity that justifies reviewing the elements indicated in the above table.