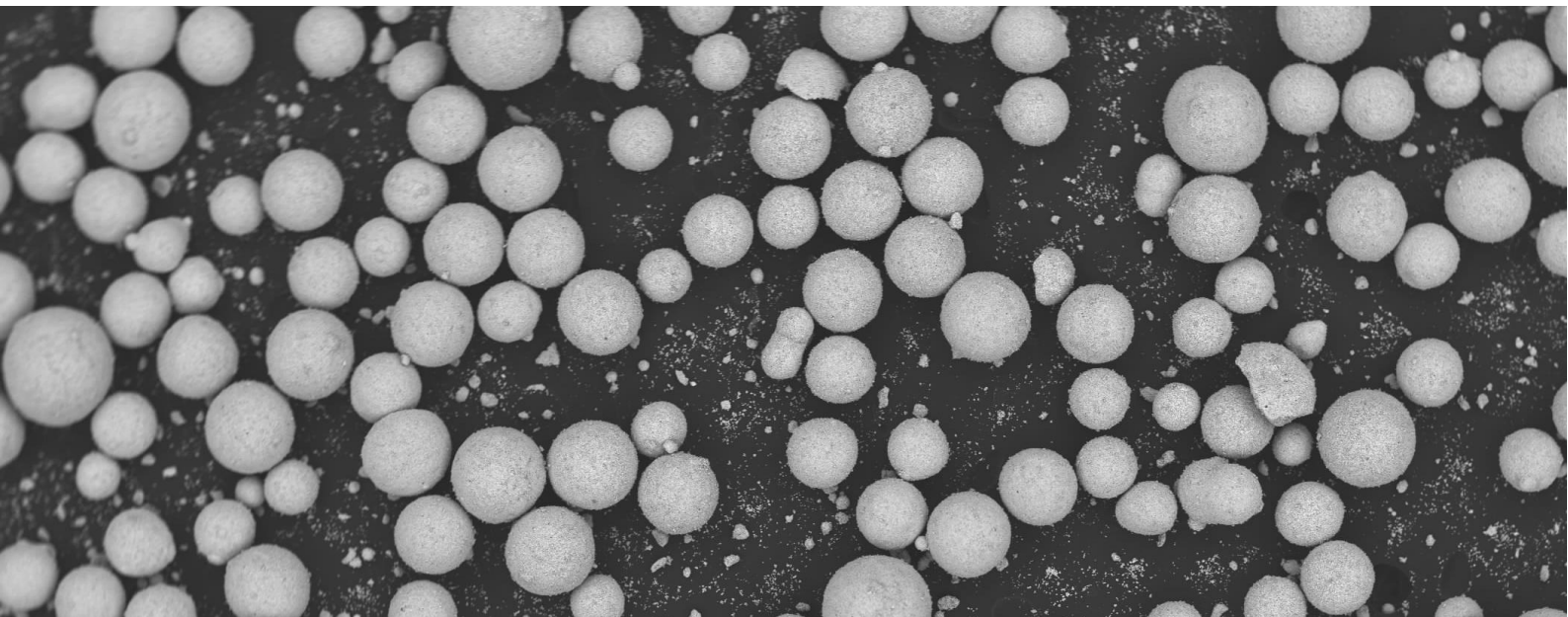


VISION, STRATEGY AND POLICY OF BUSINESS MANAGEMENT SYSTEMS & INNOVATION MANAGEMENT

PALBIT, S.A.



VISION

Palbit plays a key role in the international panorama of the sector linked to the production and commercialisation of industrial tools, particularly in three business areas (cutting tools, anti-wear tools and stone treatment tools).

In this context, the company is committed to improving its customers' productivity by creating high quality, high performance solutions through innovation activities.

Creating value for its customers, shareholders, employees and other stakeholders based on its vision, strategy and internal capabilities is a crucial pillar. Our values are customer focus, innovation, sustainability and the will to lead, defining the basis of our culture and ways of working. Our actions are mainly focussed on areas where Palbit has sustained and accelerated growth, allowing us to strengthen Palbit's position in a global market.

It should be noted that the industrial tools industry is extremely competitive and highly demanding in terms of innovation. However, Palbit has remained a benchmark in the markets where it operates, above all due to its high capacity for customised response and product innovation, as a result of its significant efforts in innovation.

In fact, Palbit has been continuously and increasingly promoting innovation activities, which has enabled it to make a significant contribution to expanding technical and technological knowledge in the sector in which it operates, above all by introducing innovative solutions to the market. Thus, the design and development of new high-performance tools has helped to recognise Palbit as an inseparable part of the industry's technological evolution, safeguarding environmental and social sustainability.

Although the company is currently booming in the market, one of its main innovation objectives continues to be to increase its recognition and positioning in the sector, both nationally and internationally, as a benchmark company at the forefront of developing distinctive and disruptive solutions in relation to the existing state-of-the-art.

