
Corticeira Amorim

Risk Management Policy

(Approved by the Board of Directors of Corticeira Amorim on 23 February 2022)

1. Objective

The Risk Management Policy (hereinafter "RMP"), approved by the Board of Directors, defines objectives, processes and responsibilities that allow the Corticeira Amorim Group to establish a solid risk management structure, in order to ensure compliance with strategic objectives.

The Risk Management Policy in addition to ensuring the convergence of risk management with strategic planning, establishes, in a systematised and cross-cutting manner, the control and/or mitigation procedures and measures to address the Group's main risks.

2. Universe of application

It is the objective of the Board of Directors of Corticeira Amorim, S.G.P.S., S.A. that all the companies belonging to the Group apply this RMP, adapting it when necessary to their specific circumstances. The adaptations are also subject to the approval of the Board of Directors;

Responsibilities regarding the design and updating of the Risk Management Policy:

The Board of Directors of Corticeira Amorim, S.G.P.S., S.A. is responsible for the design of the risk management policy. It is also responsible for authorising the issue of the sections, on proposal from the Risk Department. Any changes to the policy must be analysed and approved by the Risk Department beforehand, and subject to confirmation by the Board of Directors of Corticeira Amorim, S.G.P.S., S.A.

The Risk Department is also responsible for updating the risk management policy.

3. Reference Documents

This model has COSO - ERM (Committee of Sponsorship Organisations of the Treadway Commission - Enterprise Risk Management Framework) and ISO (International Organisation for Standardisation) 31000 - Risk Management as its reference documents.

