

Prevention Plan: Corruption and Related Infractions

AZEMAD, LDA

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1. Context

This prevention plan for corruption and related has been prepared under the provisions of Articles 5 and 6 of the General Regime for the Prevention of Corruption (RGPC) annexed to Decree-Law No. 109-E/2021 of 09/12, in accordance with Article 1(b) thereof, taking into account the Recommendation of the Council for the Prevention of Corruption of 1 July 2015 regarding Corruption and Related Infraction Risk Prevention Plans.

Although there is no universally accepted concept of corruption among different countries, it is generally agreed that this phenomenon involves the improper use of public positions or functions with the aim of benefiting a third party, in exchange for payment of a sum of money or some other advantage.

The existence of corruption undermines the fundamental principles of the rule of law, fosters inequality, reduces levels of investment, and seriously harms social and economic development.

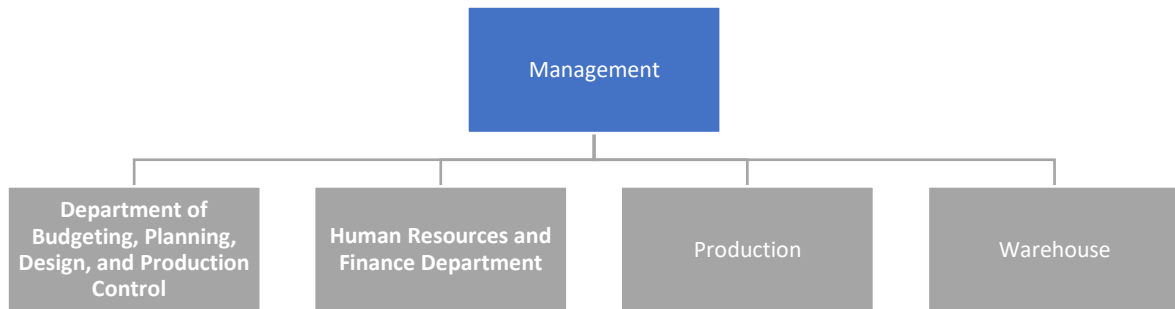
2. Presentation of AZEMAD

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 work, joinery, furniture, and floor and wall coverings, as well as other specialized construction activities; retail trade of sporting, camping, and leisure articles in specialized stores, and wholesale trade of toys, games, and sporting goods; and the production and commercialization of energy from wind, geothermal, solar, and other sources.

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

This Plan aims to serve as a tool to ensure the prevention, detection, repression, and sanctioning of acts of corruption and related infractions committed against AZEMAD or through it, covering, in a transversal manner, the entire organizational structure of the entity, including the administrative and management bodies and their operational areas. Its scope extends to all employees and collaborators of the company, as well as to all activities carried out within the framework of its corporate purpose.

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



3. Objectives

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

- Clarifying the concepts of risk, risk prevention and management, as well as corruption and related infractions;
- Detecting and analyzing the risks of corruption and related infractions within the scope of AZEMAD's activities, including assessing the likelihood of their occurrence;
- Identifying the measures already in place and those planned to prevent such situations, as well as the corrective actions to be taken should they occur;
- Appointing the person responsible for managing, monitoring, and updating the Plan.

4. Concepts

4.1 Risk

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

4.2 Risk Prevention and Management

Risk management consists of a systematic process through which organizations structurally assess the risks associated with their activities, with the aim of achieving a sustained advantage both in each area of operation and in their overall performance.

The possible 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 occurrence.

4.3 Corruption and Related Infraction

Corruption, in general terms, can be defined as the act or omission of any action, whether lawful or unlawful, in exchange for receiving or promising any undue benefit or compensation, for oneself or for a third party.

The Portuguese Penal Code is the main legal source for defining corruption and related infractions. Articles 372 and following set out the crimes of *undue receipt of advantage* and *corruption*.

Corruption crimes are essentially divided into two forms: active corruption and passive corruption, depending on whether the agent is, respectively, offering/promising or requesting/accepting an undue pecuniary or non-pecuniary advantage. Each of these can further vary depending on whether the act requested or performed is contrary to the duties of the corrupted official.

The criminal concept of corruption also includes cases where there is no abuse of public power or position, such as corruption in international trade and in private activity (provided for in Law No. 20/2008 of April 21) and those defined under the Criminal Liability Regime for Antisporting Behavior (Law No. 50/2007 of August 31).

However, in society, the concept of corruption has a broader meaning, encompassing other criminalized behaviors committed in the exercise of public functions, such as embezzlement, economic participation in business, extortion, abuse of power, malfeasance, influence peddling, or money laundering.

