



Integrated Report
KGHM Polska Miedź S.A.

2022

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Dear Stakeholders and Shareholders,

We ended 2022 with ambitious projects and investment plans, in good financial shape, with stable production and satisfactory results, even though it was another year full of challenges and changes for our Company. The time of uncertainty and hardship resulting from the COVID-19 pandemic transitioned almost seamlessly into the socially, politically and economically tragic period associated with Russia's full-scale aggression against Ukraine and the war taking place just across our eastern border. We responded to emerging challenges and needs in both the business and social responsibility areas quickly, adequately, and above all – professionally and effectively. I would like to invite you to peruse the Integrated Report of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group for 2022.



Tomasz Zdzikot
President of the Management
Board, KGHM Polska Miedź S.A.

STABLE PRODUCTION AND SOLID PERFORMANCE

Thanks to the tremendous discipline and commitment of our employees, effective management and forward-looking action, we have achieved very satisfactory results: we have maintained the targeted levels of payable copper and silver production, we are recording an increase in revenue in the KGHM Group and its strong operating result, despite operating in a challenging macroeconomic environment. Russia's aggression against Ukraine, affecting, among other things, the prices of metals and energy commodities, China's uncertain economic outlook, rising energy, fuel and food prices that have translated into high inflation – these are the challenges we have faced and continue to face. A significant part of the global increase in price dynamics is precisely due to the rising prices of energy carriers, which are often an inherent cost factor throughout the economy, including the mining and metal processing sectors.

The KGHM Group's consolidated revenues for 2022 are already at PLN 33.8 billion, 13.3% more than a year earlier.

Adjusted EBITDA reached PLN 8.9 billion, and net profit for the full year 2022 reached PLN 4.8 billion. By the end of 2022, the value of consolidated assets had increased to PLN 53.6 billion, and equity to PLN 32.2 billion. The Group also maintained a safe level of debt, with a net debt/EBITDA ratio of 0.8 at the end of 2022.

At this point, I would especially like to thank all

employees for their diligent and demanding work, as well as their commitment and responsibility. Thanks to a wealth of experience, open-mindedness and continuous improvement of competence, our Company has built a unique culture of interaction and achieved a high position in the international arena, ranking seventh among the world's mining copper producers and second in the world in silver production.

The Company's mission statement reflects its goal "To always have copper" with its consistently pursued vision "To effectively use its resources to become a leader in sustainable development."

Last year, we continued our key investment projects.

We have completed the sinking of the GG-1 shaft to a level of 1,348 meters, which is now the deepest mining pit in Poland. This unique project required us to take an innovative approach and use state-of-the-art technological solutions taking into account climate considerations. We are also implementing our proprietary

solutions at another key investment project, the **Tailings Segregation and Compacting Station at the Żelazny Most Tailings Storage Facility.** Ahead of schedule, we completed an overhaul shutdown at the Głogów Copper Smelter and Refinery. We are constantly working to extend KGHM's value chain and to develop in line with the idea of a circular economy. At the Legnica Copper Smelter and Refinery, we are continuing the Hybrid Smelter program, which addresses the needs of copper recycling.

STRATEGICALLY ABOUT ENERGY

In January 2022, **a fifth element – Energy – was added to the four proven Es (Efficiency, Ecology, Elasticity/ flexibility and E-industry) in our strategy.** We plan that by 2030, 50% of the electricity consumed by KGHM will come from its own sources, including RES. Our Sierra Gorda mine is already 100 percent powered by renewable energy. In Poland, we are also developing PV projects, both by building our own installations and buying green energy from the market. In 2022, among other things, we entered into a contract to purchase all the energy that will be generated at the new Żuki solar power plant in the Wielkopolskie Voivodeship – that is 5,300 MWh/



year from nearly 10,000 photovoltaic modules. Last year, we also submitted **Poland's first application for the evaluation of small modular reactor (SMR) technology to the National Atomic Energy Agency**, and in February we signed an agreement with NuScale to begin work on implementing advanced small modular reactors (SMRs) in Poland. We are also looking at the opportunities related to wind energy and the potential of hydrogen.

We are also a leader in the energy transition in Poland because of our groundbreaking research and development projects. In the Copper Basin, an innovative technology using copper-silver alloys is being tested that can significantly reduce electricity transmission losses. Already now, on the experimental section of the line in the Copper Basin they are about 20% lower.

SUSTAINABILITY AND RESPONSIBLE BUSINESS

We also prioritize environmental activities and pro-environmental investments. **We are implementing the Climate Policy adopted in 2021**, we have calculated the balance of Scope 1, 2 and 3 greenhouse gas emissions for 2021 for the KGHM Polska Miedź S.A. Group, and we are continuing the **Program to adapt the Company's technological installations to the requirements of BAT conclusions** for the nonferrous metals industry and to restrict emissions of arsenic (BATAs) In 2022, we put into operation six more installations that significantly improve air quality.

We care about the safety of the environment in which we operate, local communities and Group employees. Our efforts in the field of occupational safety are confirmed not only by the evaluations of external auditors or by the **Safe Work Leader Card** for 2023-2024, which has been awarded once again for achievements in the area of occupational health and safety improvement, but also by accident rate figures. The LTIFR ratio for KGHM Polska Miedź S.A. is 5.05. **The number of workplace accidents was 149, lower by 16 compared to the 12 months of 2021.** The TRiR ratio for the international assets (total for the employees of the KGHM INTERNATIONAL LTD. Group and Sierra Gorda S.C.M. and their subcontractors) in 2022 is 0.34.



Safety is also one of the main **areas of the Company's 2022 Human Rights Policy**. It represents KGHM's clear declaration and commitment to the issue of human rights compliance. These are indisputable and universal principles that, in the face of war, are extremely important but also verifiable. **The Group's involvement in humanitarian aid to refugees and victims from Ukraine was a simple test of our social responsibility.**

I would like to thank everyone who joined in these activities – our volunteers, employees, partners and NGOs – for their cooperation and commitment. **I would like to express our respect to our local communities** for good neighbourly relations and joint initiatives for the development of the regions in which we live and work together.

I would also like to thank our shareholders and our clients for the trust you have placed in us.

In July 2022, a quarter of a century passed since the copper giant KGHM Polska Miedź S.A. went public. Today, after nearly 25 years, we can say with a feeling of pride that KGHM continues to be one of the main driving forces on the Warsaw Stock Exchange, and KGHM shares are a significant component of the WIG, WIG20 and WIG30 indices.



AMBITIONS AND PLANS FOR 2023

2023 is another challenging year. KGHM's budget approved for the period assumes maintaining stable operating, economic and financial results, a safe level of debt, and meeting ambitious development and investment targets with the highest expenditures for these purposes in our history. We plan to strengthen the production capacity of the Group's various segments in accordance with the profiles and characteristics of individual assets. We focus on faster development of mining projects and emphasizing that we supply metals that are essential for the development of the global economy and that make up Poland's raw material security.

On behalf of the Management Board of KGHM Polska Miedź S.A., I am presenting to you the Integrated Report of the Company and the KGHM Polska Miedź S.A. Group for 2022 and invite you to review the operating data and non-financial indicators contained in the Report.

Respectfully,

Tomasz Zdzikot

President of the Management Board
KGHM Polska Miedź S.A.



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About us

About KGHM

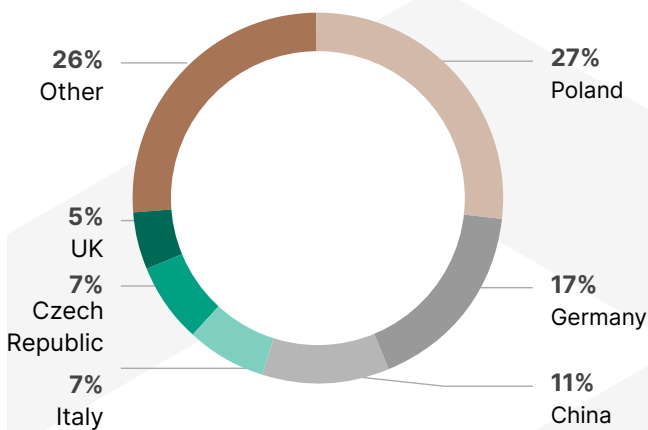
GRI: 2-1, 2-6

The KGHM Polska Miedź S.A. Group is a global, innovative organization involved in technologically advanced exploration, mining and metallurgical operations.

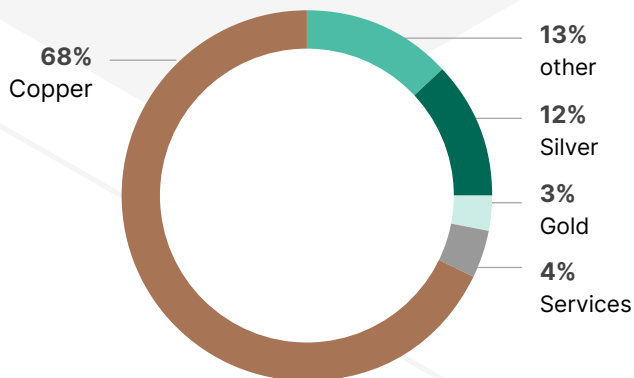
KGHM has been mining and processing the earth's precious natural resources for more than 60 years, providing the world with products that support sustainable development. Unwavering access to copper and precious

metals is a key condition for major Western economies to achieve climate neutrality. KGHM is the only large-scale producer of copper from its own mining resources in the European Union.

Sales revenue by geography*



Sales revenue by product



Key figures

4 continents

our mining projects in Europe, South America, North America

40 mn t

copper ore resources controlled by the Group

34,000

motivated and competent employees

4,118 PLN mn*

investments in the Group in 2022, compared to PLN 3,890 million in 2021

* Expenditure related to mining and metallurgical assets, capital investments relating to Polish and foreign assets.

While the Group's products support the green transition of the global economy, KGHM is also steadily modifying its own business profile to achieve climate neutrality by 2050 and reduce total Scope 1 and 2 emissions by 30% by 2030 relative to 2020 (from 3.03 million t eCO₂). The pursuit of sustainable development through the development of in-house low-carbon generation capacity (the construction and acquisition of photovoltaic and wind projects, as well as, in the long term, the use of small modular reactors), is one of the main pillars of the Group's Strategy. For more

information on decarbonizing the business model and building a portfolio of in-house energy assets, see [Our impact on the environment](#).

Today, the KGHM Polska Miedź S.A. Group has a presence on four continents: in Europe, South America, North America and Asia. At the organization's heart is Europe's largest copper ore deposit located in south-western Poland. The geographic scope of the Group's operations is described in [Our assets](#) section.



The Company's mission statement reflects its goal "To always have copper" with its consistently pursued vision "To effectively use its resources to become a leader in sustainable development."

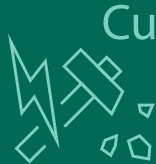
Thanks to a wealth of experience, open-mindedness and continuous improvement of employees' competence, the Company has built a unique culture of interaction and achieved a high position in the international arena. In 2022 it ranked eighth among global copper miners¹ and second in silver production². KGHM has a reputation

as a reliable producer and a trusted business partner. It is also a responsible employer, valuing the commitment and cultural diversity of its employees around the world. It employs more than 34,000 people convinced that what they do is important.

¹ KITCO 2023.

² World Silver Survey 2023.

There were several significant anniversaries in 2022



65th anniversary of the discovery of the copper deposit in Poland

The discovery on 23 March 1957 of one of the world's largest deposits of copper ore, located in Lower Silesia, became a stable and strong foundation on which the modern enterprise KGHM Polska Miedź S.A. grew.

The construction of each mining or processing plant, as well as smelter, was a huge technological challenge, requiring the solution of numerous geological, construction and social problems. The most outstanding engineers, geologists, physicists and designers were drawn to work at KGHM. It is thanks to their interaction – both within interdisciplinary teams and with local communities – that modern and environmentally friendly mines, processing plants and smelters were built.



45th Anniversary of the Żelazny Most Tailings Storage Facility

The Żelazny Most Tailings Storage Facility is an extremely important part of the copper production system. This is where waste from the mining and ore enrichment process has been managed for 45 years. It is the largest facility of its kind in Europe and one of the largest in the world, with an area of – together with the Southern Quarter – about 2,100 hectares. The volume of waste deposited reaches nearly 675 million cubic meters, the length of the dams exceeds 20 kilometres, and their maximum height is 78 meters. The Żelazny Most Tailings Storage Facility meets the EU's stringent environmental requirements, and ensures the continued operation of the tailings collection system.



25th anniversary of KGHM's Mine-Smelter Emergency Rescue Division

The Mine-Smelter Emergency Rescue Division was established on 1 January 1997 to replace the District Mine Rescue Station. The tasks of the Mine-Smelter Emergency Rescue Division include providing the necessary assistance to all divisions of KGHM Polska Miedź S.A. in a wide range of activities: liquidation of the effects of fires, rock bursts and roof collapses, water intrusion into buildings, energy-mechanical and technical failures, as well as chemical and environmental failures on the surface and in underground workings. Rescuers are also responsible for safeguarding trouble-free production in the production line by performing a range of preventive work. KGHM's rescuers are valued and awarded internationally. In 2022, the Mine-Smelter Emergency Rescue Division team took third place in the first aid competition at the International Rescue Squad Competition in the United States.

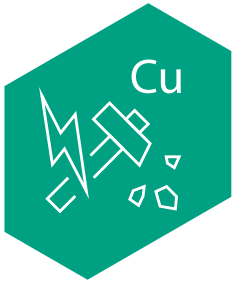


25th anniversary of the IPO on the Warsaw Stock Exchange (WSE)

On 10 July 1997, the shares of KGHM Polska Miedź S.A. were floated on the WSE. The first step towards a listing of its shares on the Warsaw Stock Exchange was the transformation in 1991 of the state enterprise into the state-owned, joint stock company KGHM Polska Miedź S.A. 25 years after its market debut, the Company is one of the largest and most financially liquid companies on the Warsaw Stock Exchange. During this period, the value of KGHM's shares increased many-fold. The Company is included, among others, in the WIG140, WIG-ESG, WIG-MS-BAS, WIG30TR, WIG30, WIG20TR, WIG-mining, WIG-Poland, WIG20, WIG and CEEplus indexes.



The KGHM Group is involved in the following lines of business



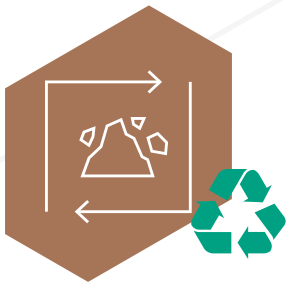
mining of copper ores and non-ferrous metal ores



production of metals, among others copper, silver, molybdenum, nickel, gold, platinum, palladium



manufacturing of goods from copper and precious metals



recycling of non-ferrous metals



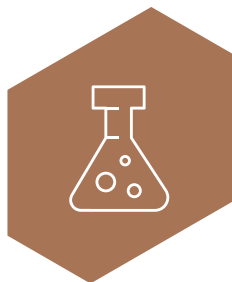
underground construction services



manufacturing of mining machinery and equipment



transportation services



research, analysis and design services



production of road construction aggregate



recovery of metals associated with copper ores

Key product categories

Copper cathodes	Copper cathodes made from electrolytic copper with a minimum copper content of 99.99% are the basic product of KGHM Polska Miedź S.A. They meet the highest quality requirements and are registered as Grade „A” on the London Metal Exchange (LME), the Shanghai Futures Exchange (SHFE) and the International Energy Exchange in Shanghai (INE) under three brands: HMG-S, HMG-B and HML.
	Copper cathodes are also the main product of the Carlota mine in the US, owned by KGHM INTERNATIONAL LTD Group and Franke (owned by the Group until April 2022).
	The main customers for cathodes are manufacturers of wire rod, other rods, flat bars, pipes, sheets and strips.
Copper wire rod	Copper wire rod with a diameter of 8 mm is manufactured by the Contirod® continuous melting, casting and rolling process. Production is mainly carried out using proprietary cathodes, produced at KGHM Polska Miedź S.A. divisions. Wire rod is the second-largest copper product manufactured by KGHM in terms of volume. Cedynia Copper Wire Rod Plant produces wire rod in five quality grades to suit different customer needs. The product is mainly used in the cable, electromechanical and electrical engineering industries.
Silver	Electrolytic silver is produced mainly by KGHM Polska Miedź S.A. The product is in the form of bars (ingots, billets) and granules with a silver content of 99.99%. Silver bars weighing about 32 kg, have a certificate of registration with the New York Commodities Exchange COMEX and a Good Delivery certificate issued by the London Bullion Market Association. The silver granules are packaged in 25 kg or 500 kg bags. The silver is bought by, among others, financial institutions, the jewellery industry, the electronics and electrical industry, the photovoltaic industry, catalyst manufacturers, and coin, bar and medal producers.
Copper concentrate	Copper concentrate is a product of the Robinson mine in the US, part of the KGHM INTERNATIONAL LTD. Group, containing about 20% copper. It is also produced by the Sierra Gorda mine in Chile (copper content above 20%). In both of these concentrates, gold and silver are present as an additional product. Copper concentrates are sold for further processing as a commercial product.
Molybdenum oxides	One of Sierra Gorda’s main commercial products is molybdenum oxides. They are produced by processing the sulphide molybdenum concentrate (with a Mo content of about 48%) produced by the Sierra Gorda mine. Molybdenum is used in the aerospace industry.
Molybdenum concentrate	Molybdenum concentrate is another commercial product (apart from copper concentrate) produced by the Robinson mine in the USA, part of the KGHM INTERNATIONAL LTD. Group. Production of molybdenum concentrate is derivative of the process of copper concentrate production.
Gold	Gold in the form of bars weighing approximately 0.5 kg, 1 kg, 4 kg, 6 kg and 12 kg, containing 99.99% gold, is produced by KGHM Polska Miedź S.A. The gold goes to the jewellery, minting, banking and electrical industries.
Ore of copper, nickel and TPM (precious metals – gold, platinum, palladium)	Ores containing copper, nickel and TPM are produced by the mines in the Sudbury Basin in Canada, part of the KGHM INTERNATIONAL LTD. Group. They are sold for further processing to one of the plants in the Copper Basin.
Oxygen-free copper rod	The Cedynia Copper Wire Rod Plant Division of KGHM Polska Miedź S.A. produces two types of rod using UPCAST® technology: Cu-OFE oxygen-free rod and CuAg(OF) oxygen-free, silver-bearing rod. Depending on customer need, the rod is produced in several diameters: 8 mm, 12.7 mm, 16 mm, 20 mm, 22 mm, 24 mm and 25 mm with possible silver content. This product is mainly used in the cable industry to produce thin wires, enamelled wires and fire-resistant cables, as well as cables for transmitting audio and video signals. Oxygen-free copper rod is also an ideal material for extrusion into flat profiles and sections using the Conform® process. In addition, silver-containing oxygen-free copper wire is used in the manufacture of trolleys and commutators.
ETP/OFE grains	Copper granulate is obtained from Cu ETP1 wire rod (99.90% Cu) and Cu OFE wire (99.99% Cu), and its main use is in the production of alloys and use in electroplating processes. Approximate dimensions of the grains produced by KGHM Polska Miedź S.A. are: 8 mm diameter, 12.7 mm diameter and 10-35 mm length.

Our competitive advantages

Global reach of operations

Over the recent decades, KGHM Polska Miedź S.A. has become a global player in the mining and processing market, present on four continents, distinguished by a diversified and constantly expanding product portfolio. Such a large scale of operation substantially curtails the risk of disturbance in the continuity and quality of production and facilitates the continuous transfer of knowledge and experience between its various units.

Access to rich and safe deposits owned in Poland and abroad

KGHM Polska Miedź S.A. has a geographically diversified portfolio of mining projects and production facilities located in Europe and North and South America. The copper ore resources controlled by KGHM – more than 40 million tonnes – make it an important player in the global mining sector. At the heart of KGHM is the largest copper ore deposit in Europe and one of the largest in the world, located in south-western Poland, which is also rich in associated metals.

Fully integrated production process with a complete chain of natural resource extraction and processing – from appraisal and exploration to sales

Production at KGHM Polska Miedź S.A. is a fully integrated process whereby the end product of one technological phase forms the input (intermediate product) for the subsequent phase. It is worth noting that as part of its operations, the Company is dynamically expanding

elements related to the implementation of the circular economy concept. To this end, it has been developing recycling in its production process and striving to further improve the utilisation of post-production waste as the so-called secondary sources of raw materials.

Unique know-how and skills

The experience and skills of our employees have helped transform KGHM from a local miner into an international group acting as a major player in the global market for non-ferrous metals. Employee knowledge is, and will continue to be, one of the key factors determining the Company's competitive advantages. One important area in which internal competence is being developed is sustainability.

Over 60 years of experience in underground copper mining

Mining and processing copper to form a finished, marketable product is a difficult and complex process. The Company has unique, long-standing experience and know-how valued by experts and customers from around the world. The mining industry is dominated by open-pit mining. Underground mining, as applied at KGHM's plants, is a much rarer form of extracting raw materials that has many advantages in terms of environmental and climate concerns. Because most of the work is carried out underground, interference with the environment occurs on a much smaller scale. This means less inconvenience for local communities and definitely easier reclamation processes for post-mining areas.



KGHM is uniquely qualified to work at great depths. In 2022, the European record for shaft depth was broken (1.34 km, GG-1 shaft). The project was linked to the strategic investment involving the mining of a new part of the copper deposit in the Deep Głogów area.

Extensive portfolio of products/elements

KGHM has geographically diversified mining assets. It mines copper ore, associated elements and precious metals. At plants located in Poland, operations are additionally based on metallurgy, refining and processing. The copper deposit mined by KGHM in Poland is one of the largest in the world. Its abundance will allow it to continue operations for decades to come. The Group also produces silver, gold, molybdenum, nickel, rhenium, lead, platinum and rock salt. While KGHM is famous for its metal production, other products are also produced in its technological processes – they include raw and refined lead, sulphuric acid, nickel sulphate and selenium. KGHM is also the only European producer of rhenium from its own resources – a valuable and very rare metal used mainly in the aerospace and petrochemical industries.

Extension of the value chain

The main business model of the KGHM Polska Miedź S.A. Group is divided into seven areas: exploration and prospecting, mining and reclamation of deposits, ore enrichment, smelting and refining (including recycling), processing and sale of finished products. Organized in this way, the core production process allows optimization and efficient management of raw material resources, while minimizing waste in accordance with the idea of the circular economy.

KGHM Polska Miedź S.A. sees the potential for extending the value chain. KGHM cooperates with its Group companies to implement the concept of intensifying the acquisition of copper-bearing scrap to use it as feedstock in its metallurgical furnaces. By diversifying upstream, the Company boosts the utilisation of its production capacity and makes a positive contribution to the environment by recovering valuable metals from waste. In 2022 alone, a total of more than 150,000 tonnes of copper scrap was processed and thus returned to use. The Company simultaneously strives to increase the share of highly processed products in the KGHM Group's total sales (wire rod, wire, low-loss copper-silver alloy power cables).

Innovation

KGHM is carrying out innovation and research and development activities (related to, among other things, testing self-driving electric mining machines, robotization of production and auxiliary processes, broadband data transmission in underground workings). The projects are conducted at various business levels, in cooperation with independent entities (e.g. science establishments). These translate into, among other things, increased process efficiency, reduced production costs, improved occupational health and safety, effective environmental protection measures and efficiency in the exploration of new deposits.

BEST PRACTICE Inventors Market

KGHM supports employee innovation through, among other things, the Inventors Market initiative. It was organized in November 2022 in all branches of the Company. In accordance with its Inventing Bylaws, also sought after are solutions of a technical or technical-organisational nature (technology area), but also in the area of improving occupational health and safety.



BEST PRACTICE

CuValley Hack

2022 saw the second edition of CuValley Hack, a hackathon organized by KGHM Polska Miedź S.A. and KGHM Centrum Analizki sp. z o.o. as part of the Copper Valley initiative. The hackathon attracted 250 participants, whose teams presented 40 projects (three projects acquired in the second edition are in the process of implementation at KGHM).

Partnerships with companies and institutions

KGHM is building lasting partnerships with established companies and domestic and international institutions. The company is a member of many national and international organizations (including employers' associations), business and industry associations, foundations and other entities representing the European mining industry. It maintains an ongoing dialogue with technology experts, universities, suppliers, governments, community groups, industry leaders and civil society organizations at all stages of the life cycle of its projects. Through ongoing cooperation with stakeholders and the exchange of opinions, KGHM is making a significant contribution to society while becoming a more valuable company for shareholders.

Integration within the KGHM Group

The KGHM Polska Miedź S.A. Group is internally integrated and, in many aspects, comprehensive in its operations. It includes entities with unique competencies, key to the production line and the implementation of development projects. They ensure, among other things, the continuity of electricity supply, the development of technology, provide construction services, including underground construction and mining work, manufacture and service mining machinery and equipment. They are also implementing circular economy activities.

Financial stability

One of the pillars of growth of the KGHM Group is to ensure the Group's financial stability and implement solutions aimed at increasing its value. As part of enhancing its competitive advantage, KGHM Polska Miedź S.A. strives for basing the Group's financing structure on long-term instruments, shortening the cash conversion cycle and managing market and credit risk effectively. These actions improve the liquidity of the Company and the Group and affect the availability of funds for the Company's growth, implementation of strategic tasks and increase profits by reducing costs of financing. This allows the Group to plan and conduct a number of significant long-term investment projects.



Organizational Structure of the Company and the Group



GRI: 2-2

In 2022, the multi-division enterprise operating within KGHM Polska Miedź S.A. consisted of the Head Office and 10 Divisions.

Organizational structure of KGHM Polska Miedź S.A.