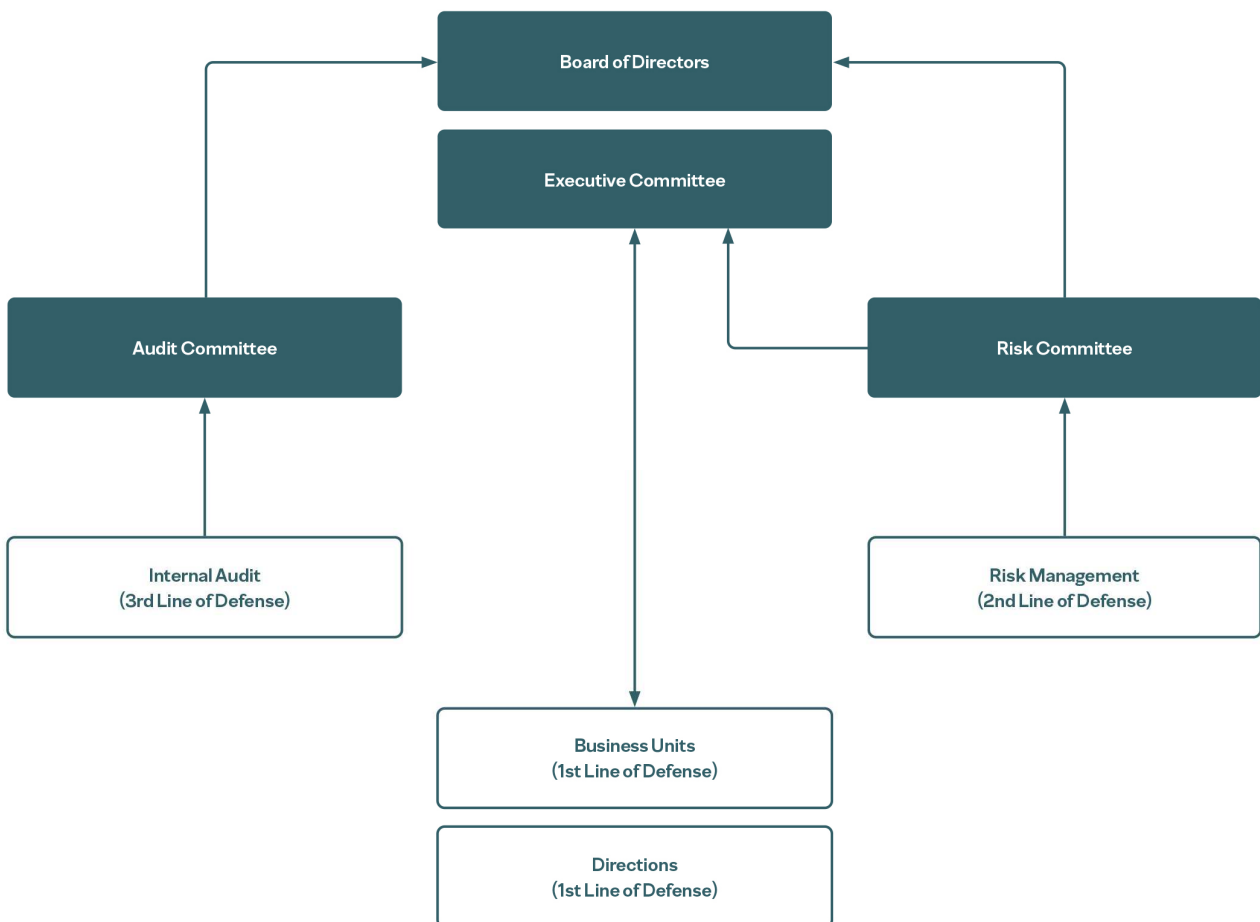
4. Materiality and risk tolerance

Overall materiality: in order to align the risk appetite at the strategic level, that is, the amount of risk that the Group is willing to accept, considering its capacity, culture and strategy, the Group defined materiality as the impact of a risk on the consolidated results of the Corticeira Amorim Group.

Risk tolerance: it makes the risk appetite operational, by defining the maximum level of risk applicable to each risk. The maximum level of risk is materialised through the definition of variation/limit bands for Key Performance Indicators/Key Risk Indicators (KPI/KRI) associated with each risk, according to the risk appetite/tolerance defined by the Board of Directors - culture of greater aversion or aggressiveness towards risk.

5. Risk management governance structure

The Corticeira Amorim Group presents an integrated flow of governance of the risk management process, based on the concept of Lines of Defence.



Board of Directors:

- Foster risk management and promote a risk culture within the Group;
- Approve the risk management policy;
- Ensure the operation of the risk management process and supervise the execution of the risk strategy;
- Support the organisation, providing the Lines of Defence with human, financial and other resources so that they can effectively carry out their role in the risk management process;

-
- Appraise the Annual Risk Management Report; and
 - Annually update and approve the Multiannual Risk Plan.

Risk Committee:

- Advise the Board of Directors on Corticeira Amorim's risk policy and, within that framework, on the appetite for general, current and future risks;
- Evaluate and monitor the main risks inherent to Corticeira Amorim's activity, as well as the level of exposure to risk and its potential development;
- Inform the Audit Committee of the risks to which Corticeira Amorim is subject and the effectiveness of the respective mitigation plans, promoting the recommendations and reports that the Board of Directors and/or the Audit Committee may request;
- Assist the Board of Directors in supervising the execution of the risk strategy;
- Discuss and issue the opinions and recommendations to the Board of Directors that it deems appropriate on risk strategies at the aggregate level and by risk type;
- Propose the creation of mechanisms to ensure the implementation of processes which promote compliance with the approved risk policies;
- Annually review risk policies and procedures and report the results of this review to the Board of Directors; and
- Prepare an Annual Risk Management Report for the Board of Directors and for the Audit Committee, which should include an **appraisal** of the following topics:
 - The risk strategy and general risk appetite, current and future;
 - Identification of the main risks to which Corticeira Amorim is subject in carrying out its activity, the probability of their occurrence and their respective impact;
 - The performance of the instruments and measures adopted with a view to mitigating the respective risks;
 - The risk monitoring procedures and of the degree of internal compliance with the adopted risk policy;it should include possible proposals for adjustment of the risk policy and/or of the evaluation and supervision procedures.