A related infraction consists of an act through which an undue advantage (or compensation) is obtained. Examples include bribery, embezzlement, extortion, influence peddling, economic 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, though 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 December 9, and as referred to in Article 1(b), “corruption and related offenses” are understood to mean the crimes of corruption, undue receipt or offer of advantage, embezzlement, economic participation in business, extortion, abuse of power, malfeasance, influence peddling, money laundering, or fraud in obtaining or misappropriating subsidies, grants, or credit, as provided for in the Penal Code (Decree-Law No. 48/95 of March 15), Law No. 34/87 of July 16, the Military Justice Code (Law No. 100/2003 of November 15), Law No. 50/2007 of August 31, Law No. 20/2008 of April 21, and Decree-Law No. 28/84 of January 20, all in their current versions.

Considering the activities carried out by AZEMAD, LDA, below are some examples of crimes that could, in abstract terms, potentially give rise to liability:

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 - 3) – Strong possibility of occurring; the risk arises from frequent and routine processes within the organization.

Medium (Possible - 2) – Possibility of occurring, but on a sporadic basis.

Low (Unlikely - 1) – Unlikely to occur, except under exceptional or rare circumstances.

Foreseeable Impact / Severity of Consequence:

High (3) – Seriously harms the company's operations and interests, whether economic or institutional.

Medium (2) –Moderately harms the company's operations and interests, whether economic or institutional

Low (1) – Slightly harms the company's activities and interests, whether economic or institutional.

The identification of the level or degree of risk results from the combination of the aforementioned classifications (probability and impact), according to the following risk assessment matrix:

MATRIX FOR ASSESSING THE LEVEL OR DEGREE OF RISK BASED ON THE CRITERIA OF PROBABILITY AND EXPECTED IMPACT (GR)				
		Probability of Occurrence (PO)		
		Low (1)	Medium (2)	High (3)
Predictable Impact (PI)	Low (1)	Minimal	Low	Moderate
	Medium (2)	Low	Moderate	High
	High (3)	Moderate	High	Maximum

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 existence of an internal system for recording all procedures;
- d) The organization of work in a way that encourages knowledge sharing and promotes teamwork;
- e) The regular assessment of employees' skills and training, particularly regarding awareness of corruption prevention;
- f) Monitoring the proper execution of signed contracts and enforcement of legal guarantees;
- g) 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;
- h) 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	G R	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 benefiting third parties. • Sharing information with competitors to obtain benefits for oneself or for a third party.	Low	High		Dissemination and enforcement of the Code of Conduct; Monitoring and validation of business processes by the hierarchical manager and administration (dual validation).
Budgeting, Planning, Design, and Production Control Department & Human Resources and Finance Department	Development of studies, proposals, and cost estimates	• Sharing information with competitors to obtain benefits for oneself or for a third party. • Deliberate omission of information when the situation constitutes a conflict of interest, or of facts that could undermine the impartiality, accuracy, and legality of internal management decisions, as well as acts and contracts entered into with public and private entities.	Low	High		Dissemination and enforcement of the Code of Conduct; Monitoring and validation of business processes by the hierarchical manager and administration (dual validation).
Human Resources and Finance Department & Warehouse	Sales	• Undue favoritism towards a third party; • Offering or accepting favors	Low	High		Dissemination and enforcement of the Code of Conduct; Monitoring and validation of business processes by the

		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.				hierarchical manager and administration (dual validation).
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 for the benefit of third parties.	Low	High		Dissemination and enforcement of the Code of Conduct; Monitoring and validation of business processes by the hierarchical manager and administration (dual validation).
Human Resources and Finance Department	Recruitment of employees	• Lack of impartiality and objectivity in the selection criteria; • Undue favoritism or	Low	High		Dissemination and enforcement of the Code of Conduct; Monitoring and validation of business processes by the

		disadvantage towards a candidate; • Offering or accepting favors in exchange for granting advantages and/or benefits; • Conflict of interest situation.				hierarchical manager and administration (dual validation).
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		Dissemination and enforcement of the Code of Conduct; Monitoring and validation of business processes by the hierarchical manager and administration (dual validation).
Human Resources and Finance Department	Bank account transactions	• Undue payments; • Omission and/or manipulation of information with the aim of influencing decisions.	Low	High		Dissemination and enforcement of the Code of Conduct; Monitoring and validation of business processes by the hierarchical manager and administration (dual validation).
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	Low	High		Dissemination and enforcement of the Code of Conduct; Monitoring and validation of business processes by the hierarchical manager and administration (dual validation).

		for purposes other 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		Dissemination and enforcement of the Code of Conduct; Monitoring and validation of business processes by the hierarchical manager and administration (dual validation).

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.