Mining

- Lubin Mine Division
- Polkowice-Sieroszowice Mine Division
- Rudna Mine Division
- Concentrators Division
- Tailings Division



Steel sector

- Głogów Copper Smelter and Refinery
- Legnica Copper Smelter and Refinery
- Cedynia Copper Wire Rod Plant



Other

- Head Office
- Mine-Smelter Emergency Rescue Unit
- Data Centre Division

Organizational Chart of the KGHM Polska Miedź S.A. Group

GRI: 2-2, 2-6

As at 31 December 2022, the Group was composed of KGHM Polska Miedź S.A. as the Parent Entity and 65 subsidiaries located on four continents: in Europe, North America, South America and Asia. Some of these subsidiaries formed their own groups. The largest of them,

both in terms of the number of members and the value of equity, is the KGHM INTERNATIONAL LTD. Group the main assets of which are located in Canada, the United States and Chile. It consisted of KGHM INTERNATIONAL LTD. and of 25 of its subsidiaries.

Reporting segments of the KGHM Polska Miedź S.A. Group

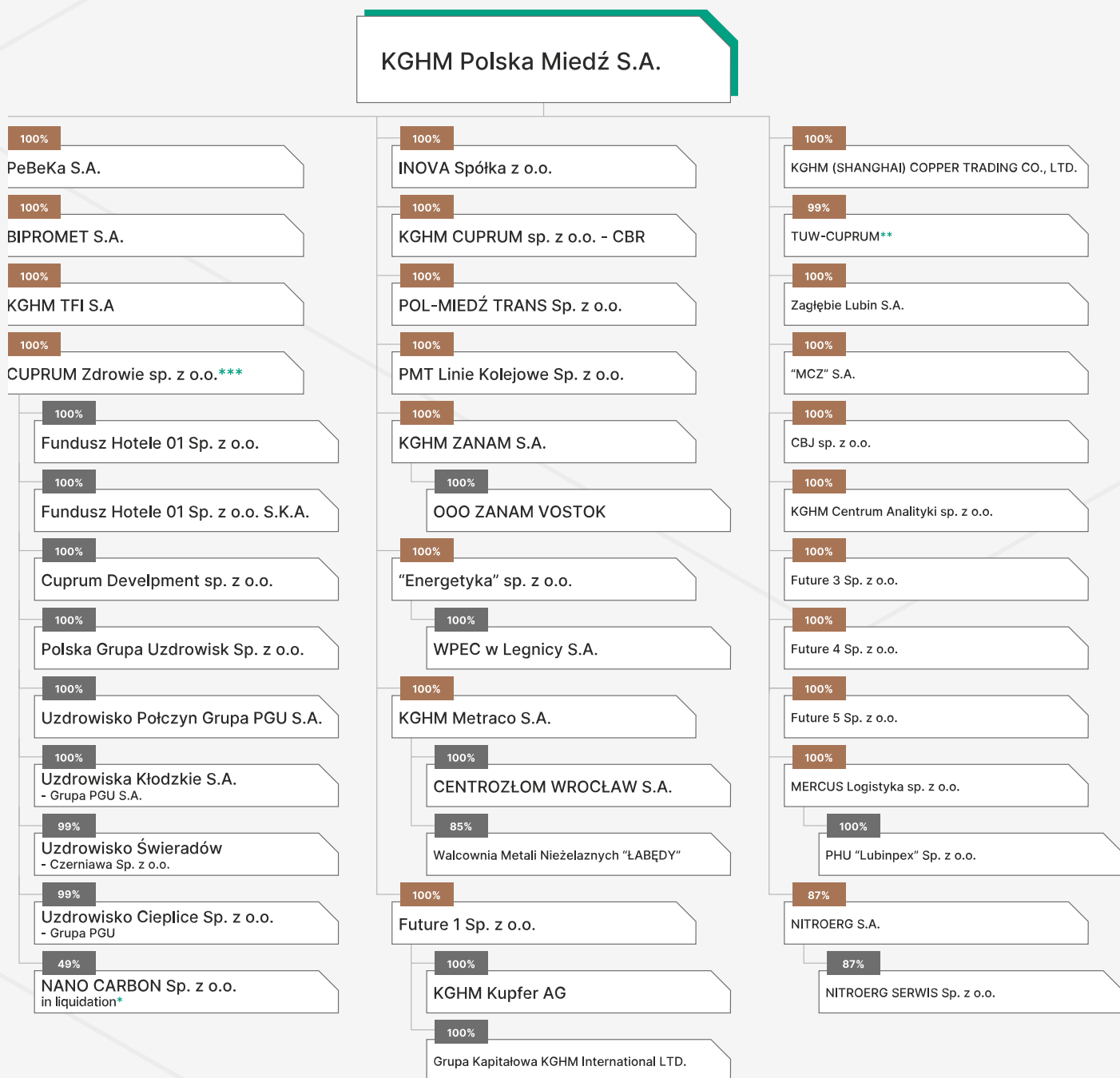
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.	Other segments
Line of business	Mined and metallurgical production of metals – Cu, Ag, Au	Mined production of metals – Cu, Ni, Au, Pt, Pd, Ag	Mined production of metals – Cu, Mo, Au, Ag	<ul style="list-style-type: none"> Companies supporting the core business of KGHM Polska Miedź S.A.
Key production assets	Underground mines <ul style="list-style-type: none"> Lubin Mine Polkowice-Sieroszowice Mine Rudna Mine Metallurgical plants <ul style="list-style-type: none"> Legnica Copper Smelter and Refinery Głogów I Copper Smelter and Refinery and Głogów II Copper Smelter and Refinery Cedynia Copper Wire Rod Plant	Robinson mine in the USA (open pit)	Sierra Gorda mine in Chile (open pit)	<ul style="list-style-type: none"> Companies that are part of the so-called Polish Spa Group (Polska Grupa Uzdrawisk) Companies playing an important role in advancing CSR policy Other companies, including special purpose vehicles in the holding structure
Main development projects	<ul style="list-style-type: none"> Głogów Głęboki-Przemysłowy Pre-production and exploration projects in south-western Poland	Victoria project in the Sudbury Basin in Canada – construction of an underground copper and nickel mine	Sierra Gorda Oxide project in Chile	

The following companies were not included in any of the aforementioned segments:

- Future 1 Sp. z o.o., which acts as a holding company with respect to the KGHM INTERNATIONAL LTD. Group,
- Future 3 Sp. z o.o., Future 4 Sp. z o.o. and Future 5 Sp. z o.o. (which operate in the structure related to the establishment of a Tax Group).

Structure of the KGHM Polska Miedź S.A. Group, as at 31 December 2022

The percentage share represents the Group's total share.



Group structure presented in Appendix 2

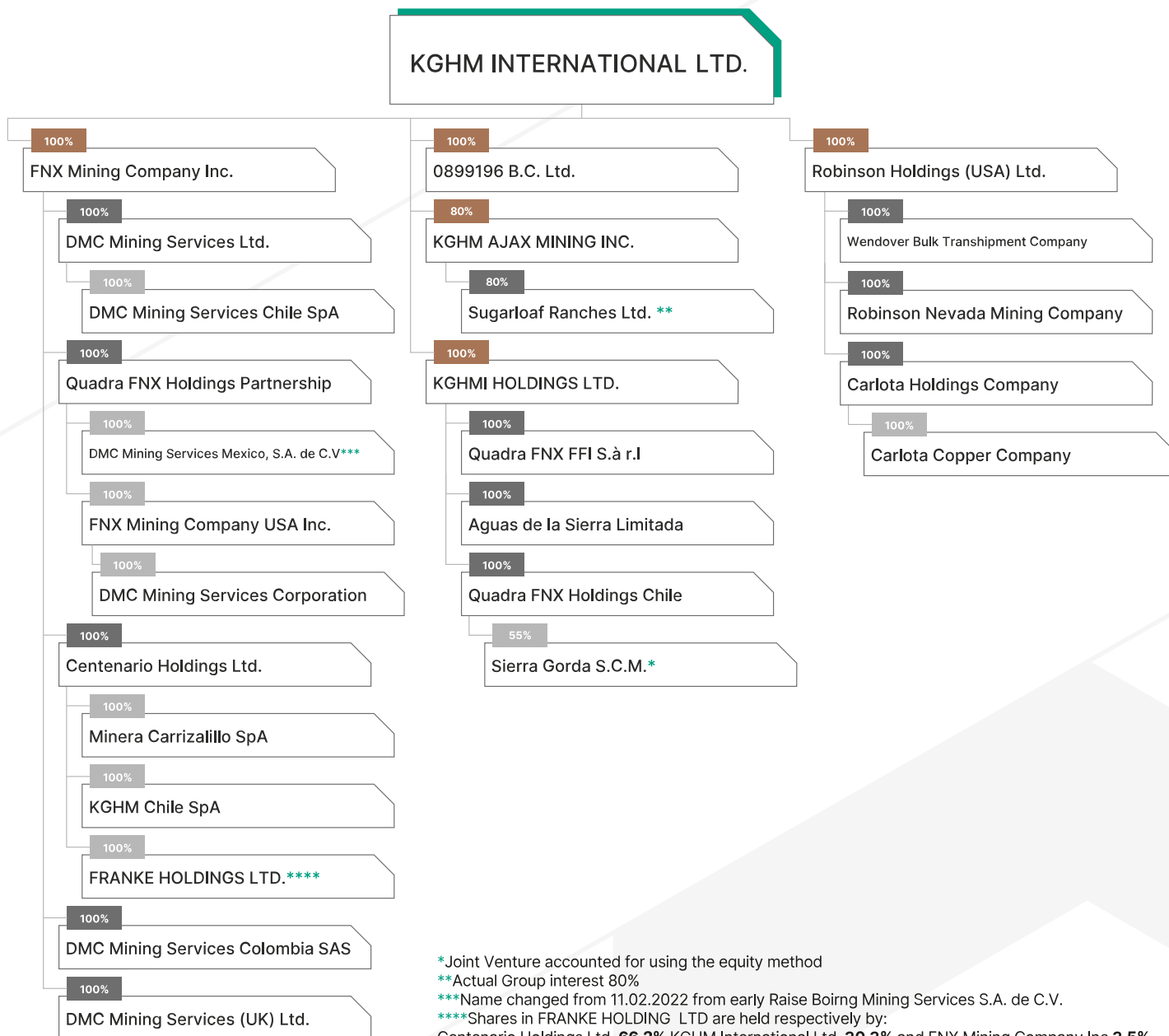
* Joint Venture accounted for using the equity method

** Unconsolidated subsidiary

*** Previous name Cumprum Nieruchomości sp. Z o.o.

Structure of the KGHM International LTD. Group as at 31 December 2022

The percentage share represents the Group's total share.

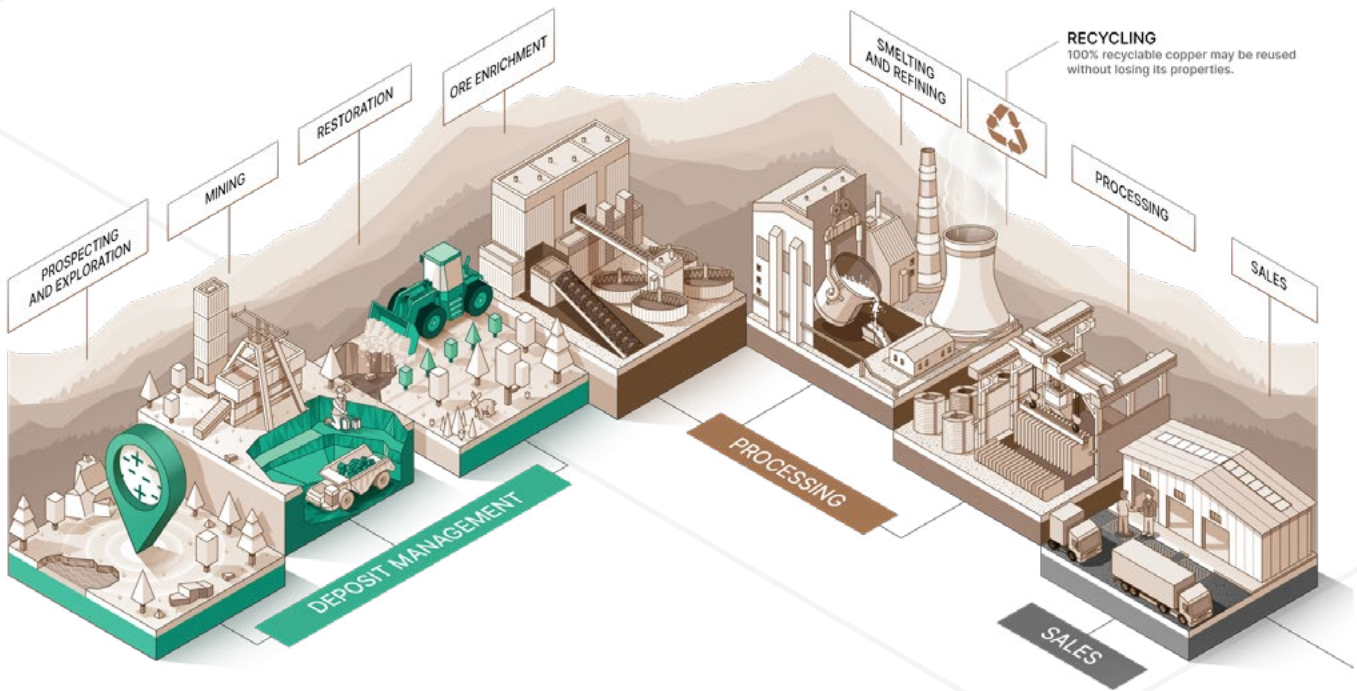


* Joint Venture accounted for using the equity method
 ** Actual Group interest 80%
 *** Name changed from 11.02.2022 from early Raise Boirng Mining Services S.A. de C.V.
 **** Shares in FRANKE HOLDING LTD are held respectively by:
 Centenario Holdings Ltd. **66.2%** KGHM International Ltd. **30.3%** and FNX Mining Company Inc **3.5%**

Business model and production process

GRI: 2-6

Business model of the KGHM Polska Miedź S.A. Group



The main assets of the KGHM Polska Miedź S.A. Group are presented in the [Our assets](#) section.

GRI: 2-6

KGHM Polska Miedź S.A. Production Process

Production at KGHM Polska Miedź S.A. is a fully integrated process whereby the end product of one technological phase forms the input (intermediate product) for the subsequent phase of production.

The Legnica Copper Smelter and Refinery, Głogów Copper Smelter and Refinery and Cedynia Copper Wire Rod Plant belong to the prestigious Copper Mark® program, being able to benefit from the certificate confirming efficient copper production in accordance with the highest standards. The Copper Mark® was established to promote responsible copper production. The certification extension allows KGHM, among other things, to maintain the registration of its products (lead and copper cathodes) on the London Metal Exchange. The Głogów and Legnica metallurgical plants joined the Copper Mark® program in 2020, and the Cedynia Copper Wire Rod Plant in 2022. International experts checked the compliance of KGHM divisions' business processes with the 32 criteria for

awarding the certificate. A follow-up compliance audit was conducted in 2022.

Key criteria of The Copper Mark® standard:

- Forced labour
- Gender equality
- Occupational health and safety
- Freshwater management and conservation
- Waste management
- Biodiversity and protected areas
- Community development
- Human rights
- Rights of indigenous peoples
- Cultural heritage

Mining

The Company continues its exploration and assessment work in order to develop and expand its resource base. Geological activities can be divided into three main areas:

- greenfield exploration – exploring new deposits;
- brownfield exploration – appraisal of resources which have been partially surveyed and documented;
- in-mine and near-mine exploration – appraisal of areas adjacent to the currently worked assets in order to extend the operational period.

The copper ore deposit mining technology at all three mines is based on room-and-pillar methods, using blasting technology to mine the deposit. It includes opening and preparatory works consisting of:

- contouring with a network of corridor workings provided for the mining of the deposit parcels,
- cutting the rockmass with rooms and belts (separating a number of technological pillars),
- mining the deposit,
- hauling the excavated material to branch dumps, where crushing of large lumps of rock (oversize) takes place at the dumping point (grating), and

- transporting the excavated material to the shaft tanks, from where it is brought to the surface by skip shaft lifts.

Flotation enrichment yields a concentrate with an average copper content of approx. 22-23%, as well as flotation waste. The Rudna Concentrator produces concentrate with the highest copper content (approx. 26%), while the lowest is at the Lubin Concentrator (approx. 13.4%). The Polkowice Concentrator Region produces a concentrate with a copper content of approx. 24.6%.

The dried concentrate with a moisture content of about 8.8% is transported by rail to the smelters: Legnica Copper Smelter and Refinery located in Legnica and Głogów I Copper Smelter and Refinery and Głogów II Copper Smelter and Refinery located in Głogów.

Tailings in the form of slurry are transported by pipelines to the Żelazny Most Tailings Storage Facility, where the solids are sedimented, and the clarified water is captured and redirected to the processing plants. At the same time, the landfill serves as a retention and dosing reservoir for excess mine-process water in circulation.



Steel sector

Copper smelters produce electrolytic copper based on their own concentrates and international inputs (copper concentrates, copper scrap, blister copper).

The Legnica Copper Smelter and Refinery uses a multi-stage process whose main stages include: preparation of the charge material, its reduction smelting in shaft furnaces to the form of matte copper, conversion to the form of blister copper with approx. 98.5% copper content; fire refining in anode furnaces to produce anodes of 99.2% copper content; and electrorefining. The final product is electrolytic copper cathodes with 99.99% copper content.

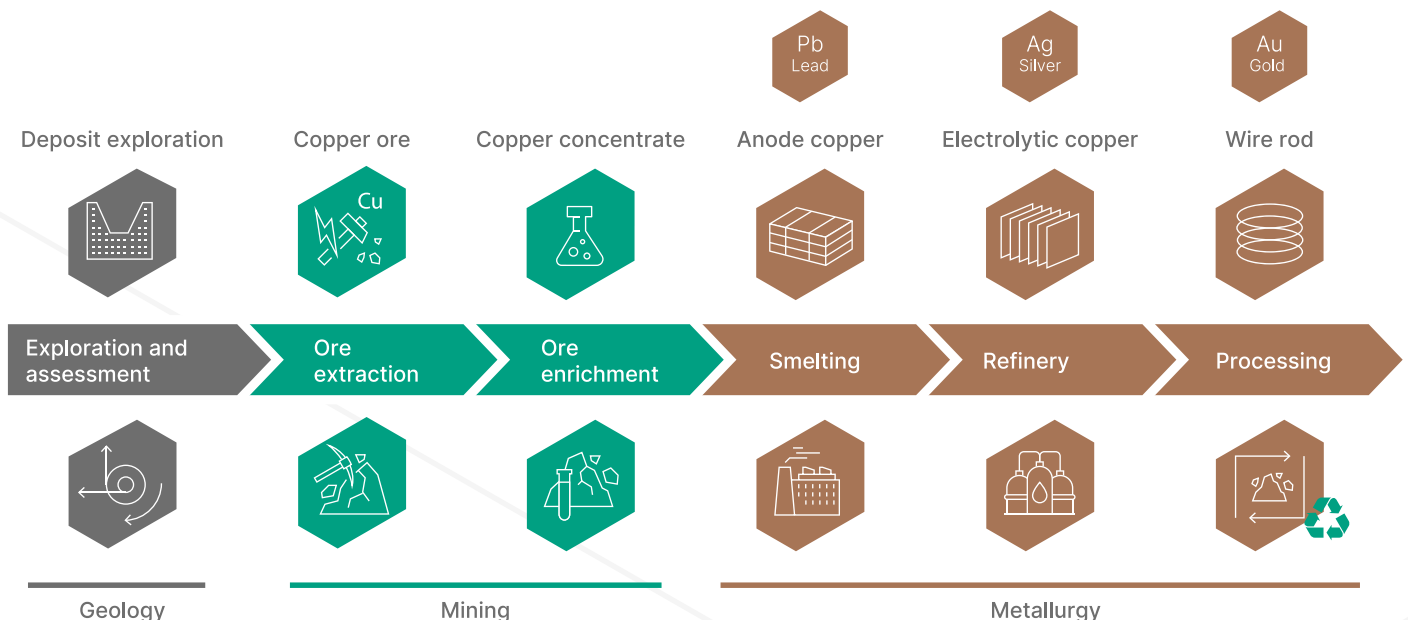
The Głogów Copper Smelter and Refinery uses a single-stage technology of processing concentrate in flash furnaces, based on a license from the Finnish company Outokumpu. The dried concentrate with a moisture content of 0.3% H₂O is smelted in a flash furnace to form blister copper with a Cu content of approx. 98.6%, which undergoes fire refining in anode furnaces. The slurry slag containing about 12%-14% copper is sent for decopperization in an electric furnace, and the resulting CuPbFe alloy is sent to converters, from which copper with a purity of 98.5% also goes for refining in anode furnaces. The anodes obtained in the process of fire refining are subjected to the process of electrorefining whose end product is electrolytic copper in the form of cathodes with the content of 99.99% of Cu.

Approximately 49% of the electrolytic copper produced by the smelters of KGHM Polska Miedź S.A. is processed in the rolling mill of the Cedynia Copper Wire Rod Plant, where copper wire rod is produced by continuous melting, casting and rolling, and oxygen-free copper rod and low-alloy oxygen-free copper rod with silver, is made using UPCAST technology.

Sludge generated in the electrorefining processes at KGHM smelters contains precious metals and is a raw material at the Precious Metal Plant at the Głogów Copper Smelter and Refinery for the production of: refined silver, gold, palladium-platinum concentrate and selenium. In turn, the electrolyte withdrawn from the tankhouse circuit, after decopperization, is directed to the production of crude nickel sulphate.

Lead-bearing dust and sludge from the dust removal from process gases of all smelters are smelted together with decopperized converter slag from the slurry line in Dörschl furnaces in the Lead Division of the Głogów Copper Smelter and Refinery to form crude lead with 99.3% Pb content. Raw lead undergoes a refining process at the Legnica Copper Smelter and Refinery, which results in a final product in the form of refined lead with a 99.85% Pb content.

Integrated mining, processing, smelting and refining processes in KGHM Polska Miedź S.A.

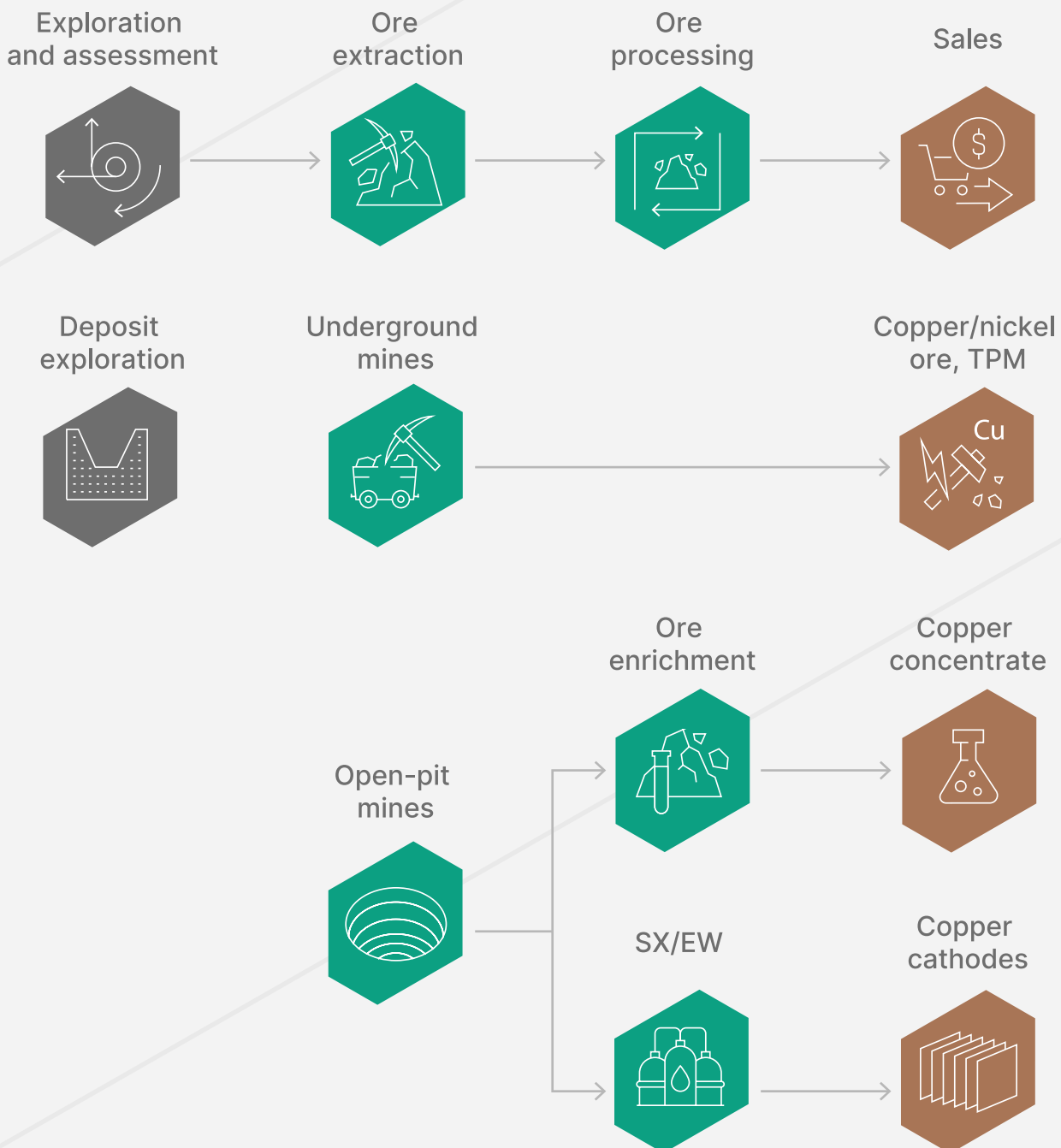


KGHM INTERNATIONAL LTD. production process

The core business of the KGHM INTERNATIONAL LTD. Group of companies is the mined production of metals, such as copper, nickel, gold, platinum and palladium,

from both open-pit and underground mines, as well as advancement of mining and exploration projects.