Audit Committee:

- Supervise the effectiveness of the internal control system, comprising the risk management, compliance and internal audit functions;
- Evaluate and issue its decision and the risk management policy prior to its final approval by the Board of Directors; and
- Evaluate and issue its opinion on the risk appetite levels prior to its approval by the Board of Directors.

Internal Audit (3rd Line of Defence)

- Supervise and evaluate compliance with and the effectiveness of the controls implemented;
- Plan and carry out risk-based audit; and
- Undertake control tests to evaluate the effectiveness of the risk management and prevention.

Risk Management (2nd Line of Defence)

- Develop and implement policies, methodologies, processes, and infrastructure for integrated risk management;
- Propose changes to the level of materiality to be considered;
- Plan and programme the annual risk management process cycle;
- Proposed revisions to the risk management policy;
- Support the coordination of the process of identifying, analysing and evaluating risks and the respective control measures;
- Ensure training and provide the necessary support for the risk identification process;
- Support the external dissemination of official information referring to business risk management;
- Provide the necessary support to the Risk Committee;
- Prepare a regular report following up on risk mitigation measures; and

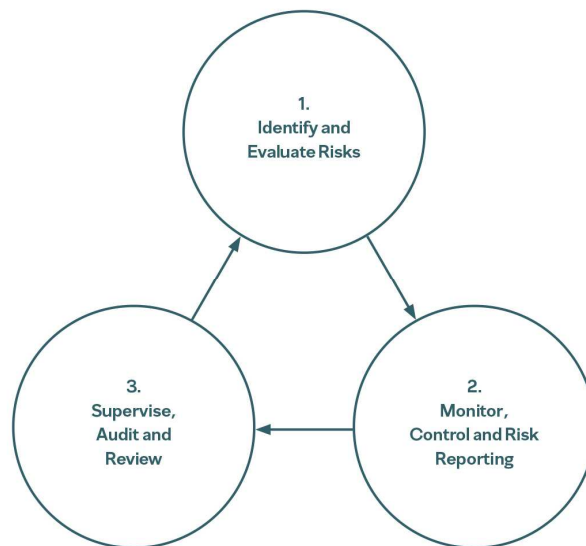
- Consolidate the information collected and report the results through regular reports to the Executive Committee, the Risk Committee, the Audit Committee and the Board of Directors.

Business Units / Departments (1st Line of Defence)

- Identify, monitor and update the risks associated with their processes and businesses;
- Propose control or mitigation measures for the risks identified;
- Implement approved control or mitigation measures;
- Monitor the effectiveness of the control and mitigation measures and report any identified shortcomings; and
- Provide the information necessary regarding the risk management of the processes under its responsibility.

6. Risk management process

The Corticeira Amorim Group adopts an integrated risk management model, based on a comprehensive Risk Management approach which follows a process based on three essential activities:



Identify and Evaluate Risks:

- Using internal and external sources, the Corticeira Amorim Group has developed a new process for identifying risks that could affect its strategy and performance through an analytical model which is:
 - top-down (to identify risks of a more strategic-tactical nature); and
 - bottom-up (to identify risks of a more operational/ transactional nature);
- This process enables the uncertainty and impact of risks and the Consolidated Results of the Corticeira Amorim Group to be evaluated;
- The risks are hierarchised and mapped within a risk matrix and appropriate mitigation measures have been defined to minimise the probability of the occurrence and/or the impact of risk, which have been compiled in risk catalogues;
- The risk matrix makes it possible to categorise and rank risks by order of importance and to support decision-making in the definition of the prioritisation of additional actions beyond the existing controls;
- Given the subjectivity of the attribution of impact/probability criteria to certain risks, indicators or risk gauges (KPI/KRI) are identified for each risk, which workers providing an alert and enabling changes or deviations to be anticipated, which are mapped in the risk catalogue;

-
- In order to operationalise the risk appetite and tolerance management, global materiality is specified for monitoring risks and KPI/KRI variation bands associated with each risk, as a function of the appetite/tolerance for risk specified by the Board of Directors;
 - The magnitude of exposure to the risk is assessed through quantitative and qualitative methods, which consider the individual risk distributions and correlations between risks;
 - This process is reviewed annually whenever justified by a certain business contextual change, and the processes formalised in the Multiannual Risk Plan.