The Palbit vision in the short, medium and long term



Palbit's short-term vision is related to:

- Increasing skills both in terms of human resources and the implementation of innovative technologies, in order to maintain the company's competitiveness and recognition.
- Continuous development of new products to strengthen the portfolio and diversify the offer in the tool area, consolidating the areas with the highest financial and technical performance.
- Implementation of the ESG (environmental, social and governance) strategy in the development of new projects, in order to maintain competitiveness in international markets.
- Integrating an objectives-orientated sustainability strategy into processes to incorporate environmental, social and governance considerations.

In the medium to long term, Palbit intends to:

- To position itself as an internationally recognised supplier of cutting tools and enter the top 20 of the main tool producers (market share), mainly in the area of milling.
- To introduce business areas with a direct link to those that currently exist (cutting, anti-wear and mining), through defined interfaces, co-promotion projects and international partnerships.

-
- Affirmation of the brand through the development, production and commercialisation of highly innovative products based on acquired know-how that boosts productivity, efficiency and customer sustainability.
 - Maintaining the ESG strategy, associated with environmental, social and corporate concerns.

STRATEGY

Palbit's main activity is the development, production and commercialisation of tools made of carbide, ultra-hard materials and steel. It strives to create tools of the highest quality, offering a wide range of products to its customers.

In addition to its presence in Portugal, given its business strategy and vision, the company operates on five continents and in more than 70 countries, where it exports more than 90 per cent of its production, thus making a strong commitment to the quality of the raw materials it uses and the end product it offers to a highly demanding market.

Palbit has therefore established a set of strategic vectors and values geared towards research and the development of knowledge, the promotion of innovation, the management of flexibility and the stimulation of proximity/relationship, in line with the ESG strategy and environmental sustainability.

It should be noted that Palbit is essentially a technical company with production capacity and its own brand, so its innovation activities have been geared towards developing products and processes. In this context, with regard to product development, Palbit's innovation activities in terms of geometry (functional design) and material development (new coating alloys) are worth highlighting.

Every year, the company reviews its portfolio of Innovation Projects, selecting those that have new product and process development components, as a way of broadening the portfolio of products it offers and the range of processes at its disposal, respectively. Investment in innovation has grown significantly, reflecting the importance the company attaches to these activities. Another important fact is that the company's employees are more prepared to

develop innovation activities, as a result of Palbit's investment in technical training. In this context, we would highlight the investment made by the company in its innovation department, which has a wide range of technically specialised employees. The company's commitment to innovation activities is based on the development of new tools, processes and methodologies in order to meet the high demands of its customers.

Palbit's Innovation Strategy is based on 6 pillars of knowledge and the Sustainable Development Goals (SDGs) and Agenda 2030, in order to guarantee 25% of sales resulting from innovation projects.:

- 1. Research and development of new tools and improvement of processes and methodologies;
- 2. Digitalisation and robotisation of processes in line with OSG 9;
- 3. Boosting the productive capacities of existing internal processes, in line with OSG 8;
- 4. Sustainability and circularity of the products developed, in line with the ESG strategy regarding environmental practices and policies and OSG 7, 12 and 13;
- 5. Development of new products with high added value.
- 6. Leadership and social policies synchronised with the ESG governance strategy and OSG 9, in order to guarantee health and well-being for all employees.



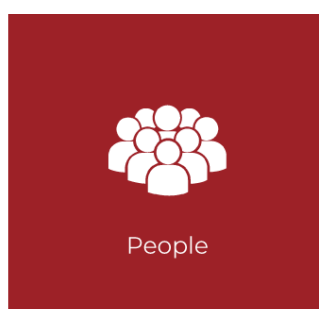
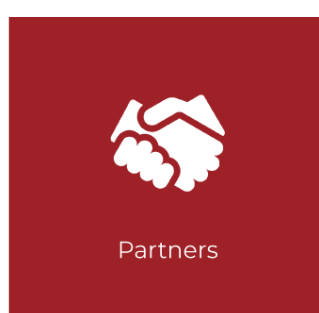
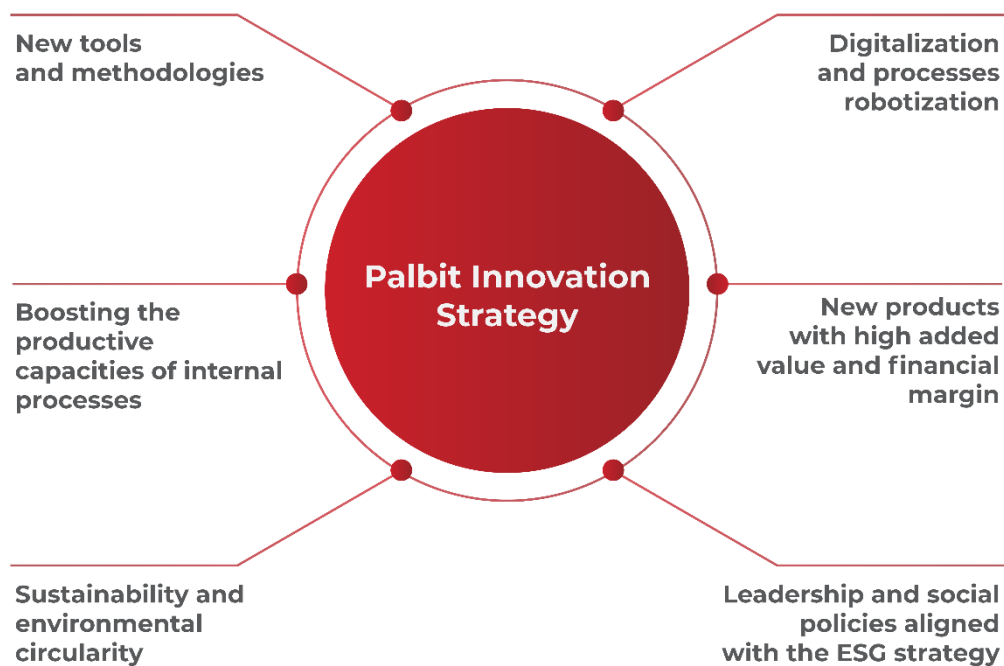
Domains and main Areas of activity in the practice of innovation activities