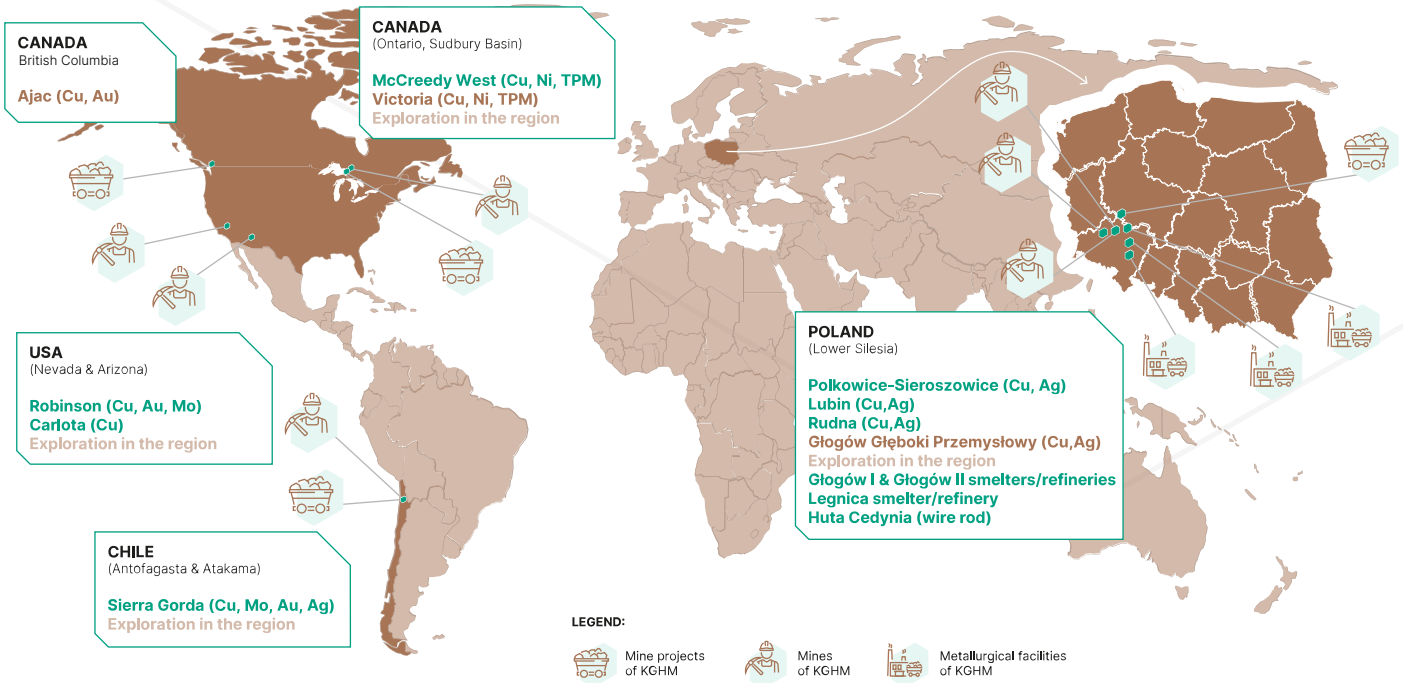
Simplified flowchart of the core business of the KGHM INTERNATIONAL LTD. Group



Our assets

The KGHM Polska Miedź S.A. Group holds geographically diversified mining assets (mines of copper ore and accompanying elements, such as silver, molybdenum, nickel, gold and other precious metals) located in Poland, the USA, Chile and Canada and copper smelters and refineries in Poland.

Location of the production assets of the KGHM Polska Miedź S.A. Group



Poland

Polkowice-Sieroszowice Mine

Location	Lower Silesia, Poland
Ownership	KGHM Polska Miedź S.A. Division
Type of mine	underground
Main ore type	copper ore
Associated minerals	silver, lead, rock salt, gold
Type of orebody	stratiform
End product	copper ore
Copper in extracted ore in 2022	196.8 kt

The Polkowice-Sieroszowice Mine is located in Lower Silesia, to the west of the town of Polkowice. Currently, it conducts mining works in four mining areas: Polkowice, Radwanice Wschodnie, Sieroszowice and in a part of the Głogów Głęboki-Przemysłowy (Deep Głogów) area. Within the Sieroszowice mining area, there are also rich deposits of rock salt above the copper-bearing horizon. The Polkowice-Sieroszowice Mine's current production capacity is around 12 million tonnes of ore per year.

Rudna Mine

Location	Lower Silesia, Poland
Ownership	KGHM Polska Miedź S.A. Division
Type of mine	underground
Main ore type	copper ore
Associated minerals	silver, lead, gold
Type of orebody	stratiform
End product	copper ore
Copper in extracted ore in 2022	174.6 kt

The Rudna Mine is located in Lower Silesia, to the north of the town of Polkowice. It mines the copper deposit in the Rudna mining area as well as in parts of the mining areas of Sieroszowice, Lubin-Małomice and Głogów Głęboki-Przemysłowy (Deep Głogów). The copper orebody in the currently mined deposit ranges from 844 meters to 1,250 meters. The current average production capacity is approx. 12 million tonnes of ore per year.

Lubin Mine

Location	Lower Silesia, Poland
Ownership	KGHM Polska Miedź S.A. Division
Type of mine	underground
Main ore type	copper ore
Associated minerals	silver, lead, gold
Type of orebody	stratiform
End product	copper ore
Copper in extracted ore in 2022	71.3 kt

The Lubin mine is located in Lower Silesia, Poland, to the north-west of the town of Lubin. It mines the copper deposit in the mining area Lubin-Małomice at a depth from 550 meters to 1006 meters. The mine's current production capacity is around 8.6 million tonnes of ore per year.

Głogów Copper Smelter and Refinery

Location	Lower Silesia, Poland
Ownership	KGHM Polska Miedź S.A. Division
Type of metallurgical plant	smelteY/Yefinery
End product	electrolytic copper
Electrolytic copper production in 2022	463.5 kt

This complex of metallurgical plants located in Głogów comprises two copper concentrate smelting lines based on the one-stage smelting of concentrate in a flash furnace directly into blister copper. Apart from electrolytic copper, the Głogów Copper Smelter and Refinery Division produces crude lead (approx. 30 thousand tonnes annually), silver (approx. 1,400 tonnes), gold (approx. 2 tonnes) and sulphuric acid (over 550 thousand tonnes).

Legnica Copper Smelter and Refinery

Location	Lower Silesia, Poland
Ownership	KGHM Polska Miedź S.A. Division
Type of metallurgical plant	smelteY/Yefinery
End product	electrolytic copper
Electrolytic copper production in 2022	122.5 kt

The copper smelter and refinery located in Legnica has a current production capacity of 123 thousand tonnes of electrolytic copper. In operation since the 1950s using the shaft furnace technology. Apart from electrolytic copper, the smelter also produces refined lead (approx. 30 thousand tonnes per annum), sulphuric acid (approx. 100 thousand tonnes), copper sulphate and nickel sulphate.

Cedynia Wire Rod Plant

Location	Lower Silesia, Poland
Ownership	KGHM Polska Miedź S.A. Division
Type of metallurgical plant	processing
End product	copper wire rod and Cu-OFE rod
Production in 2022	260.9 kt of copper wire rod and 17.0 kt of oxygen-free copper rod

Production at the Cedynia Wire Rod Plant located in the vicinity of Orsk is based on the use of copper cathodes from the Głogów Copper Smelter and Refinery and the Legnica Copper Smelter and Refinery. The basic product of the Cedynia Wire Rod Plant is copper wire rod produced in a Contirod line amounting to approx. 265 thousand tonnes annually and approx. 18 thousand tonnes annually of oxygen-free copper wire rod produced in an UPCAST line, including oxygen-free, silver-bearing copper wire rod.

The United States

Robinson Mine

Location	Nevada, USA
Ownership	100% KGHM INTERNATIONAL LTD.
Type of mine	open pit
Main ore type	copper ore
Associated minerals	gold and molybdenum
Type of orebody	porphyry/skarn
End product	copper and gold concentrate, molybdenum concentrate
Payable copper production in 2022	46.8 kt
Mine life	14 years

The mine is located in White Pine county, Nevada, USA, around 11 km west of Ely (approx. 400 km north of Las Vegas), in the Egan range, at an average altitude of 2,130 meters a.s.l., near highway no. 50. The mine comprises 3 large pits: Liberty, Tripp-Veteran and Ruth, which are currently in operation. The sulphide ore mined by conventional methods is then enriched by flotation. The final product is a copper-gold concentrate and, separately, a molybdenum concentrate.

Carlota Mine

Location	Arizona, USA
Ownership	100% KGHM INTERNATIONAL LTD.
Type of mine	open pit
Main ore type	copper ore
Type of orebody	porphyry
End product	copper cathodes
Payable copper production in 2022	4.1 kt
Mine life	2 years

The Carlota mine is located in the Western part of the Miami-Globe mining region, in the state of Arizona at an altitude of 1,300 meters a.s.l. Mine copper ore is extracted by conventional methods typical for open-pit metals mines, i.e. the ore is mined by blasting and then transported by haulage trucks. Due to the nature of the oxide ore, it is processed using the heap leach, solvent-extraction and electrowinning method. The end product is electrolytic copper in the form of cathodes.

As at 31 December 2022, the company's assets and related liabilities are not recognized as held for sale.

Canada

Sudbury Basin

Location	Sudbury, Ontario, Canada
Ownership	100% KGHM INTERNATIONAL LTD.
Type of mine	underground
Main ore type	copper ore, nickel, platinum, palladium and gold
Type of orebody	footwall/contact Ni
End product	copper and nickel ore with precious metals
Payable copper production in 2022	2.5 kt
Mine life	5 years

The Sudbury Basin is located in central Ontario in Canada, approx. 400 km north of Toronto. In this region KGHM INTERNATIONAL LTD. owns a variety of assets; however, since April 2019, mining has only been conducted in the underground McCreedy West mine. All of the ore extracted from the mine, containing copper, nickel and precious metals, is processed in the Clarabelle plant in Sudbury, owned by Vale.



Victoria Project

Location	Sudbury Basin, Ontario, Canada
Ownership	100% KGHM INTERNATIONAL LTD.
Type of mine	underground
Main ore type	copper-nickel ore
Associated metals	gold, platinum and palladium
End product	copper ore, nickel and precious metals
Forecast annual production	16 kt Ni, 18 kt Cu
Mine life	14 years

This project is located in the Canadian province of Ontario, approx. 35 km west of the town of Sudbury. In 2002 rights were acquired to the Victoria mineral deposit and a campaign of exploration in this region commenced. The current development scenario for the project calls for

the sinking of 2 shafts to access the deposit (a production shaft and a ventilation shaft). Based on analytical work performed in 2017, the base scenario assumes the Victoria project will be developed in two stages, comprised of the sinking of a first shaft along with additional exploration, followed by sinking of the production shaft.

In 2022, work continued at the project site to prepare selected elements of surface infrastructure for further development. Among other things, the construction of the shaft tower of one of the shafts has been completed, there has been significant progress in the construction of the foundations of the hoisting machinery building, the construction of the water treatment station has been completed, and work on the mine water reservoir is underway. Engineering work related to the construction of the production shaft also continued, as did activities related to maintaining good relations and cooperation with key Project stakeholders.

Ajax Project

Location	Kamloops, British Columbia, Canada
Ownership	KGHM INTERNATIONAL LTD. 80%; Abacus Mining and Exploration Inc. 20%
Type of mine	open pit
Main ore type	copper ore
Associated metals	precious metals (gold and silver)
End product	copper concentrate
Forecast annual production	53 kt Cu, 114 thousand ounces Au
Mine life	19 years

The Ajax project is located in British Columbia, Canada, 400 km north-east of Vancouver near the town of Kamloops. The project assumes the construction of an open-pit copper and gold mine and an ore enrichment plant, with associated infrastructure. By 2016 the project's Feasibility Study was prepared setting out the initial economic parameters of the project. Since the EA Certificate has not been granted, in 2022 the work focused mainly on monitoring and securing the project site in accordance with regulatory requirements.



Chile

Sierra Gorda Mine and Sierra Gorda Oxide Project

Location	Region II, Chile
Ownership*	55% KGHM INTERNATIONAL LTD, 45% South32
Type of mine	open pit
Main ore type	copper ore
Associated metals	molybdenum, gold
Mine life	26 years for the current deposit based on phase I of the project, along with the elimination of bottlenecks. Moreover, there is a possibility to extend the mine's life using new deposits
End product	Copper concentrate, molybdenum concentrate
Payable production in 2022	165.1 thousand tonnes of copper in concentrate, 5.3 million pounds of molybdenum in concentrate on a 100% basis, share of KGHM Polska Miedź S.A. is 55%
Mine life	26 years

The Sierra Gorda mine is located in the Atacama desert, in the Sierra Gorda administrative area in the Antofagasta region. It began commercial production in July 2015. The ore is extracted using explosives, and next is loaded and hauled away in trucks to the processing plant, where it is crushed and milled. The end product of Sierra Gorda's processing plant is copper concentrate and molybdenum concentrate.

Franke Mine

On 26 April 2022, KGHM INTERNATIONAL LTD. subsidiaries Franke Holdings Ltd. and Centenario Holdings Ltd. signed an agreement to sell 100% of the shares of Sociedad Contractual Minera Franke, which owns the Franke mine in Chile, to Minera Las Cenizas S.A. for a negotiated initial purchase price of USD 25 million.

Other assets (equity investments and their financing)

In terms of assuring the operations of the core business of KGHM Polska Miedź S.A. the domestic companies operating mainly on its behalf are significant, including among others:

- PeBeKa S.A. – mining work contractor;
- KGHM ZANAM S.A. – a supplier and service provider for mining machinery, it also provides production maintenance services in selected areas and participates in investment tasks;
- KGHM Metraco S.A. – a supplier of copper scrap;
- Energetyka sp. z o.o. – this company secures part of the energy needs of KGHM Polska Miedź S.A.;
- POL-MIEDŹ TRANS Sp. z o.o. – the main logistics company in the Group.

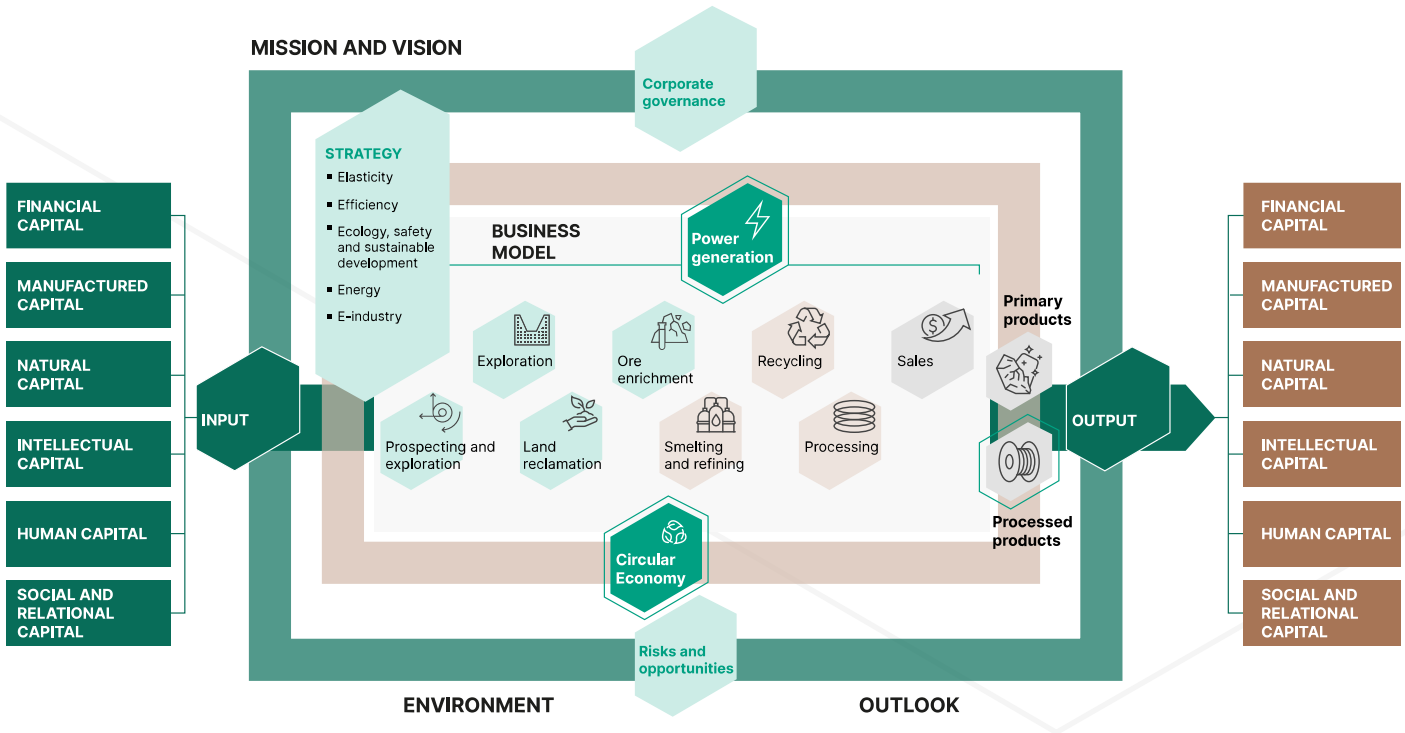
In terms of other entities – non-core companies – a significant portion of assets are investments in the general field of healthcare, including Polska Grupa Uzdrawisk.

Moreover, amongst the international companies is a group operating under the DMC Mining Services brand: DMC Mining Services Ltd., FNX Mining Company Inc. (a branch of DMC), Raise Boring Mining Services S.A. de C.V. (from 11 February 2022 operating under the changed name DMC Mining Services Mexico, S.A. de C.V.), DMC Mining Services Corporation, DMC Mining Services Colombia S.A.S., DMC Mining Services (UK) Ltd. and DMC Mining Services Chile SpA, which provide services in shaft sinking, preparatory work, construction of above-ground and underground mine facilities, mine drilling, tunnel drilling for general construction purposes and engineering services.

* On 22 February 2022, a transaction was closed for sale of 45% of the shares in Sierra Gorda S.C.M. by Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation to the Australian mining group South32 with its registered office in Perth. The transaction was carried out under sales agreements executed on 14 October 2021.

How we create value

Value creation model



Capitals

Financial capital

Financial capital is the basis for the efficient use and development of the other capitals of the KGHM Polska Miedź Group, in particular manufactured capital. It is represented in the Group by a pool (resource) of funds that is available for use in ongoing production processes, including mining and smelting, being the value generated in the operating and investment activities of the KGHM Polska Miedź S.A. Group and obtained as financing in the form of debt, equity or any subsidies. It consists of:

- share capital of owners, lenders and bondholders,

- financial result generated,
- short – and long-term liabilities.

Thanks to the above-mentioned earned and raised funds, the KGHM Polska Miedź Group is able to conduct its current operating activities, but also to invest in future business ventures, both on the acquisition side (including in new geological assets) and to finance research and development activities (including in the aspect of realising the concept of a low – and zero-carbon economy in terms of greenhouse gases, as well as implementing the concept of a circular economy).

Key indicator data on the financial capital of the KGHM Polska Miedź Group

No.	Indicator name	Value	
		31.12.2021	31.12.2022
1	Revenues from contracts with customers [in PLN million]	29,803	33,847
2	Net profit [PLN million]	6,155	4,774
3	Adjusted EBITDA ¹	10,327	8,865
4	Total assets [PLN million]	48,027	53,444
5	Liabilities [PLN million]	20,889	21,298
6	Earnings per share ²	30.78	23.86
7	Share price of the Company at the end of the period ³	139.4	126.75
8	Net debt/EBITDA ⁴	0.6	0.8
9	Production of payable copper ⁵	753.7	733.1
10	Production of payable silver ⁵	1,366	1,327
11	C1 payable copper production cost ⁵	1.96	2.20

Highlights of financial capital management in 2022 in the context of 2021:

- in the KGHM Polska Miedź S.A. segment:
 - increase in revenues from contracts with customers (impact on profit/loss: +PLN 3,811 million),
 - increase in cost of sales, selling costs and administrative expenses (PLN 3,949 million),
 - reversal of impairment losses on shares in subsidiaries (impact on profit/loss: PLN 1,010 million),
 - reversal of impairment losses on financial instruments measured at amortised cost (impact on profit/loss: PLN 594 million),
- impact of derivatives and hedging transactions (impact on profit/loss: +PLN 214 million),
- impairment losses on shares and investment certificates in subsidiaries (impact on profit/loss: +PLN 182 million),
- fair value gains on financial assets measured at fair value through profit or loss (impact on profit/loss: +PLN 439 million),
- impact of foreign exchange differences (impact on profit/loss: +PLN 148 million),
- decrease in income tax (impact on profit/loss: +PLN 84 million),
- increase in total assets (impact on profit/loss: +PLN 4,537 million),
- increase in capital expenditures (impact on profit/loss: +PLN 291 million),
- in the KGHM International Ltd segment:
 - decrease in revenues from contracts with customers (impact on profit/loss: +USD 86 million),
 - lower cost of sales, selling costs and administrative expenses (impact on profit/loss: +USD 3 million),
 - impact of other operating activities and financing activities (impact on profit/loss: +USD 366 million),
 - increase in income tax (impact on profit/loss: – USD 28 million),
 - decrease in capital expenditures (impact on profit/loss: – USD 58 million).
- in the Sierra Gorda S.C.M. segment:
 - decrease in sales revenue (impact on profit/loss: – USD 534 million),
 - change in cost of sales, selling costs and administrative expenses (impact on profit/loss: – USD 1,259),
 - impact of other operating and financing activities (impact on profit/loss: +USD 31 million),
 - increase in income tax (impact on profit/loss: – USD 425 million).

¹ Comprises Sierra Gorda S.C.M. proportionally to interest held (55%)

² Attributable to shareholders of the Parent Entity

³ KGHM Polska Miedź S.A.

⁴ Adjusted EBITDA for the year, excluding EBITDA of the joint venture Sierra Gorda S.C.M.

⁵ Comprises Sierra Gorda S.C.M. proportionally to interest held (55%)

Manufactured capital

The most important capital that is the result of financial capital, but also directly determines the development of financial capital. Manufactured capital is represented in the KGHM Polska Miedź Group by manufactured (produced) physical objects (as opposed to natural physical objects) intended for use in the production of goods or the provision of services, including buildings, equipment, infrastructure. Although this capital is often created by other entities, it also includes the reporting entity's assets held for sale or for its own use.

The manufactured capital of the KGHM Polska Miedź Group consists primarily of fixed assets, including mainly the infrastructure of mines, ore enrichment plants and smelters and metal rolling mills. It also includes infrastructure related to the execution of complementary functions for the above activities of the main production segments, including transportation, scrap collection, water and sewage, energy, waste management, IT infrastructure etc. The Group also includes in its manufactured capital corporate governance and all elements of the quality management system in place at Group companies.

Key indicator data on the manufactured capital of the KGHM Polska Miedź Group

No.	Indicator name	Value	
		31.12.2021	31.12.2022
1	Mines	7	7
2	Metallurgical plants	3	3
3	Expenditures on property, plant and equipment and intangible assets	2586	2877
4	Ore extraction (wet weight) per mine employee [tonne]*	2540	2565
5	Production of electrolytic Cu per metallurgical employee [tonne]*	31/160	31/162
6	Cu smelting yield [%]*	98.33	98.08

* KGHM Polska Miedź S.A.

The KGHM Polska Miedź Group holds geographically diversified mining assets (mines of copper ore and accompanying elements, such as silver, molybdenum, nickel, gold and other precious metals) located in Poland, the USA, Chile and Canada and copper smelters and refineries in Poland. The key international asset – the Sierra Gorda mine, which is a joint venture between KGHM INTERNATIONAL LTD., South32 – is located in Chile. In addition, the KGHM Polska Miedź S.A. Group has a mine project which is at the preproduction phase (Victoria), as well as other exploration projects.

Highlights of manufactured capital management in 2022 in the context of 2021:

- in the KGHM Polska Miedź S.A. segment:

Production at KGHM Polska Miedź S.A. is a fully integrated production process whereby the end product of one technological phase forms the input (intermediate product) for the subsequent phase. Mining in KGHM Polska Miedź S.A. is performed by three mining divisions: Lubin, Rudna and Polkowice-Sieroszowice. In the subsequent phase the Concentrators Division prepares concentrate for the smelters and refineries, while the Tailings Division is responsible for storing and managing the tailings generated by the copper ore enrichment process. The organisational structure of KGHM includes two metallurgical divisions: the Legnica Copper Smelter and Refinery and the Głogów Copper Smelter and Refinery, as well as the Cedynia copper wire rod plant. These two divisions belong to the prestigious Copper Mark program and may use this certificate that confirms efficient copper production in accordance with the highest standards. In addition, a high quality copper scrap processing unit was installed within the core production line of the Legnica Copper Smelter and Refinery, which is the first stage for the Hybrid Smelter being designed in Legnica. Ultimately, it will be supplemented with the Scrap Trading Base, where the feedstock will be prepared for remelting at the Legnica Copper Smelter and Refinery and the Głogów Copper Smelter and Refinery. As part of the first stage of the Hybrid Smelter in Legnica, the copper scrap processing technology with the use of a Revolving Casting-Refining (RCR) furnace was applied. The applied RCR furnace permits remelting copper scrap with an average 95% Cu content with the optimum efficiency up to 90 thousand tonnes of anode copper per year.