Monitoring, Controlling and Reporting Risks:

- The 1st, 2nd and 3rd Lines of Defence continually monitor the development in the main risks and the respective KPI/KRI;
- Whenever necessary, new mitigation actions are specified to be implemented by the Business Units;
- The Risk Department prepares a regular report with follow-ups on risk mitigation measures and developments in the KPI/KRI.

Supervise, Audit and Review:

- Through annual audits of the Risk Management Process, and in quarterly meetings, respectively, the Internal Audit Department, the Risk Committee and the Audit Committee monitor the risk management process, thereby contributing suggestions for improvements or changes in risks, mitigation measures or KPI/ KRI;
- This monitoring and review also includes the evaluation of the company's risk culture, as well as the alignment between risk management and the company's other activities.

ANNEX I – CATALOGUE OF PRINCIPAL RISKS

Raw material – Cork

(Strategic and exogenous risk)

- Purchasing management taking into account the level of quality of the cork in the different geographical areas;
- The need to encourage new plantations, to complement the natural generation of cork oak forests which, by itself, is not sufficient to meet the estimated growth in demand for cork raw material;
- Effects of climate change;
- Need to correct unsuitable cork oak forest cultivation practices, in order to mitigate certain pests and diseases;
- Availability of qualified labour for managing the Cork oak forests and extracting cork;
- With the increase in the price of cork, the selection of its application should take into account the maximisation of the value that Cork adds to products and solutions, ensuring the competitiveness of the portfolio and the profitability of the company.

Main mitigation measures:

The management of the procurement, storage and preparation of the single variable common to all business activities of Corticeira Amorim, i.e. the raw material (cork) is centralised in the Raw Materials Business Unit, an autonomous unit with professional and independent management. This allows us to:

- Form a specialised team exclusively focused on raw materials;
- Make the most of synergies and integrate all raw materials (cork) manufactured by other BUs in the relevant BU's production process;
- Management of raw materials from a multinational perspective;
- Strengthen its presence in cork-producing countries;
- Promote forest certification, improve the technical quality of products and enter into research and development partnerships with forestry-related partners;
- Develop R&D forest projects on cork oak genetics;
- Carry out recycling actions which increase circularity and make cork available for non-stopper applications;
- Ensure that an optimal mix of raw materials is used to meet market demand for finished products;
- Ensure the supply stability of cork, a critical variable for Corticeira Amorim's operations, over the long term;
- Prepare and propose to the Board of Directors the multi-annual purchasing policy to be implemented;

Disruption in the supply chain and logistics

(Operational Risk is exogenous)

The importance of the risk of disruption in the supply chain and logistics derives mainly from the current context markedly influenced by the effects of COVID-19, particularly:

- In logistical terms, insofar as export sales are mainly carried out from Portugal, so the rise of logistical obstacles in getting goods to relevant destinations for the Group represents a risk;
- Reduced number of logistical operators in certain locations (road, maritime and air transportation) and subsequent risks of unavailability and/or price increases.

Main mitigation measures:

- Development of a logistical model that ensures the best logistical solutions in the short and medium-long term;
- Identify alternatives to the current options for the main destinations;
- Diversification of transportation and logistical suppliers;
- Selection of suppliers and search for solutions depending on their geographical location;
- Implementation of a transport tracking system;
- Monitoring and updating security plans/recovery plans following loss of significant suppliers.

Transportation, energy and other supply price risks

(Operational Risk is exogenous)

The importance of this risk derives mainly from the current context markedly influenced by the effects of COVID-19, particularly:

- Pressure on results due to the increase in the price of transport, energy and others;
- Unavailability of containers for transport with an impact also on the increase in price, in particular regarding Asia (purchases) and the USA (sales);
- Lack of alternative/reduced number of logistical operators in certain locations (road, maritime and air transportation) and subsequent risks of price increases;
- New energy contracts with potentially significant cost increases.