ENEI DOMAIN	AREA
Production	Development and efficiency of production systems
Technologies	Greener and more efficient production processes

and Product
Industries

Innovative products with high added value

ICT applied to production systems



SGE POLICY

PALBIT sees quality as a key factor in the company's culture, and believes that its management approach is based on a spirit of continuous improvement, across all the Organisation's existing processes, with the aim of achieving the Company's overall objectives and satisfying the needs of the different stakeholders. At the same time, the implementation of measures aligned with the ESG strategy, in order to fulfil sustainability, environmental and social policies, will also be safeguarded.

Based on its commitment to Quality, Sustainability and Innovation, PALBIT has a Corporate Management System, in accordance with the normative requirements of the following standards NP EN ISO 9001; ISO 56001 and NP EN ISO 14001, which aim to establish responsibilities, monitor and review processes, identify environmental aspects and monitoring and control measures, as well as ensuring the correct management of its resources and innovation management system in the light of business needs.



Customer focus

We carry out our activities in such a way as to fulfil our customers' expectations, creating a solid relationship through the production and development of products with a high level of quality, performance and innovation.

Valorisation of resources

Increases in skills, both in terms of human resources and in the implementation of innovative technologies, in order to maintain the company's competitiveness and recognition, employee satisfaction, employee involvement, team spirit and sense of responsibility in the performance of their duties, contributing their ideas and recognition in the creation of value, to the achievement of Palbit's Global Objectives.

Developing Good Relations with Suppliers

We know that innovation, quality and improving our products and processes starts with our suppliers. We favour and promote the loyalty of our suppliers. We seek active and effective communication with our suppliers, rewarding or penalising their performance.

Business Results

Achieving sustained and profitable growth for the benefit of all stakeholders, through duly defined methodologies and processes, based on the continuous improvement of the organisation's results. We continually seek technological evolution and business success, fostering a culture of creativity and innovation with a view to generating new ideas that help strengthen the company's competitiveness.

Sustainability

Environmental, social and governance factors are a priority in business decisions and continuity, with a view to satisfying stakeholders.

In this context, sustainability at Palbit is based on:

- the conservation and protection of Sustainability and its resources with a view, in particular, to decarbonisation, the circular economy and minimising climate change;
- the search for more efficient strategies and solutions with less environmental impact;
- establishing measures related to Human Capital, in particular working conditions and human rights.
- establishing governance measures related to business management, risk and safety management and control systems, ethics and corporate culture and managing relations with customers, suppliers and the community affected by Palbit.
- compliance with applicable legal requirements.

Health and Safety at Work

Top management plays a crucial role in the performance of Safety and Health at work, and Palbit has therefore defined its commitment as:

- Provide safe and healthy working conditions for the prevention of work-related injuries and health conditions;
- Complying with current legislation, standards and instructions applicable to Health and Safety, as well as other requirements to which the organisation subscribes;
- Promoting the constant identification, assessment and control of occupational hazards/risks, as well as analysing health and safety performance so that it is always in line with the organisation's reality and implementing control measures;
- Promoting training, information and awareness-raising for all employees and stakeholders on occupational health and safety;
- Develop channels of communication, participation and consultation with internal and external stakeholders, publicising the policy and the aspects/obligations related to occupational safety and health;

It is the responsibility of stakeholders to comply with the company's determinations on occupational safety and health, internal rules and procedures as well as the applicable legislation in force.

The policy is periodically reviewed and verified, in accordance with legal requirements and company principles, with a view to continually improving the effectiveness of its Business Management System.