In addition to the above, work was also carried out in exploration areas. Geological work continued under the „Retków-Ścinawa” and „Głogów” concessions. At the start of November 2022 the concession-granting body, at the request of KGHM, confirmed geological documentation for another copper ore deposit called „Retków-Grodziszczce”. The „Retków-Grodziszczce” deposit was separated from the exploration concession „Retków-Ścinawa”. In addition, in March 2022 the concession for the „Głogów” area was altered. Geological work also continued within the Synklina Grodziecka and Konrad concession areas. Additionally, analytical and conceptual work was carried out on synergies in concession work between KGHM's neighbouring geological concession areas in the „Bytom Odrzański” concession. Within the Kulów-Luboszyce concession area, in turn, exploration work continued using surface-based drillholes. In the Radwanice concession area, geological exploration work was carried out using underground mine workings, and surface-based geophysical research was performed. In the Puck concession area, in turn, work began on subsequent drillholes. The concession was also amended – by approving an addendum to the Geological Works Project. In terms of the „Nowe Miasteczko” concession, in turn, a concept was developed to conduct further geological work. Consequently, a request to alter the concession was submitted to the concession-granting body.

- in the KGHM International Ltd segment:

The segment operates three mines (Robinson Mine and Carlota Mine in the United States and McCreedy West Mine in Canada) as well as two mining projects, Project Victoria and Project Ajax.

The Robinson Mine is located in the state of Nevada. It includes 3 large pits: Liberty, Tripp-Veteran and Ruth. Currently, Ruth is in operation. The sulphide ore mined by conventional methods is then enriched by flotation. The final product is a copper-gold concentrate and, separately, a molybdenum concentrate.

The Carlota mine is located in the Western part of the Miami-Globe mining region, in the state of Arizona. In the Carlota mine copper ore is extracted by conventional methods typical for open-pit metals mines, i.e. the ore is mined by blasting and then transported by haulage trucks. Production in the Eder South area resumed in 2018, while

mining operations in the Eder North area began in 2021. Due to the nature of the oxide ore, it is processed using the heap leach, solvent-extraction and electrowinning method. The end product is electrolytic copper in the form of cathodes. As of 30 June 2022, the criteria set by IFRS 5 under which Carlota Copper Company was classified as an asset held for sale were reassessed. As a result of the analysis, the Parent Entity's management reclassified the company's assets and liabilities to continuing operations as of 30 June 2022, due to the fact that a sale was not highly probable. The process of selling Carlota Copper Company's mining assets has not been completed. In accordance with IFRS 5.27, the recoverable amount of Carlota Copper Company's assets was determined immediately after reclassification. There were no significant differences from the carrying value as of 30 June 2022. In November 2022, the process of selling Carlota Copper Company resumed, but in the opinion of the Parent Entity's Management Board, it is not advanced enough to conclude that a sale is highly probable. This way, as at 31 December 2022, the company's assets and related liabilities are not recognized as held for sale.

The Sudbury Basin is located in central Ontario in Canada, approx. 400 km north of Toronto. In this region KGHM INTERNATIONAL LTD. owns a variety of assets; however, since April 2019, mining has only been conducted in the underground McCreedy West mine due to the fact that the Morrison/Levack mine was placed into Care & Maintenance. Extraction is through mining methods which are dependent on the geometry of the deposit – mainly a mechanised method of selective extraction using undercutting of successive levels from bottom to top at various mine levels. All of the ore extracted from the mine, containing copper, nickel and precious metals, is processed in the Clarabelle plant in Sudbury, owned by Vale.

This Victoria Project is located in the Canadian province of Ontario. In 2022, work continued at the project site to prepare selected elements of surface infrastructure for further development of the project. Among other things, the construction of the shaft tower of one of the two target shafts has been completed, there has been significant progress in the construction of the foundations of the hoisting machinery building, the construction of the water treatment station has been completed. Work on the mine water reservoir was also underway.

In addition, engineering work related to the construction of the production shaft also continued, as did activities related to maintaining good relations and cooperation with key project stakeholders.

The Ajax project is located in British Columbia, Canada. Since the EA Certificate has not been granted, in 2022 the work focused mainly on monitoring and securing the project site in accordance with regulatory requirements.

■ in the Sierra Gorda S.C.M. segment:

The segment now includes the Sierra Gorda Mine. Until 26 April 2022, it included also the Franke Mine.

The Sierra Gorda mine is located in the Atacama desert, in the north of Chile. The mine commenced commercial production (since then it has prepared statements of profit or loss) on 1 July 2015. The ore is extracted using explosives, and next is loaded and hauled away in trucks to the processing plant, where it is crushed and milled. The end product of Sierra Gorda's processing plant is copper concentrate and molybdenum concentrate. In 2022 Sierra Gorda focused on implementing an optimisation program to improve the operation of the mine, processing plant, infrastructure and the tailings pond. Currently, most of the oxide ore resources planned for processing have been mined and deposited near the location of the future copper leaching and recovery plant (SX-EW).

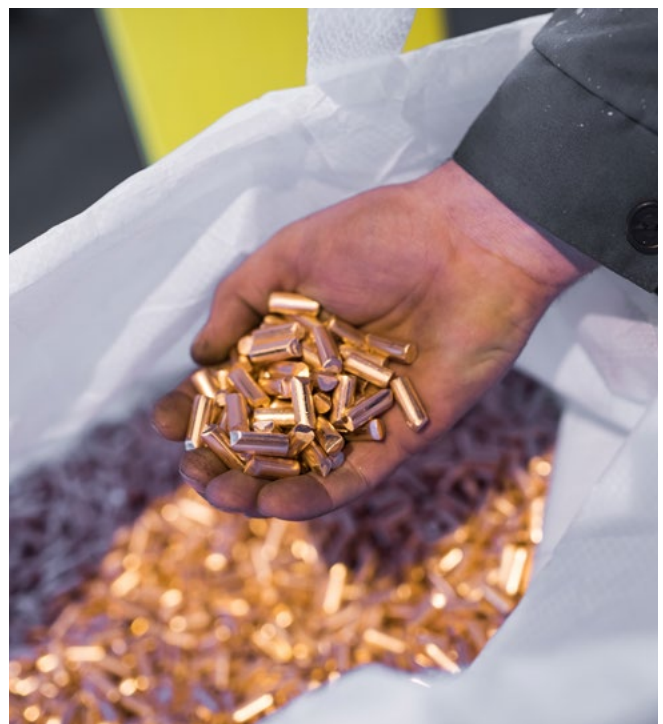
In Q4 2021, an agreement was reached between KGHM Polska Miedź S.A. and the then second joint venture partner of Sierra Gorda S.C.M. – Sumitomo (Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation) regarding the sale of the SG Oxide project to Sierra Gorda S.C.M., with the sale date set for 1 January 2022. The cash payment was made on 4 March 2022, and the gain on the sale was PLN 135 million. The Sierra Gorda Oxide project involves the leaching of the copper oxide ore of Sierra Gorda on a permanent heap and the production of high-quality copper cathodes in a solvent extraction and electrowinning (SX-EW) installation, with a production capacity of approx. 30 thousand tonnes per year. On 26 April 2022, the KGHM Group sold 100% of the shares of Sociedad Contractual Minera Franke, which owns the Franke mine in Chile, to Minera Las Cenizas S.A. for a negotiated initial purchase price of USD 25 million.

In terms of assuring the operations of the core business of the KGHM Polska Miedź Group, primarily the KGHM Polska Miedź S.A. segment, other Polish companies operating mainly on its behalf are significant, including among others:

- PeBeKa S.A. – mining work contractor,
- KGHM ZANAM S.A. – a supplier and service provider for mining machinery, it also provides production maintenance services in selected areas and participates in investment tasks,
- KGHM Metraco S.A. – a supplier of copper scrap,
- Energetyka Sp. z o.o. – this company secures part of the energy needs of KGHM Polska Miedź S.A.,
- POL-MIEDŹ TRANS Sp. z o.o. – the main logistics company in the Group.

In terms of other entities – non-core companies – a significant portion of assets are investments in the general field of healthcare, including Polska Grupa Uzdrowisk.

All of the above elements of manufactured capital are managed on the basis of a comprehensive integrated management system, based, on the one hand, on detailed corporate governance principles, and, on the other hand, on charters, procedures, instructions and quality records.



Natural capital

The execution of production activities in the KGHM Polska Miedź Group and the multiplication of financial capital on this basis is possible thanks to natural capital. It is constituted by all environmental resources and processes, renewable and non-renewable, which the Group uses in the form of goods and services received to ensure its proper operation. It includes air, water, land, minerals and forests as well as biodiversity and ecosystem health.

Key indicator data on the natural capital of the KGHM Polska Miedź Group

No.	Indicator name	Value	
		31.12.2021	31.12.2022
1	Total GHG emissions ((Scope 1 + Scope 2) [Mg eCO ₂])	4,766,550	4,620,618
2	Total energy consumption [GJ]*	19,146,948	17,844,209
3	Total water (effluents) discharge [million m ³]	45.75	47.61
4	Total water consumption [m ³]	21,971,809	30,314,440
5	Operational sites adjacent to protected areas and areas of high biodiversity value*	15	15

Being an ambitious participant in the green energy transition, KGHM Polska Miedź S.A. Group undertakes obligations not only with respect to further development of the core business, but also to carry out a number of changes in the functioning of the Group aimed at demonstrating awareness of climate change and the need to minimize environmental impact, and deepening communication in this respect with all stakeholders.

Highlights of natural capital management in 2022 in the context of 2021:

- in the KGHM Polska Miedź S.A. segment:

In 2022, all companies and plants included in the segment complied with all legal requirements, working closely with regulators with regard to environmental topics.

The expression of the above commitment is the adoption, in 2022, of the Climate Policy of KGHM Polska Miedź S.A. – a directional document, addressed to both external and internal stakeholders, whose overriding purpose is to present the climate ambitions of KGHM Polska Miedź S.A. and to specify the necessary scope of process and organisational changes for their implementation and continuous improvement. The overriding objective of the KGHM Climate Policy is for the parent entity – KGHM Polska Miedź S.A. to achieve climate neutrality by 2050 with respect to Scope 1 GHG emissions – direct emissions related primarily with the Company's production activity, and Scope 2 emissions – indirect emissions associated with the consumption of electricity and heat purchased on the market, while reducing them as much as possible. In contrast, the interim target is to reduce combined Scope 1 and Scope 2 emissions by 30% by 2030 compared to 2020 emissions.

One of the primary goals of KGHM's pro-climate activities is to optimize energy activities, mainly by conducting rational energy management while ensuring the security of energy supply to facilities and installations within the production line. It is the ambition of KGHM Polska Miedź S.A. to continually grow the share of renewable energy sources and in-house energy production in covering energy demand. KGHM has its own low-emission generation sources powered by gas. The parent entity is in the process of advancing further investments to increase electricity generation, with nitrogen-rich natural gas used as fuel. By 2030, two more stations will be built with the total capacity of 17.6 MWe.

One of the important projects which will bring KGHM Polska Miedź S.A. closer to achieving energy independence is the implementation of small nuclear power reactor technology (SMR – Small Modular Reactor). KGHM plans to build a small modular light water nuclear unit with a capacity of up to 500 MW by 2030. In 2021, KGHM Polska Miedź S.A. established a Nuclear Energy Department and in February 2022 a contract was signed with NuScale Power to commence work on implementing the SMR technology in Poland.

* KGHM Polska Miedź S.A.

As part of the activities in the scope described above, the following work was carried out in 2022:

- construction of a photovoltaic power plant Obora Sandpit I,
- construction of the HMG I-III photovoltaic power plant complex,
- development of wind energy, including offshore,
- development of solar energy,
- development of hydrogen technologies,
- development of CO₂ capture technology,
- development of nuclear energy,
- Power Purchase Agreements (PPAs),
- self-generation of electricity.

Preventing and minimizing the environmental and climate impact and rational management of natural resources is of fundamental importance for KGHM Polska Miedź S.A. in respect to sustainable development, the satisfaction of stakeholder expectations and accountability to future generations. The activities of KGHM Polska Miedź S.A., including exploration and mining, processing and metallurgy, are accompanied by technical and organizational activities based on best available techniques, which mitigate the impact on the environment and climate. By improving the Environmental Management Systems (EMS), which have been in place for many years and are certified in the Metallurgical Divisions, Ore Enrichment Plants and the Tailings Plant, and are based on the PN-EN ISO 14001 standard, on 6 October 2021 the Company adopted the Environmental Policy of KGHM Polska Miedź S.A. The adoption of a uniform policy began the process of implementing an Environmental Management System at the Head Office and in the Mining Divisions also in accordance with the ISO 14001 standard to ensure that the EMS functions in the entire Company. In accordance with the order of 27 December 2021, a team was appointed for the implementation of the Environmental Management System at the Head Office and in the Mines of KGHM Polska Miedź S.A. in compliance with the requirements of the PN-EN ISO 14001:2015 standard.

Completion of the implementation process in these entities is scheduled at the end of 2023, which will be confirmed by performing a group certification by an external certification body.

In addition, in 2022 further work was carried out to reduce KGHM Polska Miedź S.A.'s air emissions, including dust emissions (down from 2.8 to 2.6 g/Mg of ore for mining production, down from 59.4 to 33.3 g/Mg of electrolytic copper for metallurgical production) and SO₂ emissions (down from 2.3 to 1.8 kg/Mg of electrolytic copper). Action was also taken to adapt the smelter installations of KGHM Polska Miedź S.A. to the requirements of the BAT conclusions for the non-ferrous metals industry, leading to a decrease in arsenic emissions from 2.8 to 1.3 g per Mg of electrolytic copper.

The year 2022 was also dedicated to further optimization of water and wastewater management. In 2022, about 150 million m³ of water was returned to the ore enrichment process. Consequently, only water from mine drainage and recycled water from the Żelazny Most Tailings Storage Facility is used in the enrichment process. The water used in production processes is routed back to Energetyka for treatment. Because of the high quality of effluents, approximately 30% of the global stream is reused for production processes in the technological processes of the smelters. The remaining treated wastewater is discharged into surface waters.

KGHM Polska Miedź S.A. is also implementing the concept of a circular economy (CE). In 2022, this was implemented mainly through:

- developing the innovation process, strengthening cooperation between business and science,
- participating in the growth of the market for secondary metallic raw materials and increasing the share of such materials in production,
- minimising the volume of post-production waste to residual waste levels,
- seeking and implementing solutions that allow utilization of waste storage sites as secondary deposits.

The concrete result of the above work in 2022 was the commissioning of the Souther Quarter at the Żelazny Most Tailings Storage Facility for three phases, and the commissioning of the Tailings Segregation and Concentration Station for the hydrocycloning technology. In addition to the above, the following activities were also carried out:

- commercialisation of flotation waste towards recovering metal from such waste, as well as economic utilisation of rock-forming minerals, as sealing material for the Żelazny Most Tailings Storage Facility, as filling in post-mining goafs, and material for applications in construction, road building and agriculture (more than 18 million Mg of waste was used),
- full reclamation of post-production areas,
- utilisation of heat energy contained in the mined deposit,
- development of the Company's own research and development activity towards a circular economy,
- research and development within the Horizon Europe program towards a circular economy,
- development of the Company's own investments towards a circular economy.

In 2022, KGHM Polska Miedź S.A. worked continuously on the revised edition of the registration dossiers for substances and semi-finished products, taking account of the newest research results and the most recent guidelines of the European Chemicals Agency. In view of the changing requirements of the REACH Regulation, the company updated its safety data sheets, which were subsequently provided to customers on an on-going basis.

All of the above activities serve to minimize the impact of KGHM Polska Miedź S.A. on the environment.

KGHM Polska Miedź S.A. also takes active measures to preserve and – where it is not possible – to compensate for lost biodiversity, and to ensure responsible management of land and forests. At the same time, it does not operate in, or in the direct vicinity of, areas of outstanding natural heritage

(defined as national parks, nature reserves or Nature 2000 areas). Evidence for the above was the planting of more than 634 thousand trees and shrubs in 2022.

- in the KGHM International Ltd. and Sierra Gorda S.C.M. segments:

In 2022, the mines operating in the two segments met all the legal requirements and cooperated with regulators in order to achieve the best possible outcomes for the environment as well as for their operations. No irregularities occurred in connection with the mining activity that would lead to severe environmental consequences.

In 2022, the activity of the international assets focused mainly on ongoing environmental monitoring and obtaining or renewing necessary permits.

In 2022, the Robinson Nevada Mining Company mine spent approximately USD 4.1 million on environmental protection (waste management, environmental fees, cooperation with consultants, as well as for mitigation measures which accompanied plans to expand the flotation tailings storage facility and measures linked to the Liberty open pit). In addition, the closure and reclamation of the "D-Pad" heap for leaching with cyanide oxide ore, which was a remnant from the early 1990s operations of the previous plant operator, was carried out.

In 2022, Carlota Copper Company allocated USD 1.4 million for environmental activities, while the Sudbury mines allocated more than USD 256 thousand. In the case of the Victoria project, more than USD 3.5 million was allocated for environmental activities in 2022.



Human capital

Human capital is an extremely important asset for the KGHM Polska Miedź Group. It is constituted by the competence, capabilities and experience of the Group's employees, as well as their motivation to innovate.

Within the framework of this capital, the Group considers alignment and support of organizational management concepts, approaches to risk management (including occupational health and safety) and ethical values, the ability to understand, develop and implement strategy in the organization, and loyalty and motivation to improve the processes, goods and services, including the ability to lead, manage and collaborate.

Key indicator data on the human capital of the KGHM Polska Miedź Group

No.	Indicator name	Value	
		31.12.2021	31.12.2022
1	Headcount	34,286	34,478
3	LTIRF _{KGHM} (Lost Time Injury Frequency Rate KGHM)	5.6	5.1
4	TRIR (Total Recordable Incident Rate)*	0.3	0.3
5	Accident rate	6.1	7.2
7	Increase/decrease in average headcount [%]	0.5%	0.9%
8	Average number of training hours per employee [hours]	19.7	20.3



¹ The Group's international assets

The KGHM Polska Miedź Group is building its business potential and competitive advantage by focusing on people. It is KGHM's employees who are the foundation, without whom the company's operations would have no chance of success.

Highlights of human capital management in 2022 in the context of 2021:

In 2022, KGHM Polska Miedź S.A. and other Group companies carried out a number of interesting HR projects, including OHS. Some of them resulted from legal indications, while the vast majority were carried out additionally, as the Group's own unique package of activities to motivate and increase employee satisfaction. Among them, special attention should be paid to the following:

- "Competent in the Sector" program (support for 9 schools from Lower Silesia),
- digitalization of HR processes (introduction of a number of improvements aimed primarily at speeding up and facilitating processes related to handling job cards, business trips and recruitment processes),
- newsletter for Leaders,
- – engagement survey (71.6% of employees participated),
- psychological support for employees,
- InvestCUp (improving and consolidating existing competencies, ensuring the exchange of experience and best practices in the implementation of investment projects),
- Executive MBA in Innovation Management Development Program (together with IESE Business School),
- Copper Leaders postgraduate studies (second edition of the studies),
- KGHM Giants Leader Academy (first edition of the studies),
- onboarding training program for new employees,
- career and recruitment management,
- Intranet and Extranet (internal portals for employees),
- KGHM TV (KGHM's internal television),
- CUrier (KGHM's internal newspaper),
- e-learning courses,
- material and social support financed from the Company Social Benefits Fund,
- prevention of natural hazards,
- OHS policy based on the golden rules of OHS (taking into account the role of the Occupational Safety Council of KGHM Polska Miedź S.A.), including: a system to prevent machine-human-machine and machine-machine collisions in mines, structural changes to machinery aimed at reducing the exposure of operators to harmful factors in the work environment, to improve visibility, or to eliminate the number of workers staying directly in high-risk zones, the construction of modern systems for monitoring seismic activity, the condition of the rock mass or water hazards, new solutions in the field of individual protection equipment for employees, technical and organizational solutions to ensure appropriate working conditions in relation to climate risks, changing the habits of employees using various communication channels and forms of communication, including (OHS Vortal, social profiles in which KGHM participates, CCTV, didactic emails, traditional publications (articles, posters, information fiches, cyclical training – minutes for OHS, behavioural audits, cross audits, employee initiative systems, OHS alert – contact boxes). In addition to the above, cooperation with domestic and international academic institutions and opinion makers was engaged in, among others participation in work on new EU regulations regarding hygienic and biological standards, in particular for metals and fumes from diesel engines; in cooperation with the State Labour Inspectorate, the first national Polish conference called „Diesel engine fumes in underground mining based on the experience of KGHM Polska Miedź S.A.” was organised. In addition, participation in interdisciplinary work and international problem teams.

Intellectual capital

Intellectual capital allows the KGHM Polska Miedź Group to develop in terms of intensive development of other resources, including, first of all, towards their increasingly efficient use. The Group includes in this capital all organizational, intangible and knowledge-based resources, including intellectual property: patents, copyrights, software, rights and licenses, and “organizational capital” in the form of tacit knowledge, systems, procedures and ways of exchanging information.

Key indicator data on the intellectual capital of the KGHM Polska Miedź Group

No.	Indicator name	Value	
		31.12.2021	31.12.2022
1	Number of innovative projects implemented under the CuBR Venture [PLN million]	25	25
2	Implementation Doctorates Program – number of PhDs	28	30

Highlights of intellectual capital management in 2022 in the context of 2021:

The purpose of development activities concerning intellectual capital in the KGHM Polska Miedź Group in 2022 was to develop taking into account the strategic directions: 5E (Elasticity (flexibility), Efficiency, Ecology – safety and sustainable development, E-industry, Energy) as well as its long-term development plans. They were mainly directed at the development and implementation of advanced technologies, creating a smart production line. Among other things, this goal was supported by:

- Implementation Doctorates Program (as of the end of Q4 2022, 28 doctoral students from two editions of the program participated in the program. In the course of their research, PhD students from the program successfully disseminated partial results of their research by speaking at both national and international scientific and industry conferences. Publications by participants in the KGHM DW Program frequently appeared in prestigious international scientific journals, confirming

their real contribution to the development of their respective disciplines. In addition, doctoral students delivered lectures at universities, sharing with students not only their theoretical knowledge, but also their practical knowledge built up over many years of work at KGHM Polska Miedź S.A.,

- The CuBR Venture (under the four editions of the Venture competition, co-financed by the National Centre for Research and Development (NCBR) and KGHM, 25 R&D projects having a total value of over PLN 180 million were launched. In 2022, there were 6 projects under implementation, and 19 projects were completed),
- use of external financing for R&D projects (advancement of European research projects continued and applications were submitted for the subsidising of initiatives under the Horizon Europe and KIC Raw Materials Programs, and a list of potential subjects of interest to KGHM Polska Miedź S.A was prepared under efforts to obtain future financing. In 2022, the Company advanced a total of 12 projects using subsidies in the amount of EUR 2.84 million,
- The Legnica Hybrid Metallurgy Facility (HHL) (in 2022, a preliminary business model for the Legnica Hybrid Metallurgy Facility was developed, assuming flexible work by the facility based on own copper concentrate and purchased copper-bearing materials, including concentrates and scrap. Design documentation is being prepared for the modernisation of the production line at the Legnica Copper Smelter and Refinery as well as construction of the Scrap Trading Base at the Legnica Copper Smelter and Refinery),
- Hackathon CuValley (the second edition was held, aimed at seeking innovative, ready-to-implement solutions. Forty projects took part in the hackathon (three of which were ultimately acquired by KGHM),
- KGHM 4.0 program (in the area of ICT (Information and Communication Technology) and Cybersecurity: work was carried out in terms of ensuring ICT security due to the war in Ukraine, and the Charlie CRP alarm level (involving cyberspace threats) was introduced at a country-wide level. Thanks to this there were no interruptions recorded in the business operations of the KGHM Group, and security processes were supported; in the area of Digitalisation of business

processes: implementation work was completed under the project to implement the platform – construction of a Digital Workplace. The implementation of a Digital Workplace supports the development of KGHM in terms of increasing employee efficiency, managing information and building the potential to implement new application solutions and to cooperate with external business partners. In terms of the project APO/BDG2.0 – testing was performed in cooperation with all of KGHM's Mining Divisions and the Head Office, and five tasks were implemented for use. In terms of the project „Optimisation of the Production Planning and Settlement Process”, in 2022 work on the implementation of nine tasks was completed. The fourth and fifth stages of implementation of the CMMS system (Computerized Maintenance Management System), supporting production and material logistics in the Metallurgical Plants, Concentrator Division and Tailings Division, continued. The project is aimed at increasing KGHM Polska Miedź S.A.'s organisational and cost efficiency in terms of maintaining operational continuity. In terms of the project „Improvement and automation of the accounting processes in CUK (accounting services centre)” advancement of over 20 initiatives, aimed at enhancing the efficiency of KGHM Polska Miedź S.A.'s accounting and reporting processes, was completed),

- continued advancement of projects to automate the production lines of the Mining Divisions of KGHM Polska Miedź S.A. (work continued related to the electromobility of mining machinery. In this context, work continued connected with testing electric battery-powered mining machinery. In the Lubin mine, following the completion of tests, a mobile bolting rig was brought into operation, while tests continue on a mobile drilling rig. Certification procedures are underway for a prototype vehicle for the transportation of people and materials in the underground mines, which are planned to be completed in 2023. In the Rudna mine, operational tests are underway on an Epiroc ST14B fork loader. The anti-collision system was integrated as well as the system for locating and identifying machinery and people in the underground mines. Robotisation of production and auxiliary processes continued. Work continues on building a CuXRF robot to scan for copper content at the working faces. The acquisition was completed of equipment and elements of the dewatering monitoring system, which was built and brought into operation at the Polkowice-Sieroszowice mine with visualisation in the dispatcher's office. Supplementary workshops were held for internal Auditors of the Energy Management System (ISO 50001) and of the Occupational Health and Safety Management System (ISO 45001). Work continued on managing the risk of a lack of improvement in the energy results of KGHM (risk was analysed in line with the cascade model, including the identification of actions to mitigate this risk)),
- protection of intellectual property (in 2022 proceedings were underway to obtain legal protection for selected trademarks, among others: the word-figurative trademark „KGHM” was registered on the territory of China Protection was prolonged for a European patent, validated in 16 European countries, to which KGHM Polska Miedź S.A. is jointly entitled under the CuBR project being advanced, two inventions were filed with the European Patent Office and in the Patent Office of the Republic of Poland protection was prolonged for six patents, and four inventions, a utility model and an industrial model were announced. The Patent Office of the Republic of Poland has also granted patents for two inventions, and there are also patent proceedings pending for five inventions announced for protection).