Main mitigation measures:

- Continuous monitoring of market prices, carrying out supply tenders, regular requests for quotations from a diverse range of suppliers;
- Significant part of energy needs satisfied based on cork dust in purchased biomass;
- Revision of the energy mix contracting strategy (longer-term contracting, increased exploitation of cogeneration and photovoltaic investments);
- Optimising the production process to obtain greater energy efficiency.

Price risk (other materials)

(Operational Risk is exogenous)

- Increasing the prices of other raw materials, particularly rubber, subsidiary materials and packaging materials;
- Reduced competitive supply alternatives for certain materials.

Main mitigation measures:

- Continuous monitoring of market prices, carrying out supply tenders, regular requests for quotations from suppliers;
- Monitoring the entire supply chain;
- Specialised team exclusively dedicated to procurement;
- R&D of new raw materials, with risk assessment of potential suppliers;
- Production verticalisation: incorporation of the intermediate transformation stages using own facilities.

Cybersecurity

(Operational Risk is exogenous)

- Social engineering attacks aimed at unavailability of services and/or exfiltration of data and/or execution of fraudulent financial transactions;
- Cybernautic attacks on Group companies around the world;
- Unplanned access to information/IT systems by service providers;
- Unauthorised dissemination or sharing of corporate data and/or personal data;
- Cyber attacks targeted at disrupting critical services;
- Loss of revenue due to plant shutdowns or disruption of critical services;
- High costs for data or system recovery.

Main mitigation measures:

- Specification of corporate governance model for Cybersecurity;
- Implementation of management process and security policies with third parties;
- Regular training actions and awareness of Cybersecurity;
- Spot audits and tests aimed at testing system weaknesses every year;
- Response plan to Cybersecurity incidents;

-
- Entity management platform;
 - Device access management and privileged access monitoring;
 - Vulnerability management and remediation;
 - Registration control of IT/OT assets;
 - Development of cybersecurity plan cutting across all geographical areas.

Technical/infrastructure replacement.

(Operational Risk is endogenous)

- Obsolescence of installations and equipment due to the appearance of new technologies;
- Manufacturing premises and equipment with specific technical characteristics, which may make the rise of technological innovations in the market more difficult, thereby requiring a greater investment on the part of the Group in the search for new solutions;
- Increased need for investment for technological replacement of factories and premises.

Main mitigation measures:

- Implementation of a minimum CAPEX investment plan for ongoing improvement objectives and technological R&D;
- R&D investment:
 - R&D Flooring programme, combining technology, formats and forms of installation, based on new composites from sustainable raw materials;
 - Circular economy programme, seeking to collect and reuse industrial by-products;
 - Technological development programme, utilising new technologies, developing knowledge and new composites from prime raw materials;
- Optimisation and optimisation of manufacturing processes;
- Digitalisation and optimisation of business support processes;
- Encourage closer ties with the start-up/entrepreneur ecosystem.

Climate change

(Strategic and exogenous risk)

- Changes in environmental laws and regulations may require changes in products, production processes and the adoption of new technologies;
- Reduction of available raw material, insofar as climate change may lead to a lack of balance in the ecosystem nurturing the cork oak, particularly due to the occurrence of severe droughts, making its dissemination and growth more difficult;
- Green product development strategy (without plastics in their composition).

Main mitigation measures:

- Long-term strategy sustained by new cork oak plantations in new geographical latitudes and new forestry models;
- Dissemination and promotion in the market of the contribution of cork products to mitigating climate change, both through their capacity to retain carbon and also through replacing more energy intensive alternative products;
- Promotion of a new value equation for the Cork oak forests which, in addition to the industrial value of cork, incorporates biodiversity and positive externalities, particularly carbon retention, as complementary sources of income;
- Plan for the diversification of the cork oak forest (geographical area, density and type of plantation);
- Reinforcing the sustainability plan in the Business Units;
- Seeing as an opportunity the fact that cork and the cork oak tree have positive connotations in future trends to combat climate change through the consumption of products with a better carbon footprint and through the planting of more trees that contribute towards carbon neutrality objectives.