Social and relational capital

The KGHM Polska Miedź Group's singling out of social and relational capital and the Group's management of this capital shows that it pays special attention to issues of social responsibility, including helping society, mainly local communities, and treats the issue of having full social license to operate as extremely important. Social and relationship capital is defined within the Group as practices, connections and relationships within and between communities, stakeholder groups, etc., and the ability to exchange information to enhance individual and collective well-being. It includes shared norms, values and behaviours, key relationships with stakeholders, especially external ones, trust and willingness to commit to building and protecting them, intangible values related to the entity's brand and reputation, and public approval of the Group and its constituent companies.

Key indicator data on the social and relational capital of the KGHM Polska Miedź Group

No.	Indicator name	Value	
		31.12.2021	31.12.2022
1	Maintaining position in WIG-ESG (previously the RESPECT Index)	YES	YES
2	Maintaining its position in the FTSE4Good Index Series	YES	YES
3	0% investment activity without a social dialogue policy	YES	YES
5	Sponsorship and charitable activities in building corporate social responsibility [sponsorship expenses for the purposes of the Company's promotion and regional support, i.e. sports/culture/science] [PLN million]	36,063,822.45	51,591,725.82

The KGHM Polska Miedź Group is a global group, open to development aimed at ensuring its stable operation for many decades to come for the benefit of present and future generations. It is also for this reason that prosociality is one of the important elements of its strategy.

An expression of our concern for stakeholders, including external stakeholders, is the creation and continuous development of our ESG section under Investors tab on corporate website of the parent entity's – KGHM Polska Miedź S.A., which is dedicated to the ESG issues in a broad sense and facilitates access to a broad scope of information related to non-financial and integrated reporting by the company.

The approach of KGHM Polska Miedź S.A. to the social area is defined, among others, by the provisions of the Human Rights Policy. The company continues its dialogue with local governments and communities located in areas where KGHM's activities may have an impact. This dialogue also concerns the protection of human rights.

The reduction of all risks to local communities resulting from KGHM's activities is a priority (including the reduction of the risk of compromising the right to health through consistent implementation of the Climate Policy and the Environmental Policy).

KGHM actively supports the development of local communities and respects their culture by respecting the rights of indigenous peoples (which is of great importance in the case of the international companies of the Group).

Highlights of social and relational capital management in 2022 in the context of 2021:

- social dialogue (KGHM is a key employer in the Lower Silesia region, but it is also an active driver of social life. Among other things, the Company implements programs promoting health, sports, culture, education or environmental hazards prevention projects. In 2022, KGHM organised four conferences for local governments in cooperation with the Employers' Organization of Polish Copper. In addition, in 2022, cyclical business



breakfasts with local governments were organised, during which an intersectoral dialogue was held with representatives of local government authorities and non-governmental organisations, discussing, among others: proposals for joint initiatives in socially important areas, e.g. prevention activities in such areas of support as: mental health of the region's residents, risky behaviour of children and young people or family foster care. In 2022, the local governments of the Copper Basin received once again the financial support from KGHM. In total, PLN 3.5 million has been allocated for, among others, the modernisation of village community centres, the retrofitting of playgrounds or projects related to the implementation of preventive healthcare. In the municipality of Rudna, financial support from KGHM enabled the purchase of a transport ambulance. A number of health checks in endocrinology, nephrology or eye examinations were successfully carried out in Głogów. The Kotla municipality purchased equipment for playgrounds and sports and recreation areas for inhabitants. In Legnica, on the other hand, the "My Seventh Heaven" campaign was conducted, supporting a healthy lifestyle and promoting outdoor activity. In the municipality of Lubin, chess classes for children and environmental protection education lessons were

continued. In the municipality of Jerzmanowa, swimming pool trips for primary school children were subsidised,

- CUdowni rodzice (Wonderful Parents) (on the occasion of the birth of a child, written congratulations were given to the employees in a personalised letter, as well as an inspirational book on parenting matters and some small gifts. In 2022, 457 employees benefited from this form of appreciation),
- 18.5 thousand employees of KGHM Polska Miedź S.A. and 18 companies of the KGHM Group took part in the Dwie godziny dla rodziny (Two Hours for the Family) campaign on the occasion of International Family Day. Activities included the launch of the second edition of the Depression Prevention and Mental Health Promotion Program and the support for mental health projects – their beneficiaries were the inhabitants of the Copper Basin (over 8 thousand people)),
- Copper Basin NGO Academy (as part of the initiative, of which KGHM is a member, the Group deepened its cooperation with institutions responsible for family foster care. In addition, a number of activities aimed at promoting foster parenthood were carried out. Co-financing of training courses for partner NGOs was also continued),

- naMIEDZI application (the aim of the application is to promote active lifestyles and expand the knowledge of Copper Basin residents on local tourist attractions. In 2022 new routes were added to it, some of which were created by employees of KGHM Polska Miedź S.A. as part of a holiday competition. The application currently contains 33 routes, and more than 380 points on the map, including places directly related to Polska Miedź),
- Copper Heart (employee volunteerism program at KGHM POLSKA MIEDŹ S.A. As part of the program, six official collections for the benefit of those in need were conducted in 2022: 4 campaigns promoting active lifestyles combined with charitable actions, 3 educational projects, 2 peer financial collections for the benefit of colleagues in need),
- supporting runners as part of the Summer Piast Race,
- aid for refugees from Ukraine,
- campaigns for children from the orphanage in Wilkowo,
- popularization of cancer prevention (in 2022, KGHM once again engaged in activities to popularize breast cancer prevention. As part of the traditional pink October, most of KGHM Polska Miedź S.A.'s Divisions were illuminated in pink and the ladies working in the company received a small gift and a commemorative card to remind them of the importance of preventive examinations. The card contained practical information, including telephone numbers to register for preventive screening for early detection of breast cancer. To emphasise solidarity with the idea behind the campaign, on 22 October 2022, employees of KGHM Divisions added pink elements to their clothing. KGHM also reminded the male part of the staff about screening for early detection of testicular cancer),
- Copper Rivalry (support of sports through donated annual scholarships to athletes for exemplary sports achievements. In 2022, such support was provided to 27 athletes from all over Poland, including 14 from the Copper Basin itself),
- ECO-Health (the program undertakes projects and initiatives promoting preventive health care among inhabitants of the Copper Basin, an active lifestyle, physical activity and recreation, in order to care for the health of the children, adults and the elderly. The program's efforts to advance include regular activities: Nordic Walking for adults, recreational gymnastics for elderly citizens, and swimming lessons for children), To date, more than 250 people have benefited from it,
- expenditure on trade unions (in 2022, they amounted in total to PLN 14,334,146, including remuneration plus overhead of trade union activists released from the obligation to work of PLN 13,526,463),



- public engagement during the war in Ukraine (the KGHM Polska Miedź Group was involved in helping those in need. KGHM Polska Miedź S.A. and the companies of the KGHM Group have demonstrated huge involvement in aid activities from the very beginning of the war conflict in Ukraine. Having witnessed the atrocities against the Ukrainian population and the great wave of refugees seeking refuge in Poland, the Group companies decided to do everything to provide them with shelter and basic living conditions in this difficult situation. For five months, every day, up to 10 thousand meals were served to Ukrainians arriving in Warsaw. Over the entire period of the tent's operation, a total of more than 500 thousand meals were served. Aware of how important safe shelter is for every refugee, the KGHM Group provided buildings and accommodation for those forced by war to leave their own homes. More than 300 refugees were placed in temporary accommodation centres in Lower Silesia, Lubuskie and Podlaskie. 150 refugees were also accommodated in spa resorts owned by a KGHM Group company. Also noteworthy is the fact that many KGHM Polska Miedź employees offered shelter to refugees gratuitously, in their own homes. In addition, more than 750 beds/mattresses with sets of duvets and bedding were donated to the accommodation points existing in 25 local governments.

In response to the needs of refugees from Ukraine, the "We Together" Assistance Centre was launched in Lubin, whose tasks included assistance in finding accommodation, support in translation and legal and medical issues, and coordinating contacts with local governments, Caritas and other NGOs in the region. At subsequent stages of its assistance activities, KGHM Polska Miedź S.A. also supported the Polish language courses and the promotion of vaccination campaigns against communicable diseases among Ukrainian refugees),

- activity of the KGHM Polska Miedź S.A. Foundation (in 2022, the activity of the KGHM Polska Miedź Foundation was focused on granting donations and overseeing how they are spent as well as on running

the program. The commitments undertaken by the Foundation were carried out with the utmost care, thorough analysis of the submitted requests and with a detailed consideration of the capacity to help. In 2022, the Foundation continued to develop its operations, pursuing its statutory goals in four areas: health and safety, science and education, sports and recreation, culture and tradition. In 2022, the KGHM Polska Miedź Foundation made every effort to identify various social needs, in line with the assumptions of its articles of association and within its capabilities. Support was granted in the form of cash donations in a total amount of PLN 36,684,034.56, including PLN 35,185,924.53 for the performance of 430 projects and PLN 1,498,110.03 for 158 private individuals),

- sponsoring activity (the areas of sponsoring activities of KGHM Polska Miedź S.A. are culture and social affairs, science and sport). The most important functions of sponsorship include support in the implementation of strategic investments, communication with local and regional authorities, reaching target groups with the desired image and building positive associations with the corporate brand. 2022 was a continuation of the implementation of the above assumptions.

This commitment is expressed among others by the granting of certificates to two of our metallurgical plants under the prestigious Copper Mark program. To ensure the highest due diligence, transparency and compliance with best practice for listed companies, the Investor Relations Team also regularly provides responses to surveys, questionnaires or information requests regarding ESG, among others: Sustainalytics, CDP, FTSE Russell, MSCI, WOOD, Refinitiv, Vigeo Eiris and BlackRock.

In the summation of Carbon Clean 200TM for 2022, the parent entity was recognised in a ranking of 200 companies globally which, in the opinion of the authors of the ranking (Corporate Knights and As You Sow) which make the greatest efforts towards protecting the environment and counteracting climate change, at the same time earning more than 10% of so-called green revenues.

Stakeholders and relations with the environment

GRI: 2-29



KGHM is a global player, but firmly rooted in local communities. Due to the scale of our operations, we are also an important link in the national economy. KGHM Polska Miedź S.A.'s shares are listed on the Warsaw Stock Exchange, and our achievements attract the attention of both Polish and international investors. Moreover, we have taken decisive steps in the direction of a green transition, committing in our strategy to achieve climate neutrality by 2050. We realize that all the factors mentioned require transparency and monitoring of stakeholder needs and opinions. We feel obliged to maintain the high quality of communication and reporting obligations resulting from dynamically changing regulations. This report is one of the tools through which we meet the expectations of the environment.

Tomasz Zdzikot

President of the Management Board
KGHM Polska Miedź S.A.

Map of Key Stakeholders of the KGHM Polska Miedź S.A. Group in 2022

Stakeholder type	Specification
Key Stakeholders	
Employees, including trade union members	Including former employees and potential employees
Owners	Parent Entity KGHM Polska Miedź S.A. and Group companies
Representatives of local and national government	Local governments of the municipalities, in which the company operates; State Treasury
Local community members	Social groups that are not non-government organizations, i.e., for example, social welfare centres
Suppliers	Suppliers of the entire value chain, including JV partners in which KGHM holds shares
Clients	Domestic and international
Regulators	Including, among others, the legislature, the judiciary, standardization/metrology bodies
Stock exchange environment	Shareholders, bondholders, rating agencies
Supervisory authorities	E.g. Polish Financial Supervision Authority (KNF), the Chief Labour Inspectorate (PIP), certification bodies, industry authorization bodies (e.g. PSSE, PIWet).
Exchanges in Warsaw and London	London Metal Exchange and the Warsaw Stock Exchange
Financial markets	Including, among others, banks and insurers
Other Stakeholders	
Media	All types: domestic and international
Competitors	Domestic and international
Indigenous people	This refers to the KGHM Group, mainly the first nations of the North America
Trade organisations	Domestic and international, such as chambers of commerce, International Copper Association (ICA)
International organisations	E.g. the UN
Academic and research institutions, universities	Running their operations in Poland and abroad
Non-governmental organizations	Non-governmental organizations (NGOs) with a social and environmental profile

Channels of communication with Stakeholders

Examples of communication channels and tools of the KGHM Polska Miedź S.A. Group towards selected key stakeholder groups in 2022

Employees

KGHM's priority is the health and safety of employees, their professional development and the continuous improvement of working conditions

- meetings and consultations with employee representatives on important decisions or events
- Internet, internal publications and TV, newsletters; 921 central information posts published on Intra/Extranet, 331 video materials (news) on KGHM TV, 22 issues of the biweekly CUrier magazine
- company events, competitions, employee volunteerism, training, engagement surveys (17 internal competitions)
- publications in local and national media on the activities and projects implemented by the Company

Representatives of government administration

The company works with government administration at all levels on the use of local resources, labour and environmental policies. KGHM organizes consultation and information meetings with the participation of representatives of areas where it operates or plans to operate

- meetings and consultations
- traditional and electronic correspondence
- Internet

Local community members

KGHM conducts extensive dialogue with local communities. It results in infrastructure development activities: supporting local charity organizations, science, culture and sports. For the sake of the health of employees and residents of the region, campaigns are organized to promote an active lifestyle

- publications in local media and social media: 1005 publications on the KGHMtoMy page on Facebook, 515 publications on LinkedIn, the naMiedzi mobile phone app
- meetings, conferences and seminars, sports events sponsored by KGHM
- SR programs, such as Eco-Health; for more information, see the Employees and Social Impact section of this report
- participation of KGHM representatives in events and celebrations organized in the municipalities and counties of the Copper Basin

Shareholders and the stock market environment

As a public company, KGHM is developing additional forms of dialogue with capital market participants. It conducts an open and effective information policy using, among other things, electronic media at the local and national level. It organizes meetings and study visits for analysts and fund managers

- General Meeting of Shareholders
- Current and periodic reports, newsletters, market bulletin "Investor's Handbook"
- Conferences, meetings and study visits, Investor Days
- Internet and social media (IR channel on LinkedIn), press releases posted on the website kgm.com
- Daily e-mail and telephone communication responding to investors' current needs

Media

KGHM builds good relations with the media by providing them with precise, comprehensive information on the Company's current situation and actions taken

- Press conferences, teleconferences
- Meetings of journalists with company representatives and study visits
- Press releases (103 press releases were published in 2022)
- Internet and corporate website kgm.com
- Direct contact with KGHM representatives

Business partners

KGHM maintains ongoing contact with its business partners to monitor their needs and level of satisfaction with service in business relationships

- Conferences and trade fairs
- Meetings, traditional and electronic correspondence
- External and business partners' own questionnaires
- Corporate website kgm.com

Key partnerships and supported initiatives

GRI: 2-28

National organisations of which KGHM Polska Miedź S.A. is a member	Year of accession
Professional organisations	
Association of Accountants in Poland	1975
Association of Non-Ferrous Metals Engineers and Technicians	2005
Sector organisations	
GS1	2002
Economic Chamber for Advanced Technologies	2008
Economic Chamber for Non-Ferrous Metals and Recycling	2009
"Safe Mining" Foundation	2010
Polish Committee of the World Mining Congress Association	2011
Polish Chamber of Chemical Industry	2019
Chamber of Commerce and Industry of Scrap Management	2022
Lower Silesian Hydrogen Valley Association	2022
Group of Joint Social Initiatives MINING OK (GÓRNICTWO OK)	2017
Organisations operating on the energy market	
Chamber of Industrial Power Engineering and Energy Recipients	2006
Economic organisations	
Employers' Organization of Polish Copper	1996
Polish Association of Listed Companies	1997
Polish-Canadian Chamber of Commerce	2012
Polish Management Forum Association OH&S ISO 45000	2018
Association of Entrepreneurs and Employers	2019
American Chamber of Commerce	2019
Polish Economic Association	2021
Polish ISO 14000 Forum Association (environmental management)	2022

National organisations of which KGHM Polska Miedź S.A. is a member
Year of accession
Environmental organisations

Polish Chamber of Ecology in Katowice

2002

Polish Eco Development Chamber of Commerce

2011

Understandings, Alliances, Academia

Economic Security of Poland Consortium

2014

Polish Committee for Standardization

2018

MACROKLASTER – Technologies in Public Security

2022



International organisations of which KGHM Polska Miedź S.A. is a member	Year of accession
Raw material organisations	
International Copper Study Group	1996
London Bullion Market Association	2000
International Copper Association	2007
International Lead and Zinc Study Group	2012
Sector organisations	
International Wrought Copper Council	1996
Eurometaux	2005
EPMF – European Precious Metals Federation	2009
Minor Metals Trade Association	2013
CEFIC-ESA (European Sulphuric Acid Association)	2013
Employers' Association Business&Science Poland	2019
ILA – International Lead Association	2020
Organisations operating on the energy market	
Nucleareurope	2022
Mining organisations	
Euromines	2005
European Technology Platform on Sustainable Mineral Resources	2010
Consejo Minero Chile	2014
Understandings, alliances, academia	
European Innovation Partnership	2014
EIT on Raw Materials – European Institute of Innovation and Technology	2018
European Raw Material Alliance	2020



— 02

Strategy

Strategy Update

The implementation of the previous Strategy (with a horizon of 2019-2023) allowed the Group to take advantage of favourable macroeconomic trends to increase the scale of its operations and improve its production results and financial position.

The decision to update the strategic assumptions was dictated in particular by:

- changes in the macroeconomic environment of major importance to mining companies (particularly those resulting from the green transition),
- the need to clarify the Company's actions in terms of entering the path of decarbonization and commitment to climate protection,
- concentration on securing access to the resource base for future copper production and expanding mining capacity in the context of other metals and minerals,
- intensification of activities in the area of implementation of innovations in the functioning core production line,
- identified opportunities to gain a competitive advantage and develop the Company in new prospective business areas.

On 14 January 2022 the Company's Supervisory Board approved the "Strategy of the KGHM Polska Miedź S.A. Group to the year 2030 with an outlook to 2040" as presented by the Management Board.

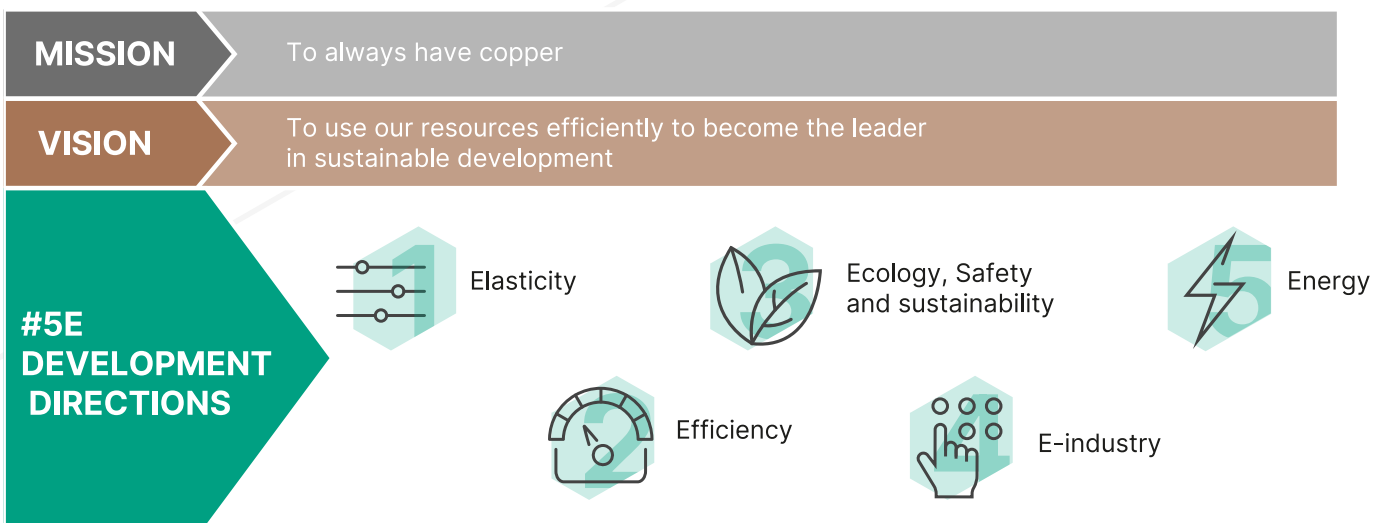


Group's development directions

The updated Strategy has not changed the Company's existing approach to its business activity and long-term thinking about its future. The Company's mission and vision have remained unchanged. The updated objectives

of the Strategy reflect the changes in the environment – the four existing strategic development directions (Elasticity/flexibility, Efficiency, Ecology and E-industry) were updated to include a fifth element – Energy.

Mission, vision and development directions of the Strategy of KGHM Polska Miedź S.A.



This "5E" Strategy is now comprised of 5 pillars (Core business, New activities, Supporting activities, Health, Prosociality), based on 5 updated development directions.

5 pillars based on 5 updated development directions in the Strategy of KGHM Polska Miedź S.A.

Development directions	Elasticity	Efficiency	Ecology	E-industry	Energy
1 Core business	Advanced technologies and R&D forming an intelligent production chain	Optimization of mining production in Poland and abroad ensuring long-term business continuity	Leader in the development of low-emission mining capacity for new metal and mineral deposits in Poland	Development of metallurgy with the use of effective processing based on the principles of the circular economy	
2 New activities	One of the leading producers of environmentally friendly electricity, supporting Poland's energy transformation		Expansion along the value chain through the development of new products from copper and other metals (including establishing cooperation with partners in Poland and abroad)		
3 Supporting activities	A significant provider of Smart Mining solutions in the area of products and services sold in Poland and globally		Ensuring the financial stability of KGHM Group and implementing systemic solutions aimed at increasing the Group's value		
4 Health	Development of pro-health activities and health resorts as a contribution to extending the length and quality of life of citizens				
5 Prosociality	Growth based on sustainability and safety				

These pillars have been assigned individualised core objectives as well as key performance indicators. The baseline indicators are from 2020 to maintain consistency with the baseline set for the Climate Policy and to maintain the ability to demonstrate effects over a full decade.

Key assumptions for individual pillars of the strategy

First pillar

Core business, comprised of the following elements:

- Advanced technology and R&D creating an intelligent production line.
- Optimisation of mine production domestically and abroad ensuring long-term operational continuity.
- Leadership in the development of low-emissions mining capacity as regards new metals and minerals deposits in Poland.
- Development of metallurgy utilising efficient processing based on Circular Economy principles.

Core objective	Goals for 2030:	Base level (2020)
Strengthen the position of the KGHM Polska Miedź S.A. Group as a global player in the mining and metallurgy sector	1. Domestic copper production – approx. 600 thousand tonnes of electrolytic copper (including production based on a higher amount of purchased materials and copper from recycling)	approx. 560 kt of electrolytic copper
	2. International copper production – Higher production by the international assets of KGHM by extending their life-of-mine, developing assets in the mine projects portfolio held and increasing the resource base thanks to advancement of the International Exploration Strategy	approx. 150 kt of payable copper
	3. Silver production – Maintain the position amongst the world's top-three producers of silver (approx. 1200 tonnes of silver annually)	approx. 1,320 t of silver
	4. Profitability – 10.2% – Average ROCE (return on capital employed) from the last 3 years	8,5%
	5. Cost competitiveness – 3rd decile	4th decile

Second pillar

New activities, comprised of the following elements:

- To be one of the leading, environmentally-friendly electricity producers, supporting Poland's energy transition.
- Expansion along the value chain by developing the production of new products from copper and other metals (including initiating relationships with partners in Poland and abroad).

Core objective	Goals for 2030:	Base level (2020)
Diversification and aiming at sustainable development by building internal generation capacity from low-emission sources	1. Energy produced – min. 50% of consumption	22% of consumption (694 GWh)
	2. A reduction in estimated CO ₂ emissions resulting from electricity consumed – 1.0 million tonnes of eCO ₂	1.9 million tonnes of eCO ₂ (in 2019)
	3. Diversification of the commercial offer in terms of metals (increase in share of new half-finished copper products and highly processed copper products (OFE-Cu rod, OFE-Cu granules) and other metals in the total sales of the Group) – 10%	2%

Third pillar

Supporting activity, comprised of the following elements:

- To be a major supplier of Smart Mining solutions for products and services sold in Poland and globally.
- Ensure the financial stability of the KGHM Polska Miedź S.A. Group and implement systemic solutions aimed at enhancing its value.

Core objective	Goals for 2030:	Base level (2020)
Redefine the way that existing assets supporting the core business are utilised	1. Recycling of scrap – approx. 350 thousand tonnes of copper scrap (copper-bearing materials of varied metals % content)	124 kt of copper scrap
	2. Revenues from sales on foreign markets of selected Group companies – using 2020 as the base year = 100%: an increase by 2030 of 147% versus the base year for the companies KGHM Zanam S.A., Nitroerg S.A. and PeBeKa S.A., and 163% versus the base year for the company DMC Mining Services Ltd.	2020 as base level = 100%

Fourth pillar

Health, comprised of the following elements:

- Development of activities promoting health and health resorts (spas) as a contribution to extending the length and quality of life for citizens.

Core objective	Goals for 2030:	Base level (2020)
Development of the spa assets held as a contribution to extending the length and quality of life for society as a whole	1. LTIFR – the goal of 0 accidents	LTIFR – 7.3
	2. TRIR – the goal of 0 accidents	TRIR – 0.52
	3. Level of support for the area of Health carried out by the KGHM Polska Miedź Foundation – approx. PLN 7 million	approx. PLN 11.5 million ¹

Fifth pillar

Support for society, comprised of the following elements:

- Growth based on the idea of sustainable development and safety.

Core objective	Goals for 2030:	Base level (2020)
Growth based on the idea of sustainable development and safety	1. Support for the fair transformation of the mining sector.	Not applicable
	2. Number of volunteer projects advanced – 30.	25
	3. The overall level of support granted for culture, sports, and health is approx. PLN 48 million.	approx. PLN 38.5 million

¹ Due to the epidemic situation, the area of activity of the KGHM Polska Miedź Foundation – „Health and Safety” was a particular priority in 2020, thus the significantly higher financing in this area in the base year.

Summary of measures of success of the advancement of the Strategy

	2020 (base year)	2022	2030
Scrap metal recycling	Approx. 124,000 tonnes of copper scrap	151,000 tonnes of copper scrap	Approx. 350,000 tonnes of copper scrap
Domestic copper production	Approx. 560,000 tonnes of electrolytic copper	586,000 tonnes of electrolytic copper	approx. 600,000 tonnes of electrolytic copper (also based on increased processing of third party materials and recycled copper).
Profitability	8.5%*	10.9% for ROCE for the last 3 years, i.e. the 2019-2022 period)	10.2%*
The level of support granted for culture, sports, and health	Approx. PLN 38.5 million	PLN 51.6 million	Approx. PLN 48 million
LTIFR**	7.31	5.05	The goal of 0 accidents
Sales revenue from external markets of selected Group Companies	2020 base Base year=100% Sales revenues from external markets in base year 2020.	119% vs. base period for ZANAM, NITROERG, PeBeka 124% vs. base period for DMC (calculated as: 2022 to 2020)	147% vs. base year for ZANAM, NITROERG, PeBeka 163% vs. base year for DMC

* Average ROCE level in the last 3 years.

** LTIFR (Lost Time Injury Frequency Rate) – the indicator of the number of accidents at work in KGHM Polska Miedź S.A. standardized per 1 million hours worked.

Advancement of the Strategy in 2022

Policy regarding the development directions of the KGHM Group

In 2022, policy regarding the development directions of the KGHM Group was continued. The actions taken were aimed at adjusting the functioning of the Group's organization to the developed business model and adapting to the changing market environment.

With regard to domestic companies, the development policy was aimed at deepening cooperation between different entities and eliminating unnecessarily duplicated competencies.

Implementation of the Strategy in the Group's international companies included a series of reorganization activities aimed at integrating KGHM INTERNATIONAL LTD with the rest of the Group – among other things, an optimization process was initiated involving the transfer of some business functions to Poland. It became necessary to develop consistent internal regulations, procedures and standardized solutions in individual areas of the Company's operations, as well as to review its assets. On 26 April 2022, the S.C.M. Franke Share Purchase Agreement was signed. As at the date the agreement was signed, Minera Las Cenizas became the owner and operator of the Franke mine.

Intentions regarding equity investments

With regard to domestic companies, development intentions focus on ensuring the continuity and occupational safety of the core production business. Emphasis is placed on integrating the Group around the idea of sustainable

development, including the implementation of development initiatives linked to a circular economy. As regards international operations, the Company is focused on maximising the value of the portfolio of assets owned.

Maintaining cost-effective domestic production in 2022 was possible thanks to continuing and bringing into operation key investments, such as:

- outfitting the mines along with the construction of conveyor belts,
- replacement of mining machinery,
- construction of mine drainage systems,
- construction of air cooling systems,
- construction of the Tailings Segregation and Compacting Station at the Żelazny Most Tailings Storage Facility,
- modernisation and renovation during the maintenance shutdown of the Głogów II Copper Smelter and Refinery.

To increase the efficiency and flexibility of the Group's Polish assets, the following investments were implemented, for example:

- the Deposit Access Program (Deep Głogów along with access and development tunnels),

- searching for and exploring deposits in areas under exploration concessions,
- development of the Żelazny Most Tailings Storage Facility above a crown height of 195 m a.s.l.,
- documentation for the Legnica Hybrid Metallurgy Facility,
- construction of photovoltaic power plants.

Investment projects directly related to the idea of sustainable development involving, among other things, the adaptation of metallurgical facilities to BAT conclusions for the non-ferrous metals industry with the reduction of arsenic emissions (BATAs) also continued in 2022. During the period covered by this report, another six such installations were put into operation.

In accordance with the KGHM 4.0 Program concept, the Company continued to carry out work on new, intelligent technologies and production management systems, based on online communication and advanced data analysis.

Monitoring the implementation of the Strategy

Due to the dynamic changes in the macroeconomic environment affecting the copper mining, smelting and processing industry, KGHM has been performing comprehensive and regular analyses of its surroundings and identifying megatrends. On their basis, decisions are made to continue or refresh the accepted strategic assumptions. The whole organization is engaged in the process of operationalizing and advancing

the Strategy. The Company is careful to maintain a balance between being flexible in its approach to Business Strategy (allowing it to react to market changes) and being consistent in its long-term operations. A dedicated internal procedure makes it possible to monitor and supervise the implementation of the Strategy also through the prism of successively implemented Strategic Programs.

Key achievements in advancing the Strategy of KGHM Polska Miedź S.A.

Based on the adopted Strategy, the Company aimed to:



maintain stable production levels, from both domestic and international assets,



maintain cost levels that guarantee financial safety,



ensure safe working conditions and minimize the burden on the environment and surroundings, in line with the sustainable development concept.



Impact of the Russian aggression against Ukraine on the implementation of the Strategy

In the context of the implementation of the Strategy, the Company has not noted and does not anticipate any significant negative consequences resulting from Russia's aggression against Ukraine. The risk of disrupting the business continuity of the Group is assessed as low. A potential negative impact could come from rising prices for goods and services, which could translate into an increase in the overall cost of implementing the Strategy. Consequently, KGHM is intensifying mitigating actions, among others: efforts to ensure access to its own, low-emissions energy sources, the introduction of instruments to enhance financial security and the realisation of a broad spectrum of efficiency initiatives.

Key achievements of the KGHM Polska Miedź S.A. Group in advancing the strategic activities in individual strategic directions of development in 2022

Efficiency

Production in Poland and abroad (accrued)

- Mined production in Poland amounted to 442.7 thousand tonnes of copper in ore with a C1 cost of 5,247 USD/t (2.38 USD/lb) of payable copper
- Payable copper production abroad:
 - Sierra Gorda: 90.8 thousand tonnes (for the 55% stake),
 - Robinson: 46.8 thousand tonnes,
 - Carlota: 4.1 thousand tonnes,
 - Franke: 2.8 thousand tonnes (production to date of sale of the mine, i.e. 26 April 2022),
 - Sudbury Basin: 2.5 thousand tonnes.
- Metallurgical production of KGHM Polska Miedź S.A. amounted to 586 thousand tonnes.
- Production of silver amounted to 1,327 tonnes

Continued advancement of the Deposit Access Program

- The GG-1 shaft reached a depth of 1,348 m. Construction and installation work is underway to prepare the shaft to serve a ventilation function during the transition period. Work is underway on designing final facilities to ultimately serve in a material and personnel transport function.
- Work continues on tenders aimed at tasks related to building the GG-2 „Odra” Shaft, involving shaft site drilling and research
- The task „Area management concept for the Gaworzyce shaft” was completed, finalising the purchase of property for the investment
- The task „Area management concept for the Retków shaft” was completed
- 41 kilometres of tunnelling were excavated in the Rudna and Polkowice-Sieroszowice mines. All of the work carried out under the Mine Projects Group enables the successive opening of new mining areas
- Work continued on building and developing the Surface-based Central Air Conditioning Station at the GG-1 Shaft in terms of the Central Air Conditioning System. The technological start-up of equipment is underway. The process commenced of developing to 40 MW power capacity
- The technical handover of the first part of the Ice Water Transportation System was completed. Construction continues on building part 2 of the System

Efficiency

Development of the Żelazny Most Tailings Storage Facility

- Southern Quarter: operational permits were obtained. Total advancement of the physical scope of work for the Southern Quarter together with slurry, water and power infrastructure reached 95%. Tailings are being deposited in the Southern Quarter
- Tailings Segregation and Compacting Station (TSCS): work was completed on assembling the technological part of the Station.

Work continues on developing infrastructure in the vicinity of the station. Total advancement of the physical scope of work on the TSCS is 85%. The process of segregation and compacting is underway for the purpose of deposition of waste in the Southern Quarter as well as a separate process of building up the dam in the Southern Quarter

Maintenance shutdown of the Głogów II Copper Smelter and Refinery

- The Głogów II Copper Smelter and Refinery was shut down for maintenance after four years of the production line's operation. On 3 July 2022 concentrate was fed to the flash furnace. The maintenance shutdown was shorter than initially planned by 8 calendar days. In the fourth quarter of 2022, the process of settling investment projects carried out during the maintenance shutdown of the Głogów II Copper Smelter and Refinery was completed

R&D initiatives to enhance the efficiency of the core production business

- R&D activities were carried out, aimed at seeking innovative solutions mainly for the Core Production Business of KGHM, which have a high potential for implementation and commercialisation. Cooperation was engaged in with academic and research bodies, universities and business partners
- The second edition of the CuValley Hack Hackathon was held under the Dolina Miedziowa initiative, aimed at seeking innovative, ready-to-implement solutions
- Information technology to collect and transfer knowledge was developed

Use of external financing for R&D&I projects

- Advancement of European research projects continued and applications were submitted for the subsidising of initiatives under the Horizon Europe and KIC Raw Materials Programs, and a list of potential subjects of interest to the Company was prepared under efforts to obtain future financing. In 2022, the Company advanced a total of 12 projects using subsidies in the amount of EUR 2.84 million

Intellectual property

- Proceedings are underway to obtain legal protection for selected trademarks
- The word-figurative trademark „KGHM” was registered on the territory of China
- Protection was prolonged for a European patent, validated in 16 European countries, to which KGHM Polska Miedź S.A. is jointly entitled under the CuBR project being advanced. Two inventions were announced to the European Patent Office
- In the Patent Office of the Republic of Poland protection was prolonged for six patents, and four inventions, a utility model and an industrial model were announced. The Patent Office of the Republic of Poland also granted a patent for two inventions
- Proceedings are underway in the Patent Office of the Republic of Poland for the granting of patents for five inventions announced for protection

Elasticity (flexibility)

Extension of the value chain

- Detailed technical and economic analyses continued with respect to the development of copper processing in the Cedynia Wire Rod Plant Division. A concept to build a dedicated installation was prepared. It is assumed that further design work will continue to enable determination of the investment's target parameters

Legnica Hybrid Metallurgy Facility

- A preliminary business model for the Legnica Hybrid Metallurgy Facility was developed, assuming flexible work by the facility based on own copper concentrate and purchased copper-bearing materials, including concentrates and scrap. Design documentation is being prepared for the modernisation of the production line at the Legnica Copper Smelter and Refinery as well as construction of the Scrap Turnover Base at the Legnica Copper Smelter and Refinery

Elasticity (flexibility)

Exploration projects with respect to exploring for and evaluating copper ore deposits

- In the concession areas „Retków-Ścinawa” and „Głogów” geological work continued. At the start of November 2022 the concession-granting body, at the request of KGHM, confirmed geological documentation for another copper ore deposit called „Retków-Grodziszczce”. The „Retków-Grodziszczce” deposit was separated from the exploration concession „Retków-Ścinawa”. In March 2022 the concession for the „Głogów” area was altered
- Geological work continued within the Synklina Grodziecka and Konrad concession areas
- Analytical and conceptual work was carried out on synergies in concession work between KGHM's neighbouring geological concession areas in the „Bytom Odrzański” concession
- Within the Kulów-Luboszyce concession area exploration work continued using surface-based drillholes
- In the Radwanice concession area, evaluation work was carried out using underground mine workings, and surface-based geophysical research was performed

Realisation of exploration projects with respect to exploring for and evaluating other deposits

- On the terrain of the Puck concession, work began on subsequent drillholes. The concession was altered – an addition was approved to the Geological Work Project
- In terms of the „Nowe Miasteczko” concession, a concept was developed to conduct further geological work. A request to alter the concession was submitted to the concession-granting body

Continuation of development projects in the international assets

- Sierra Gorda: there were no substantial interruptions in the operations. Maintenance and conservation work was carried out according to plan, and no significant production shutdowns were recorded. In February 2022 a transaction was concluded for sale of all of the shares in the joint venture company Sierra Gorda S.C.M. by Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation to the Australian mining group South32
- Sierra Gorda Oxide: design work continued aimed at determining the subsequent direction of development of the project by the owners (Sierra Gorda S.C.M.). At present most of the oxide ore planned for processing has already been excavated and is currently stored near the site of the future copper leaching and recovery (SX-EW) plant
- Victoria project: engineering work continued along with actions related to preparing selected elements of the infrastructure for further development of the project, as well as actions aimed at maintaining good relations and cooperation with key stakeholders in the project

PCuBR venture

- Under the four editions of the Venture competition, co-financed by the National Centre for Research and Development (NCBR) and KGHM, 25 R&D projects having a total value of over PLN 180 million were launched. 6 projects are currently being advanced while 19 projects have been completed

Implementation Doctorates Program

- Advancement of the Implementation Doctorates Program for employees of the KGHM Group was continued. At the end of the fourth quarter of 2022, 28 doctoral students from the two editions had participated in the program

Financial stability

- Basing the KGHM Group's financing structure on long-term instruments: in 2022 the KGHM Polska Miedź S.A. Group was fully capable of meeting its financial obligations. The financial needs of KGHM Group companies were met by using intra-group cash transfers. This process is mainly based on managing the KGHM Group's current liquidity based on cash pooling (the system was modified in 2022 to optimise the process of exchanging currencies by the domestic companies of the KGHM Group), as well as on long-term owner loans and active use of guarantees and letters of credit
- Shortening the cash conversion cycle: actions were taken aimed at optimising the receivables recovery period and the payables payment period, matching them to current needs and market conditions, reverse factoring and factoring were used for this purpose, as needed
- Effective management of market and credit risk in the KGHM Group: in terms of advancing the strategic plan of hedging KGHM Polska Miedź S.A. against market risk, in 2022 put options were purchased on the currency market for USD 205 million of planned revenues from sales, with maturities falling from April to December 2022. Actions were also continued aimed at reducing exposure to credit risk by ongoing monitoring of receivables, the evaluation and monitoring of the financial condition of business partners, setting credit limits, securing receivables and non-recourse factoring

Ecology, safety and sustainable development

Continuation of the Occupational Health and Safety's Improvement Program in KGHM Polska Miedź S.A.

- LTIFR ratio for KGHM Polska Miedź S.A.: 5.05 (lower than the 0.59 recorded in the same period last year). Number of workplace accidents: 149 or lower by 16 compared to 2021 TRIR ratio for the international assets (total for the employees of the KGHM INTERNATIONAL LTD. Group and Sierra Gorda S.C.M. as well as contractors for these entities) in 2022: 0.34
- The Company was awarded the title Gold Card Leader of Workplace Safety for the years 2023-2024 for achievements in improving OHS
- The Workplace Safety Management System PN ISO 45000:2018 introduced in the Company was positively assessed by external auditors during a periodic review
- Cooperation with domestic and international academic institutions and opinion makers was engaged in, among others participation in work on new EU regulations regarding hygienic and biological standards, in particular for metals and fumes from diesel engines; in cooperation with the State Labour Inspectorate, the first national Polish conference called „Diesel engine fumes in underground mining based on the experience of KGHM Polska Miedź S.A.” was organised; participation in interdisciplinary work and international problem teams
- An active model of coordination of the work of OHS units was applied. 15 inspections were performed in the Divisions as well as two behavioural audits. Active forms of education and employee support were prepared
- Documentation required to commence the investment project Workplace Environment Reports Generator was prepared
- The „Human Rights Policy in KGHM Polska Miedź S.A.” was adopted

Program to adapt the technological installations of the Company to the requirements of BAT conclusions for the nonferrous metals industry and to restrict emissions of arsenic (BATAs)

- The Program to adapt the technological installations of the Głogów Copper Smelter and Refinery and Legnica Copper Smelter and Refinery Divisions was continued. In 2022, 6 projects were advanced
- The following were brought into operation: a unit to remove arsenic and mercury from gases before the SOLINOX installation at the Legnica Copper Smelter and Refinery; an installation to remove sulphur from gases from the crude lead production furnaces at the Głogów Copper Smelter and Refinery; an installation to remove particulates from gases emitted from the converter furnaces at the Głogów Copper Smelter and Refinery; an installation to remove arsenic-bearing dust from gases from the installation for the granulation of copper at the Legnica Copper Smelter and Refinery

Environmental policy and pro-environmental activities

- A decision was received on recognising the acid waste generated by the metallurgical facilities of KGHM Polska Miedź S.A. as a by-product
- A decarbonisation installation was brought online at the Concentrators Division, where diluted sulphuric acid – a by-product arising in the smelters of KGHM Polska Miedź S.A. – is used
- Freely-acquired rights for 2022 were distributed to KGHM Polska Miedź S.A.
- Certification by the Copper Mark for the Głogów Copper Smelter and Refinery and the Legnica Copper Smelter and Refinery was maintained
- The balance of scope 1, 2 and 3 greenhouse emissions for 2021 by the KGHM Polska Miedź S.A. Group was calculated
- The environmental footprint and carbon footprint of some of the products of KGHM Polska Miedź S.A. was analysed
- The Polish Chamber of Commerce “Eco-development” (“Ekorozwój”) awarded the “Green Laurels – 2022” (“Zielony Laur – 2022”) prize for an installation to remove arsenic and mercury from gases before the SOLINOX installation

E-Industry

Continued advancement of projects to automate the production lines of the Mining Divisions of KGHM Polska Miedź S.A

- Work continued related to the electromobility of mining machinery. Work continued connected with testing electric battery-powered mining machinery. In the Lubin Mine, following the completion of tests, a mobile bolting rig was brought into operation, while tests continue on a mobile drilling rig. Certification procedures are underway for a prototype vehicle for the transportation of people and materials in the underground mines, which are planned to be completed in 2023. In the Rudna Mine, operational tests are underway on an Epiroc ST14B fork loader. Actions are underway aimed at expanding the testing of electric machinery
- The anti-collision system was integrated as well as the system for locating and identifying machinery and people in the underground mines
- Robotisation of production and auxiliary processes continued. Work continues on building a CuXRF robot to scan for copper content at the working faces
- The acquisition was completed of equipment and elements of the dewatering monitoring system, which was built and brought into operation at the Polkowice-Sieroszowice Mine with visualisation in the dispatcher's office
- Supplementary workshops were held for internal Auditors of the Energy Management System (ISO 50001) and of the Occupational Health and Safety Management System (ISO 45001)
- Work continued on managing the risk of a lack of improvement in the energy results of KGHM (risk was analysed in line with the cascade model, including the identification of actions to mitigate this risk)

KGHM 4.0 program

Advancement of the KGHM 4.0 Program was continued, divided into two main areas:

- In the area of ICT (Information and Communication Technology) and Cybersecurity:
 - Work was carried out in terms of ensuring ICT security due to the war in Ukraine, and the Charlie CRP alarm level (involving cyberspace threats) was introduced at a country-wide level. Thanks to this there were no interruptions recorded in the business operations of the KGHM Group, and security processes were supported
- In the area of Digitalisation of business processes:
 - Implementation work was completed under the project to implement the platform – construction of a Digital Workplace. The implementation of a Digital Workplace supports the development of KGHM in terms of increasing employee efficiency, managing information and building the potential to implement new application solutions and to cooperate with external business partners
 - In terms of the project APO/BDG2.0 – testing was performed in cooperation with all of KGHM's Mining Divisions and the Head Office, and five tasks were implemented for use
 - In terms of the project „Optimisation of the Production Planning and Settlement Process”, in 2022 work on the implementation of nine tasks was completed
 - The fourth and fifth stages of implementation of the CMMS system (Computerized Maintenance Management System), supporting production and material logistics in the Metallurgical Plants, Concentrator Division and Tailings Division, continued. The project is aimed at increasing the Company's organisational and cost efficiency in terms of maintaining operational continuity
 - In terms of the project „Improvement and automation of the accounting processes in CUK (accounting services centre)” advancement of over 20 initiatives, aimed at enhancing the efficiency of the Company's accounting and reporting processes, was completed

Energy

Development of solar energy

- Actions continued involving construction of the HMG I-III photovoltaic power plants complex. Technical conditions were issued for the connection of all three localities of the HMG I-III Photovoltaic Power Plants. In the fourth quarter of 2022, a legally-binding environmental decision was received and work began on developing project documentation. The wording of the connection agreement is being discussed
- Actions continued involving construction of the Obora I Sandpits photovoltaic power plant – documentation needed to advance the investment was developed. Cartographic and geodesic work was completed, involving an alteration of land use in the Registry of Land and Buildings in the County Office in Lubin
- In 2022, three new projects at the preparatory stage of building photovoltaic power plants were initiated: „Polkowice”, „Tarnówek” and „Kalinówka” for the Tailings Division. Proceedings commenced aimed at selecting a designer for these three projects
- A multi-scenario study of the possibilities of connecting new generating sources to the power network of KGHM in the vicinity of the Lubin Mine was received. Preparations are underway aimed at initiating another photovoltaic power plant on the grounds of liquidated shafts of the Lubin Mine
- A project was initiated to commence preparations to build a photovoltaic power plant on the grounds of the Cedynia Wire Rod Plant
- Analytical work is underway involving the utilisation of other terrain belonging to KGHM for the development of renewable energy sources. At the same time analyses are being conducted of the market environment in terms of acquiring companies either in possession of projects to build photovoltaic farms or having functioning installations

Development of wind energy, including offshore

- A Memorandum of Understanding was entered into with Total Energies Renewables SAS. Joint engagement was agreed in proceedings involving the obtaining of location decisions for the construction of Offshore Wind Farms. In the first half of 2022, seven applications were submitted for the issuance of siting permits. By the end of 2022 all proceedings aimed at identifying sites included in the applications of the Company and its Strategic Partner had commenced. Complete documentation was submitted for the purpose of proceedings conducted by the Ministry of Infrastructure. The issuance of siting decisions is expected in the first half of 2023
- Analyses commenced on the possibilities of building wind farms on Company property and discussions continued with entities in possession of interesting projects for sale

Development of hydrogen technology

- A „Sector Agreement for the development of hydrogen power in Poland” was signed under the patronage of the Minister of Climate and Environment of the Republic of Poland, and establishment of the Lower Silesia Hydrogen Association was initiated

Development of nuclear energy

- In February 2022, an agreement with NuScale Power LLC (a supplier of nuclear technology) was signed for preliminary work (Early Works Agreement), constituting the first step in the process of implementing SMR technology in the business activities of the KGHM Group
- In April 2022, KGHM and TAURON Polska Energia S.A. signed a letter of intent regarding cooperation in the construction of low-carbon energy sources, including with the use of small modular reactors (SMR)
- In July 2022 the Company submitted an application, being the first time in Poland, for the implementation of small modular reactors (SMR) to the National Atomic Energy Agency. In September 2022, KGHM Polska Miedź S.A. and SN Nuclearelectrica S.A. signed a memorandum of cooperation on the development of SMRs. Work is currently underway on the preliminary selection of a site for the SMRs

Power Purchase Agreements (PPAs)

- In November 2021 the Company announced an open tender for the Purchase of Electricity generated from Renewable Energy Sources (RES). In the first quarter of 2022, bids for the sale of energy from RES under PPAs were received. In the third quarter of 2022, an Agreement was signed with Solarteknik (Invest PV 7 Spółka z o.o.). The sale of electricity to KGHM, generated by the Żuki Solar Power Farm in the Municipality of Turek, commences from 1 April 2023. The planned volume of sales is 5,300 MWh/year

Self-generation of electricity

- In 2022, 11.71% of the Parent Entity's need for electricity was met by its own internal sources, including RES

Outlook

Outlook for 2023

Despite uncertainties in the economic environment, the KGHM Polska Miedź S.A. Group expects to maintain stable operating, economic and financial results in 2023, secure debt levels and achieve ambitious development and investment targets. However, given the ongoing armed conflict in Ukraine and the observed economic slowdown (especially in the world's largest economies), as well as high levels of inflation and turmoil in the energy markets, there is still uncertainty about the direction of the economic and social situation in Europe and the world.

During the first months of this year, the global economy continued to face the effects of the energy crisis, which were particularly severe for the European economy due to its heavy dependence on Russian hydrocarbons. Russia's invasion of Ukraine, high energy prices and high consumer demand with strained supply chains were among the main drivers of inflation. Rising prices, with the labour market remaining very strong, have contributed to rising wage pressures in many countries and the threat of inflationary processes becoming entrenched for longer.

This has prompted central banks to tighten monetary policy noticeably, hampering the potential pace of economic growth.

Despite declines in LME copper prices in the first six months (~15%), the fundamental situation of the copper market remains stable, especially given the exceptionally low level of official stocks of the metal worldwide. The slowdown in China's economy continues to weigh most heavily on the prices, and hopes for a quick rebound in the first few months of the year, following the lifting of covid restrictions, have not materialized. High interest rates negatively affect global economic activity, which reduces the rate of growth in demand for raw materials, including copper. With increased supply coming from new mining projects now being launched, this puts negative pressure on metal prices. On the other hand, the energy crisis has helped accelerate the energy transition, of which the red metal remains one of the main beneficiaries. Based on this belief, investor interest and the weakening of the dollar, in which commodity prices are denominated, are factors supporting copper prices ahead of a possible correction.