Foreign Exchange Risk

(Operational Risk is exogenous)

- Exchange rate volatility is a factor in the potential erosion of business margins;
- Exchange-rate reserve volatility regarding net investment in subsidiaries/associates.

Main mitigation measures:

- Active policy of replacing invoicing currencies, seeking to increase the percentage of invoicing in euros;
- Exchange rate risk hedging policy, either by natural hedging or by contracting suitable financial instruments;
- Regular monitoring of forecast cash flows in order to ensure the presence of the necessary liquidity to comply with obligations in foreign exchange;
- Continuous and prospective monitoring of exchange rate development, through the Trading Room, in compliance with the exchange rate contracting policies specified by the Board of Directors.

Rise of new pandemics

(Operational Risk is exogenous)

Perception of an increased probability in the appearance of new pandemics or spread of infectious diseases and the impacts that a pandemic scenario has for the Group, particularly:

- In terms of employee health;
- Increased rates of absenteeism due to infection or prophylactic quarantining;
- In terms of the Group's productive capacity;
- Potential disruption of the supply and distribution chain;
- Reduction in demand and subsequent reduction in sales;
- The need to reorganise ways of working, particularly teleworking and working at a distance;
- Pressure on the Group's information systems due to the imposition of teleworking.

Main mitigation measures:

- Specific Contingency Plan to respond to a new pandemic scenario.

Risk of the development of alternative stoppers

(Strategic and exogenous risk)

- Rise of new alternative materials to cork;
- Increase in competition from alternative stoppers, particularly screwcaps.

Main mitigation measures:

- Investment and continuous monitoring of the quality and reliability of cork stoppers and the quality of cork raw materials;
- Ongoing reinforcement of market perception of the natural origin of cork stoppers;
- Strengthening of communication campaigns to promote the attributes of cork products;
- Investment in promoting cork stoppers as an "oenological product";
- Continuous investment in R&D and the development of new solutions and composites for the cork stopper;
- Compliance with certifications and requirements both of purchase materials as well as manufactured products.

Changes in consumer patterns (wine sector)

(Strategic and exogenous risk)

- Impact of changes in wine consumption patterns and habits;
- Variation in wine volumes and consumption;
- Growth of alternative products to wine, particularly among younger generations;
- Campaigns against the consumption of alcohol;

-
- Introduction of additional taxes/tariffs on wine with an impact on prices and the reduction in consumption and other amendments to laws and regulations affecting consumption rules.

Main mitigation measures:

- Specialised team exclusively dedicated to continuously monitoring customers, market trends, and promoting the quality of the product;
- Portfolio of personalisable products based on specifications requested by customers;
- Diversification into other alcoholic beverage segments
- Continuous reinforcement of the sustainability of the cork stopper;
- Promotion of the “premium image” of the use of cork stoppers
- Promotion creditability of natural stoppers.

Reputational risk

(Strategic and exogenous risk)

- Risk of internal or external events causing damage to the perception of the group by stakeholders such as customers, suppliers, investors, employees, financial analysis, communication channels, public entities or the market as a whole;
- Negative impact on the results, resulting from negative perception of the public image of the Group, whether justified or not.

Main mitigation measures:

- Implementation of regular mechanisms to listen to stakeholders, such as surveys or other
- Strengthening of communication campaigns to promote the attributes of cork products and the creditability of natural stoppers;
- Ongoing investment in the awareness of the Corticeira Amorim brand, in the ethical and professional conformity of conduct of the entire organisation, and appropriate communication regarding Group practices;
- Carrying out market studies to show the advantages of cork stoppers and products and solutions which incorporate cork and dissemination of the benefits of the use of these products;
- Continual reinforcement of the perception by the market of the natural origin of Cork and, consequently, the natural origin of the products that make up the Corticeira Amorim portfolio, in particular the cork stopper;
- Compliance with certifications and requirements both of purchase materials as well as manufactured products.