The Company anticipates that the most significant factors influencing the results achieved by the KGHM Polska Miedź S.A. Group in 2023 may be:



The pace of development of the Chinese economy and the determination of the Chinese government to increase economic activity through the introduction of stimulus packages, which would affect the demand for metals and provide support for their prices.



The scale of the strengthening of the zloty is one of the main factors affecting the KGHM Group's financial results. The strong resilience of the Polish economy to events related to the war in Ukraine, the energy crisis and high inflation have contributed in recent months to a marked strengthening of the zloty towards levels seen before the outbreak of the armed conflict.



The scale of monetary tightening, its effectiveness in reducing inflation rates and its impact on the level of global economic activity will shape the outlook for metal demand growth and prices in the medium term.



Weather will be one of the factors influencing energy commodity prices. A hot summer, drought or early cold winter can contribute to significant fluctuations in the price of individual energy commodities that are part of the cost.



The ongoing war in Ukraine and the system of economic sanctions remain risk factors, but they do not pose a direct threat to maintaining the continuity of production, and the strategy of supplier diversification applied throughout the KGHM Polska Miedź S.A. Group and the use of alternatives effectively mitigates the risk associated with disruptions in the supply chains of raw and other materials.





— 03

KGHM Group in 2022

Performance summary

33,847 PLN
mn

Consolidated revenue

4,118 PLN
mn

Investments in the Group*



5.05

LTIFR [Polish assets]**

+14%

Increase in revenue
to PLN 33,847 million

-14%

EBITDA at PLN 8,865 million

+12%

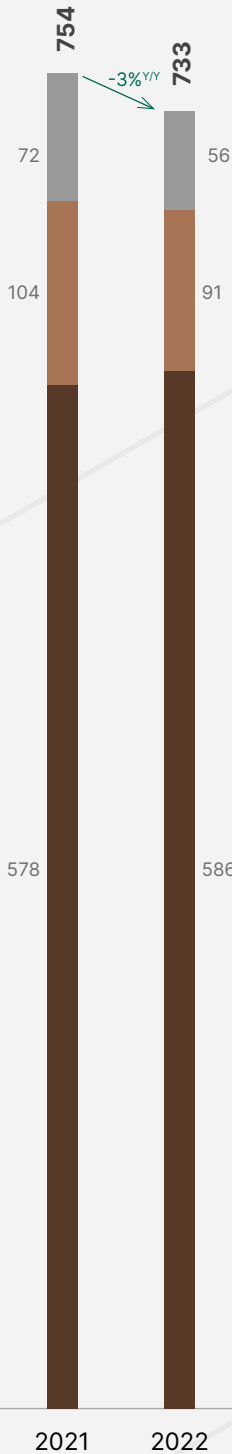
C1 cost

* Expenses on mining and metallurgical assets, capital investments pertaining to Polish and foreign assets

** LTIFR (Lost Time Injury Frequency Rate) – rate of accidents at work in KGHM Polska Miedź S.A. standardized to 1 million hours worked

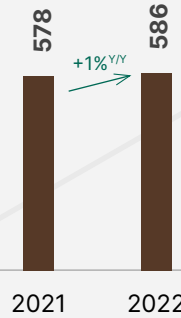
Production data

Payable copper production [kt]



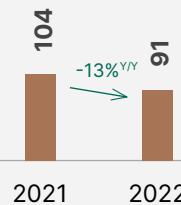
- Sierra Gorda (55%)
- KGHM INTERNATIONAL LTD.
- KGHM Polska Miedź S.A.

Payable copper production KGHM Polska Miedź [kt]



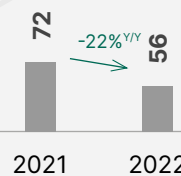
KGHM Polska Miedź:
Greater output from own and purchased copper-bearing materials as a result of an improved core production line availability.

Payable copper production Sierra Gorda* [kt]



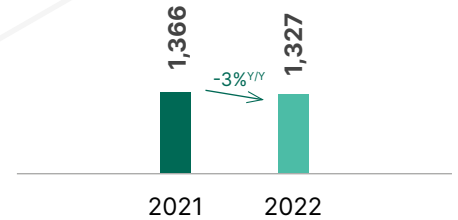
Sierra Gorda:
Mining of ore with a lower copper content and smaller yield.

Payable copper production KGHM INTERNATIONAL LTD. [kt]



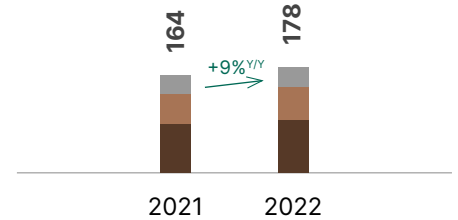
KGHM INTERNATIONAL LTD.:
Lower output at the Robinson mine and divestment of the Franke mine in H1 2022.

Silver production [t]



Silver production:
Lower output of silver by KGHM Polska Miedź S.A.

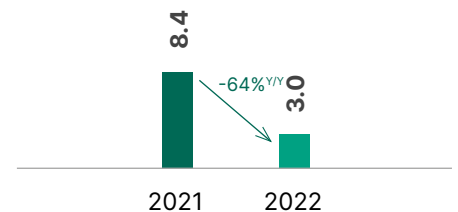
TPM production [[koz t]**



- KGHM SA
- KGHM INTERNATIONAL LTD.
- Sierra Gorda

TPM production:
Lower output at the Robinson mine and divestment of the Franke mine in H1 2022.

Molybdenum production [mn lbs]



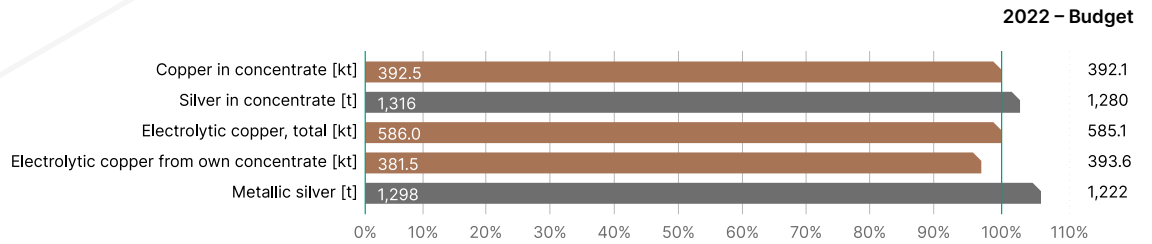
Molybdenum production:
Lower output of molybdenum by Sierra Gorda (mining of ore with a lower molybdenum content and smaller yield) and the Robinson mine (mining of ore with a lower molybdenum content).

* For 55% share
** TPM – Total Precious Metals

Group's production and sales performance in 2022 compared to the assumed annual targets

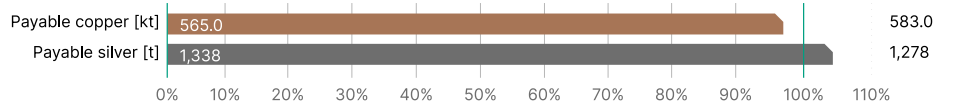
Production

KGHM Polska Miedź S.A.



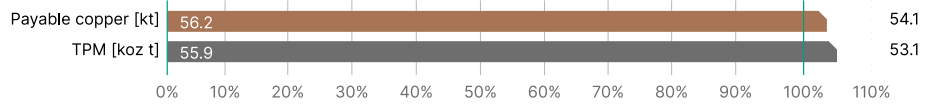
Sales

KGHM Polska Miedź S.A.



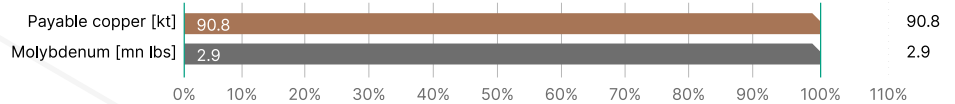
Production

KGHM INTERNATIONAL LTD.



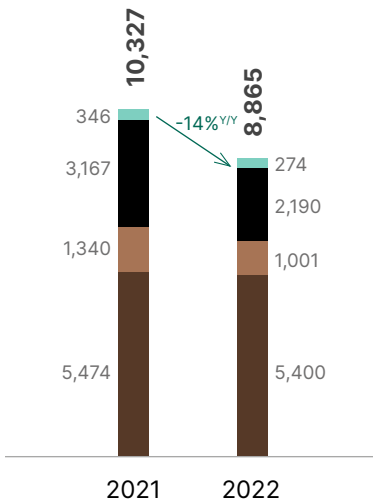
Production

Sierra Gorda
(on a 55% basis)



Financial results

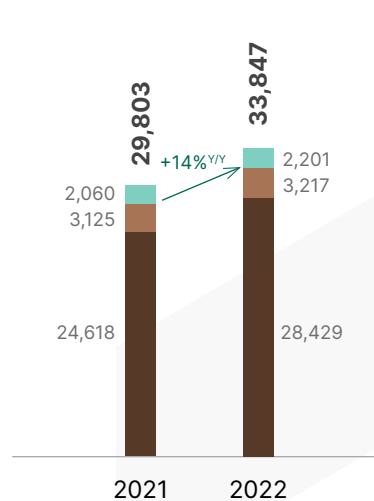
Adjusted EBITDA [mn PLN]



- KGHM INTERNATIONAL LTD.
- KGHM Polska Miedź S.A.
- Sierra Gorda (55%)
- Other segments

The decrease in EBITDA in the foreign segments is a result of a lower Cu content in the ore, and thus diminished copper sales, coupled with relevant market factors (lower selling prices)

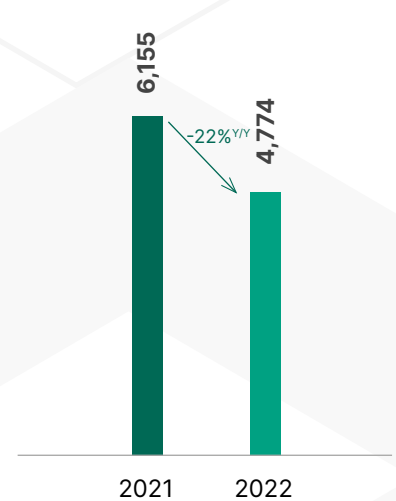
Group revenues [mn PLN]



- KGHM INTERNATIONAL LTD.
- KGHM Polska Miedź S.A.
- Other segments

The increase in the Group's revenue was driven by a higher exchange rate and a lower negative adjustment on hedging transactions.

Group profit [mn PLN]



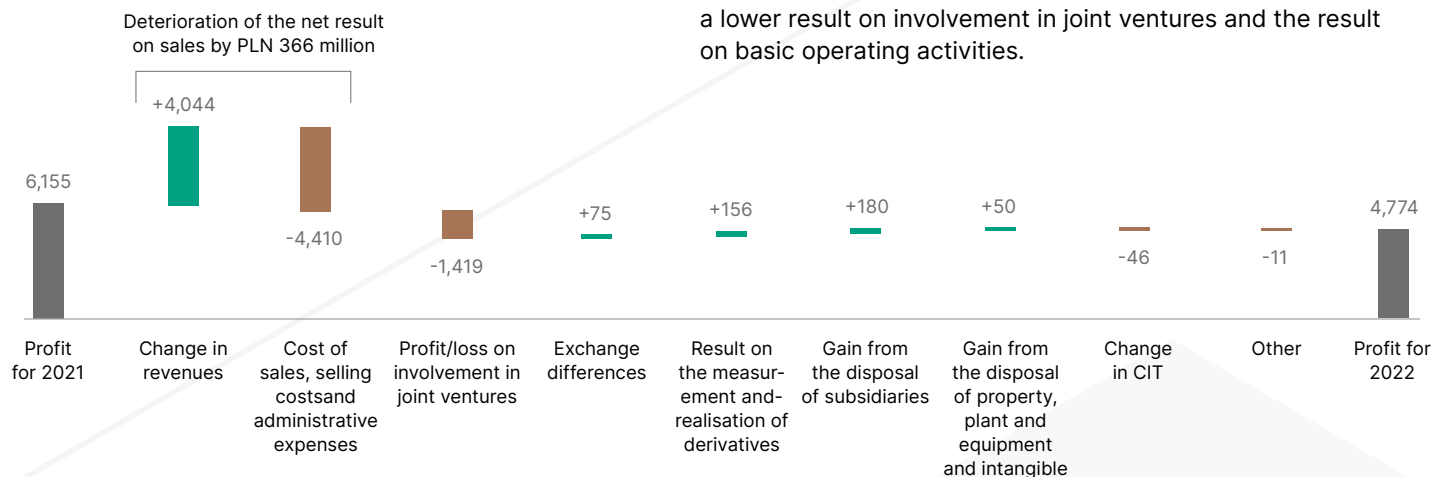
The deterioration in operating profit and profit from involvement in a joint venture resulted in net income being realised at a lower level than that posted in 2021.

Net result [mn PLN]: - 22% Y/Y

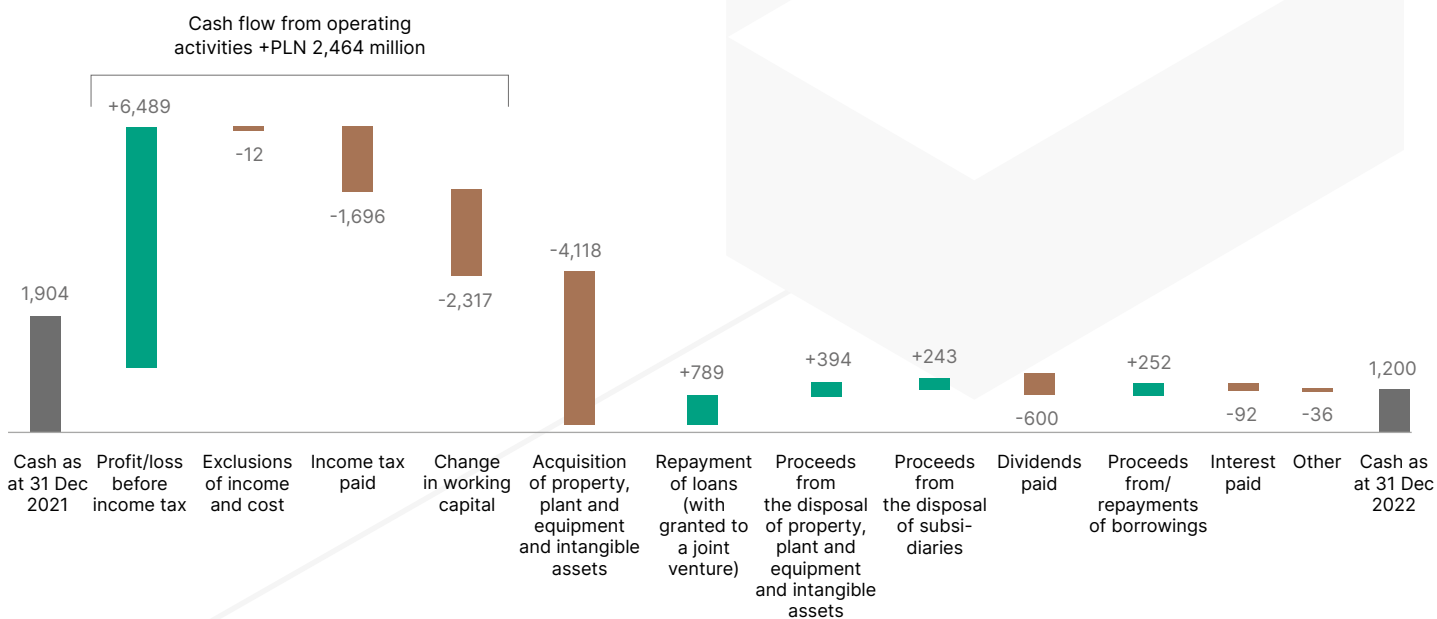
4,774 PLN mn

consolidated net profit in 2022

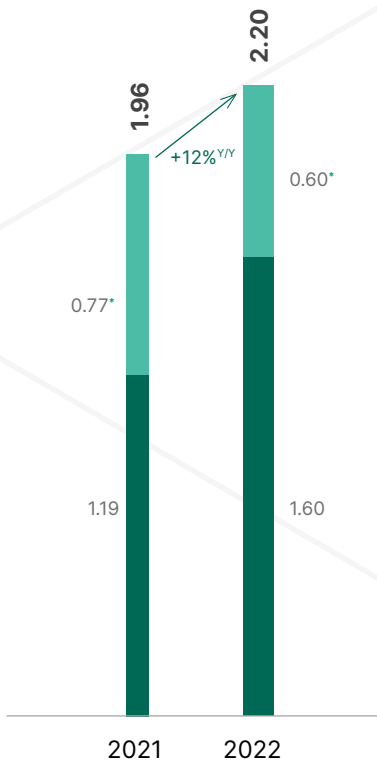
Lower Group profit by PLN 1 381 million (-22%) mainly due to a lower result on involvement in joint ventures and the result on basic operating activities.



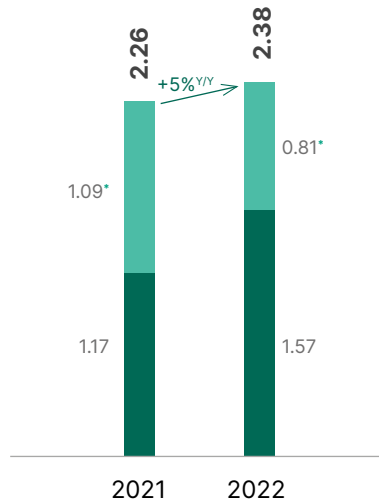
Cash flows [mn PLN]



C1 – KGHM Group [USD/lb]



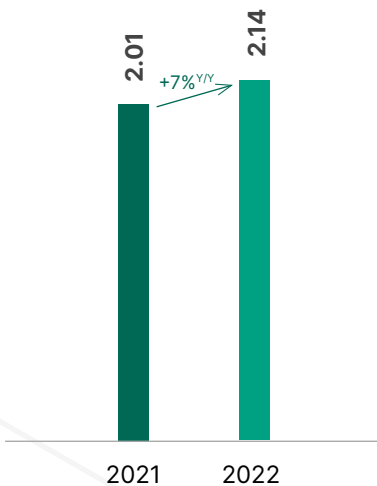
C1 – KGHM Polska Miedź S.A. [USD/lb]



The 5% increase in C1 cost at KGHM Polska Miedź S.A. compared to 2021 resulted predominantly from higher costs of materials, fuel, energy and labour, coupled with a lower valuation of by-products.

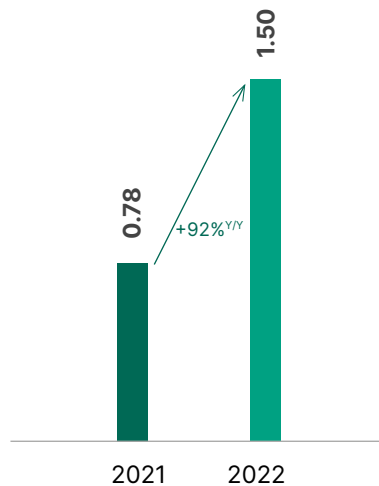


C1 – KGHM INTERNATIONAL LTD. [USD/lb]

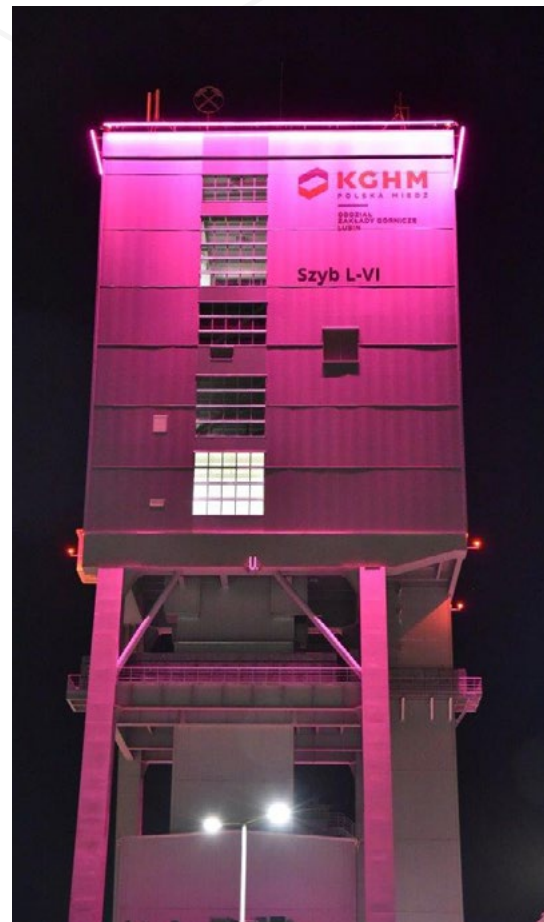


The 7% increase in C1 cost at KGHM INTERNATIONAL LTD., despite a more favourable valuation of precious metals, was largely caused by a decrease in copper sales volumes by the Robinson Mine.

C1 – KGHM INTERNATIONAL LTD. [USD/lb]



The 92% increase in C1 cost at Sierra Gorda was driven by lower copper sales volumes, increased fuel, energy and material prices and a decrease in molybdenum output and sales (lower deductions due to revenue from associated metals).



* Including a tax on the extraction of certain minerals

Key performance indicators

Key financial and operational indicators

	2022	2021	2020	2019	2018	2017	2016	2015
Revenues from contracts with customers [PLN mn]	33,847	29,803	23,632	22,723	20,526	20,358	19,156	20,008
Profit/loss for the period [PLN mn]	4,774	6,155	1,797	1,421	1,658	1,525	(4,449)	(5,009)
Adjusted EBITDA ¹ [PLN mn]	8,865	10,327	6,623	5,229	4,972	5,753	4,666	4,710
Total assets [PLN mn]	53,444	48,027	42,780	39,409	37,237	34,122	33,442	36,764
Liabilities [PLN mn]	21,298	20,889	21,699	19,207	18,012	16,337	17,531	16,350
Earnings per share (EPS) [PLN] ²	23.86	30.78	9.00	7.11	8.29	7.84	(21.86)	(25.06)
Share price of the Company at the end of the period [PLN]	126.75	139.40	183.00	95.58	88.88	111.20	92.48	63.49
Net debt/EBITDA ³	0.8	0.6	0.9	1.5	1.6	1.3	1.6	1.4
Payable copper production [kt] ⁴	733.1	753.7	709.1	701.6	633.9	656.4	676.9	697.1
Payable silver production [t] ⁵	1,327	1,366	1,353	1,417	1,205	1,234	1,207	1,299
C1 payable copper production cost [USD/lb] ⁶	2.20	1.96	1.59	1.70	1.81	1.59	1.41	1.59
Cash expenditures on property, plant and equipment and intangible assets [PLN mn]	4,118	3,890	3,457	3,232	2,875	2,796	3,251	3,939

Key non-financial indicators

	2022	2021
Area: society		
Maintaining position in WIG-ESG (previously the RESPECT Index)	YES	YES
Maintaining its position in the FTSE4Good Index Series	YES	YES
0% investment activity without a social dialogue policy	YES	YES
Conclusion and maintaining of long-term contracts; achievement of a proper sales structure ensuring long-term relations with customers	YES	YES
Sponsorship and charitable activities in building corporate social responsibility [sponsorship expenses for the purposes of the Company's promotion and regional support, i.e. sports/culture/science]	PLN 51.6 million	PLN 36.1 million
Resource efficiency		
Ore extraction (wet weight) per mine employee [tonne]	2,565	2,540
Production of electrolytic Cu per Company/metallurgical employee [tonne]	31/162	31/160
Cu smelting yield [%]	98.08	98.33
Zero harm		
LTIRF _{KGHM} (Lost Time Injury Frequency Rate KGHM)	5.1	5.6

¹ Includes Sierra Gorda S.C.M. pro rata to the interest held (55%)

² Attributable to shareholders of the Parent Entity

³ Adjusted EBITDA for the year, excluding EBITDA of the joint venture Sierra Gorda S.C.M.

⁴ Includes Sierra Gorda S.C.M. pro rata to the interest held (55%)

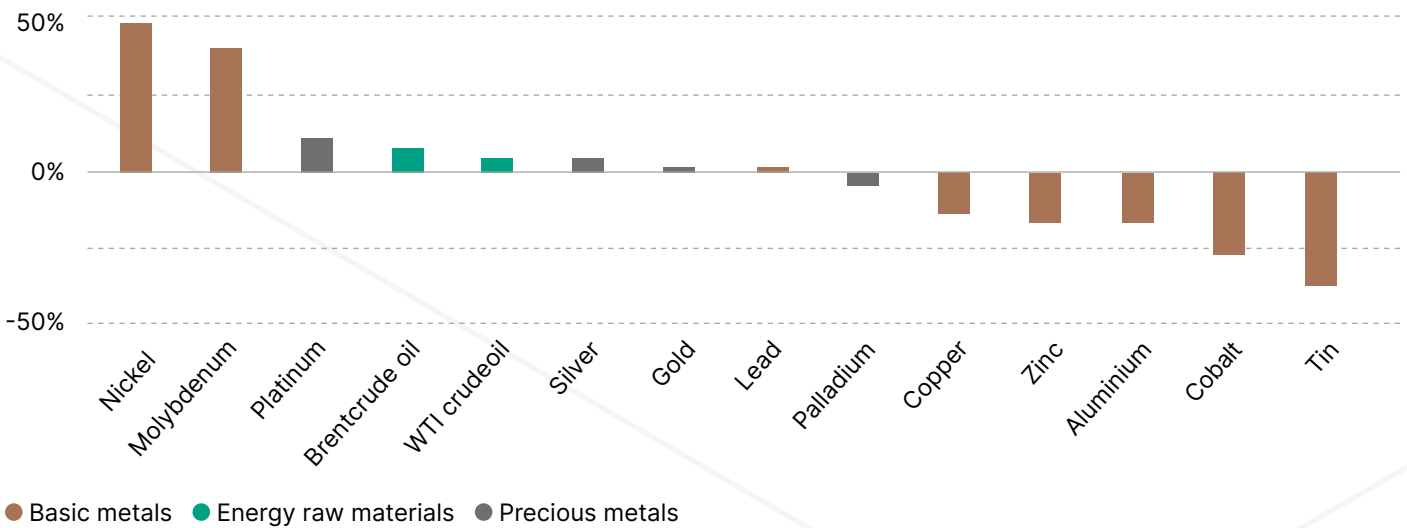
⁵ As above

⁶ As above

Market environment

Macroeconomic environment

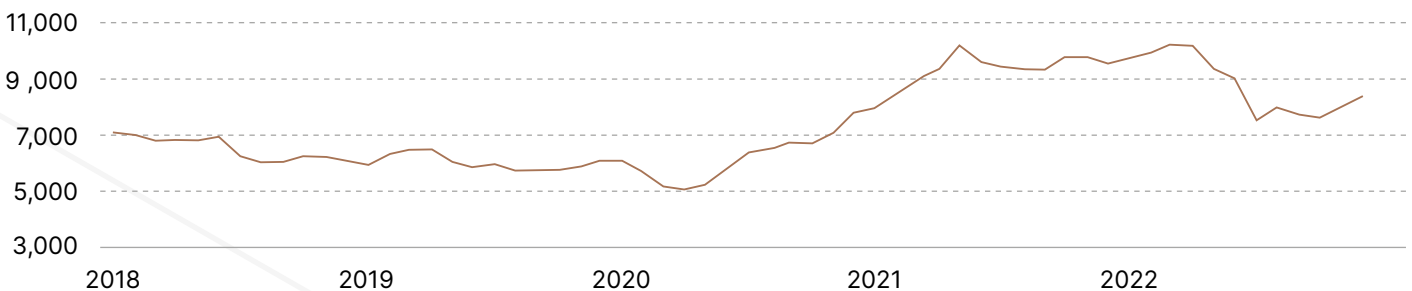
Change in commodities prices in 2022 (first vs last day of the year)
(source: Refinitiv, KGHM Polska Miedź S.A.)



- The average annual price of copper (cash settlement on the LME) in 2022 was 8,797 USD/t. The highest price was recorded on 7 March (10,730 USD/t), which also set a historical record. The lowest price was recorded on 15 July (7,000 USD/t).

- In terms of cash settlement prices, copper dwindled by 13% last year (first vs. last day of the year). However, it is worth pointing out that 2022 was a record year in terms of copper prices denominated in Polish złoty. The average price in the previous year was 39,037 PLN/t (daily LME prices calculated after the NBP fixing).

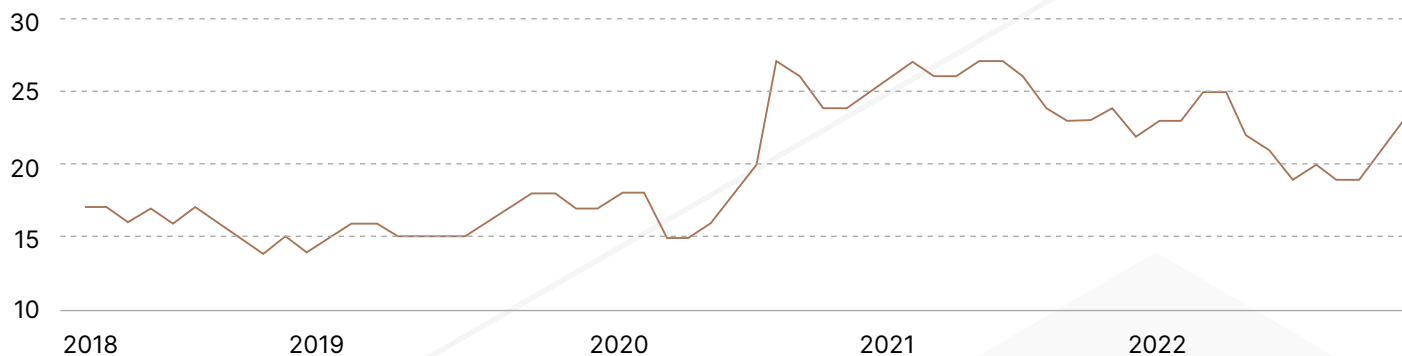
Copper price (average monthly) per the London Metal Exchange in 2018-2022 (in USD/t)
(source: Bloomberg, KGHM Polska Miedź S.A.)



- At the beginning of 2022, the price of silver underwent a sharp increase, having reached its last year's peak above 26 USD/oz. From then on, silver followed a downward trend, having reached its last year's minimum near 17.50 USD/oz on 1 September.

- The average price of silver according to the London Bullion Market Association (LBMA) decreased in 2022 by 13.5% to 21.73 USD/oz t, compared to 25.14 USD/oz t in 2021.

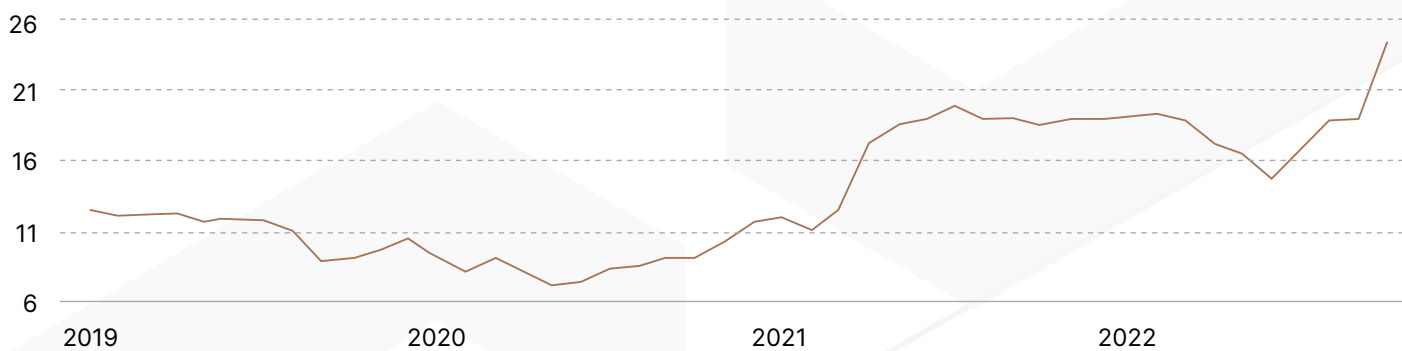
**Price of silver (average monthly) per the London Bullion Market Association in 2018-2022 (in USD/oz t)
(source: Bloomberg, KGHM Polska Miedź S.A.)**



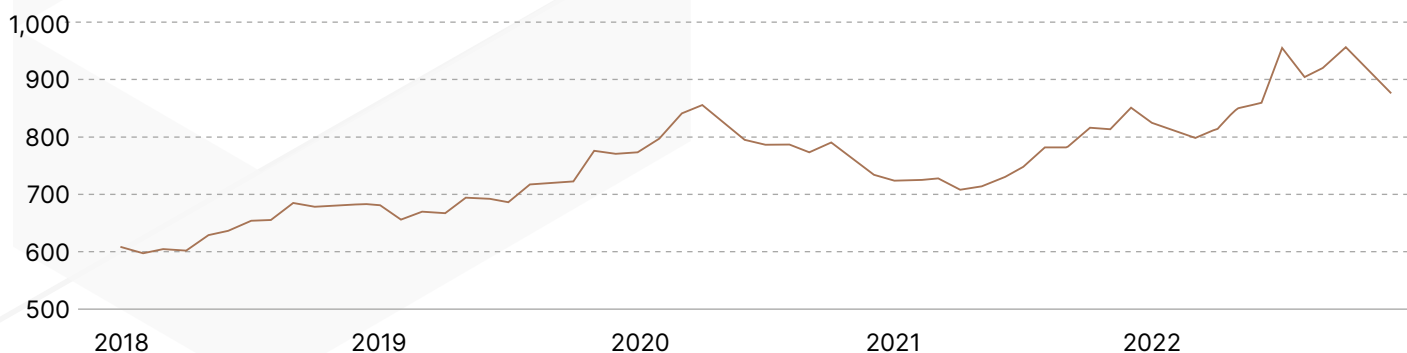
■ The price of molybdenum hovered around 19 USD/lb until May. In August, it slipped below 14 USD/lb, following which it kept rising steadily to wrap up the year at 26.13 USD/lb.

■ The average price of molybdenum in 2022 was 18.51 USD/lb, 17% more than the average for 2021 (15.82 USD/lb).

**Price of molybdenum (average monthly) per Platts (in USD/lb) in 2019-2022 (in USD/lb)
(source: Platts, KGHM Polska Miedź S.A.)**



**Exchange rate (monthly averages) of USD/CLP according to the Bank of Chile from 2018 to 2022
(source: Bloomberg, KGHM Polska Miedź S.A.)**



Market conditions relevant to the operations of the KGHM Polska Miedź S.A. Group in 2021-2022, average quotations

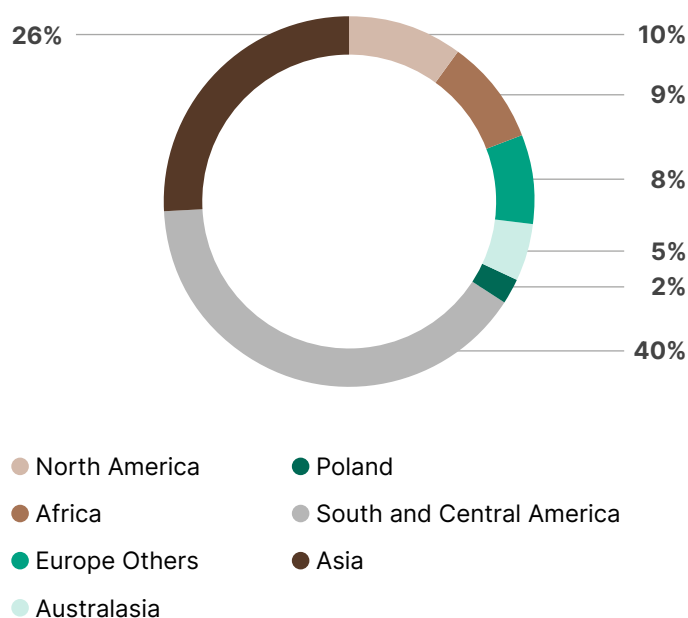
	Unit	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Copper price on the LME	USD/t	8,797	9,317	(5.6)	8,001	7,745	9,513	9,997
Copper price on the LME in PLN	PLN/t	39,037	36,017	+8.4	37,118	36,469	41,485	41,273
Silver price per the LBMA	USD/oz t	21.73	25.14	(13.6)	21.17	19.23	22.60	24.01
Molybdenum price per Platts	USD/lb	18.51	15.82	+17.0	20.61	15.97	18.48	19.07
USD/PLN exchange rate per the NBP		4.4615	3.8647	+15.4	4.6397	4.7139	4.3597	4.1260
USD/CAD exchange rate per the Bank of Canada		1.3013	1.2535	+3.8	1.3578	1.3056	1.2768	1.2662
USD/CLP exchange rate per the Bank of Chile		872	759	+14.9	915	926	842	809

Global market for trading in the Group's products

Individual markets for the products offered by KGHM have varied rules and customs concerning trading and pricing standards. Their incomparability is also due to the characteristics of individual products, which impacts their usage and the diversification of market participants. A detailed description of the markets for distinct products is included in the [Management Board's Report on the Activities of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group in 2022.](#)

Copper concentrates

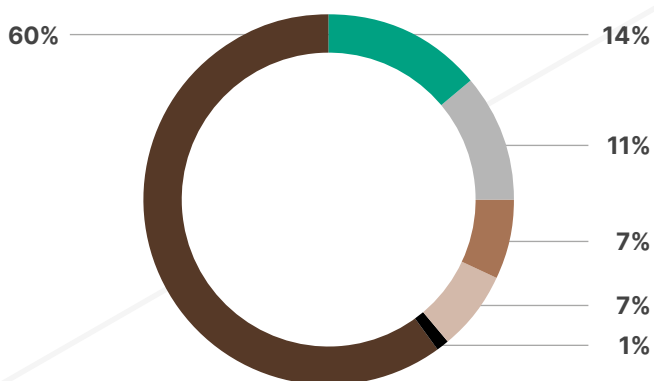
Geographical breakdown of global copper concentrates production in 2022 (source: CRU, KGHM Polska Miedź S.A.)



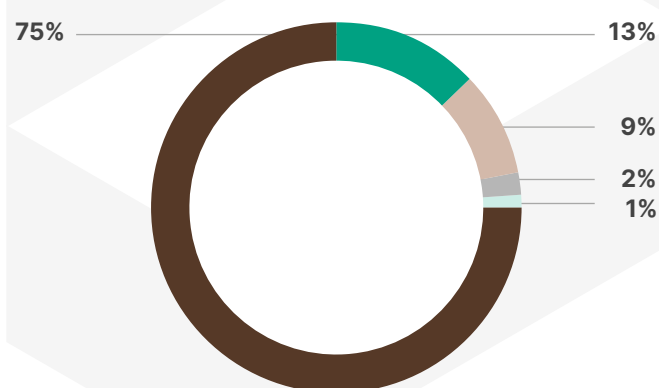
Copper cathodes

In 2022, production of refined copper in KGHM Group companies reached 593 thousand tonnes, accounting for approx. 2.4% of global output.

Geographical breakdown of global refined copper production in 2022 (source: CRU, KGHM Polska Miedź S.A.)



Geographical breakdown of global refined copper consumption in 2022 (source: CRU, KGHM Polska Miedź S.A.)

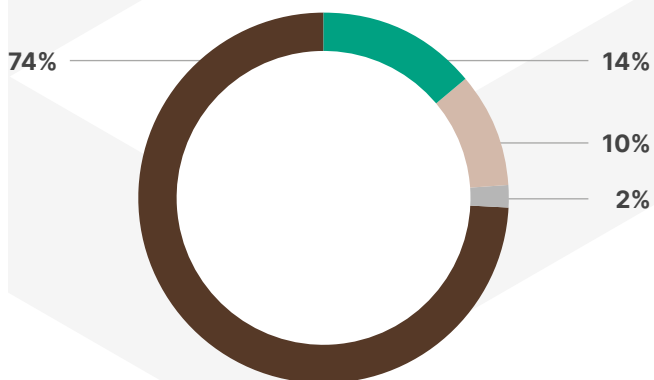


● Asia ● Europe ● North America ● Africa ● South and Central America ● Australasia ● Others

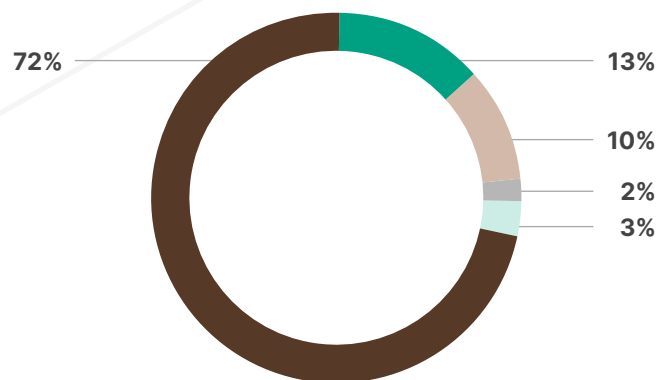
Copper wire rod

In 2022, total global production of copper in the form of wire rod is estimated by CRU at 19.7 million tonnes.

Geographical breakdown of global copper wire rod production in 2022 (source: CRU, KGHM Polska Miedź S.A.)



Geographical breakdown of global wire rod consumption in 2022 (source: CRU, KGHM Polska Miedź S.A.)



● Asia ● Europe ● North America ● South and Central America ● Others

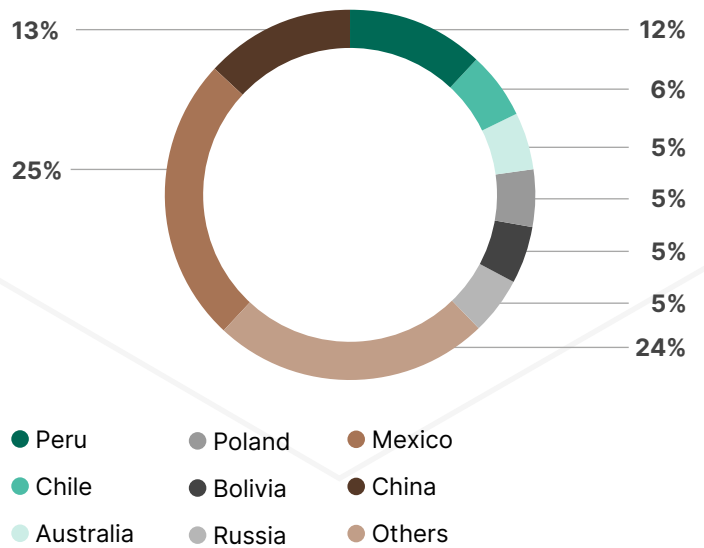
In 2022, production of copper rod and wire by KGHM Polska Miedź S.A. reached 284.8 thousand tonnes, which represented nearly 11% of Europe's total output. This result places the Company among the top European producers of those semi-finished copper products.



Silver

Approx. 72% of global metallic silver production is a by-product of mining ores of other metals. According to Metals Focus preliminary estimates, in 2022 global production of mined silver amounted to 26 thousand tonnes.

Geographical breakdown of global mined silver production in 2022 (source: Metal Focus – preliminary data, KGHM Polska Miedź S.A.)



KGHM sells silver in the form of bars and grains (produced at the Głogów Copper Smelter and Refinery) and is one of the largest global producers of metallic silver. In 2022, the sold silver output of KGHM Polska Miedź S.A. reached 1,338 tonnes, having placed the company among the world's leading silver producers.

Financing model

The KGHM Polska Miedź S.A. Group manages its financial resources based on the approved Financial Liquidity Management Policy in the Group.

Its primary goal is to ensure continuous operations by securing the availability of funds required to achieve the Group's business goals, while optimising incurred costs. Moreover, the Policy regulates the Group's borrowing principles, the principles of managing debt and for monitoring the level of the Group's debt. Financial liquidity management involves securing an appropriate amount of cash and available lines of credit in the short, medium and long term.

Net debt in the Group

Liabilities due to borrowings of the Group at the end of 2022 amounted to PLN 6,441 million, with the structure based on diversified and long-term financing sources ensuring financial stability in the long run.

The Group's free cash and cash equivalents, which at 31 December 2022 amounted to PLN 1,179 million, are of a short-term nature.

Net debt structure of the Group (PLN million)

	31.12.2022	31.12.2021	Change (%)	30.09.2022	30.06.2022	31.03.2022
Liabilities due to:	6,443	5,949	+8.3	6,018	6,036	5,956
Bank loans	1,263	735	+71.8	1,393	736	692
Other loans	2,434	2,568	(5.2)	2,845	2,675	2,593
Debt securities	2,002	2,001	-	2,046	2,001	2,022
Leases	744	645	+15.3	634	624	649
Free cash and cash equivalents	1,179	1,880	(37.3)	2,115	2,619	3,329
Net debt	5,264	4,069	+29.4	4,803	3,417	2,627

Net debt structure of the Parent Entity (in PLN million)

	31.12.2022	31.12.2021	Change (%)	30.09.2022	30.06.2022	31.03.2022
Liabilities due to:	6,445	5,922	+8.8	6,906	5,980	5,958
Bank loans	1,194	593	×2.0	1,324	658	612
Other loans	2,241	2,387	(6.1)	2,627	2,473	2,385
Debt securities	2,002	2,001	-	2,046	2,001	2,022
Cash pooling	321	360	(10.8)	329	267	340
Leases	687	581	+18.2	581	580	599
Free cash and cash equivalents	971	1,318	(26.3)	1,693	2,020	2,633
Net debt	5,474	4,604	+18.9	5,213	3,960	3,325

Sources of financing in the Group

As at 31 December 2022, the Group held open lines of credit, loans and debt securities with a total available amount of PLN 15,386 million, out of which PLN 5,699 million had been drawn.

Sources of financing in the Group*

Unsecured, revolving syndicated credit facility in the amount of USD 1.5 billion

Credit in the amount of USD 1,500 million (PLN 6,603 million), acquired on the basis of a financing agreement entered into by the Parent Entity with a syndicate banks group in 2019, with maturity falling on 19 December 2024 and the option of extending for a further 2 years (5+1+1). In 2020-2021, the Parent Entity obtained the consent of the syndicate's members to extend the tenor by an additional 2 years, or to 20 December 2026. The available financing limit during the period of extension will be USD 1,438 million (PLN 6,330 million). Interest is based on LIBOR plus a margin, which depends on the level of the net debt/EBITDA ratio.

The funds acquired under this credit were used to finance general corporate goals.

Investment loans, including from the European Investment Bank in the total amount of PLN 3.5 billion with a financing periods of up to 12 years

Financing agreements signed by the Parent Entity with the European Investment Bank:

- in August 2014 for PLN 2,000 million, which was drawn in the form of three instalments with maturities falling on 30 October 2026, 30 August 2028 and 23 May 2029 and used to the full available amount. The funds raised under the loan were earmarked to finance selected investment projects associated with the modernisation of metallurgy and the expansion of the Żelazny Most mining waste neutralisation facility.
- in December 2017 for PLN 1,340 million, under which three tranches were drawn with maturities falling on 28 June 2030, 23 April 2031 and 11 September 2031. The availability of the unused loan amount of PLN 440 million will expire in April 2023. The funds acquired through this loan are being used to finance the Parent Entity's development and replacement projects at various stages of the core production line.

Interest on the instalments drawn is based on a fixed interest rate

Debt securities in the amount of PLN 2.0 billion

The program to issue bonds on the Polish market was established under an issue agreement dated 27 May 2019. Issue with a nominal value of PLN 2,000 million under which 5-year bonds were issued in the amount of PLN 400 million with maturity falling on 27 June 2024 and 10-year bonds in the amount of PLN 1,600 million with maturity falling on 27 June 2029. Interest is based on LIBOR plus a margin.

The funds acquired under this bond issue are earmarked to finance general corporate goals.

Bilateral bank loans for up to PLN 3.3 billion

The Group has contracted credit facilities under short-term and long-term bilateral agreements for a total amount of PLN 3,255 million. Interest is based on a fixed interest rate or on the variable interest rates WIBOR, LIBOR, SOFR, EURIBOR plus a margin.

The funds obtained under the aforementioned bank loan agreements are a tool supporting the management of current financial liquidity and supporting the funding of investment projects.

An additional source of support for the Group's liquidity is the debt factoring service, which is used by the Group as and when justified. Contracts with factors have been

entered into for an indefinite term and remain active with the option of immediate utilisation of the limits offered.

* Detailed information on the above loans is found in notes 8.4.3 of the financial statements.

Utilisation of external financing as at 31 December 2022

The following table presents the structure of borrowings used by the Group and the extent to which they were utilised.

Amount available and drawn by the Group (in PLN million)

	Financing utilised as at 31 December 2022	Financing utilised as at 31 December 2021	Change (%)	Financing available as at 31 December 2022	Amount drawn (%) 31 Dec 2022
Niezabezpieczony odnawialny kredyt konsorcjalny	528	(14)*	×	6,603	+8.0
Pożyczki	2,434	2,568	(5.2)	3,528	+69.0
Kredyty bilateralne	735	749	(1.9)	3,255	+22.6
Dłużne papiery wartościowe	2,002	2,001	+0.0	2,000	+100.1
Razem	5,699	5,304	+7.4	15,386	+37.0

As at 31 December 2022, 61% of the Group's debt came from loans drawn in USD, 38% in PLN and 1% in EUR.

Evaluation of financial resources management

In 2022, the KGHM Polska Miedź S.A. Group was fully capable of meeting its obligations associated with contracted liabilities. The cash and cash equivalents held by the Group along with the secured external financing ensure that liquidity will be maintained and enable the implementation of its investment plans.

As at 31 December 2022, the Group held PLN 1,179 million of free cash and cash equivalents and had open credit lines for total available financing of PLN 15,386 million, out of which PLN 5,699 million had been drawn.

Under the unsecured syndicated credit facility, the two bilateral bank loans and the investment loans from the European Investment Bank, the Group is obliged to maintain the financial covenant at specified level. At the balance sheet date, during the financial year and following the balance sheet date, as at the date of this report, the level of the reportable financial covenant as at 30 June 2022 and 31 December 2022 complied with the provisions of the agreements.

Net debt / EBITDA of the Group

	31.12.2022	31.12.2021	Change (%)	30.09.2022	30.06.2022	31.03.2022
Net debt/EBITDA**	0.8	0.6	33.3	0.7	0.5	0.3

* Preparation fee reducing the commitment for the utilisation of the loan

** Adjusted EBITDA for the 12 month period, ending on the last day of the reporting period, excluding EBITDA of the joint venture Sierra Gorda S.C.M.

Loans granted by Group companies

As at 31 December 2022, the balance of receivables on account of loans granted by the Parent Entity, as per IFRS 9 valuation, stood at PLN 8,785 million, while the balance of receivables on account of loans granted by the Group, as per IFRS 9 valuation, was PLN 9,623 million.

Cash pooling in the Group

In managing its financial liquidity, the Group utilises tools which support its efficiency. One of the basic instruments used by the Group is the cash pooling management system – domestically in PLN, USD and EUR and abroad in USD, and additionally in CAD in the KGHM INTERNATIONAL LTD. Group. The cash pooling system is aimed at optimising cash management, limiting interest costs, the effective financing of current needs in terms of working capital and supporting short term financial liquidity in the Group.



Investments

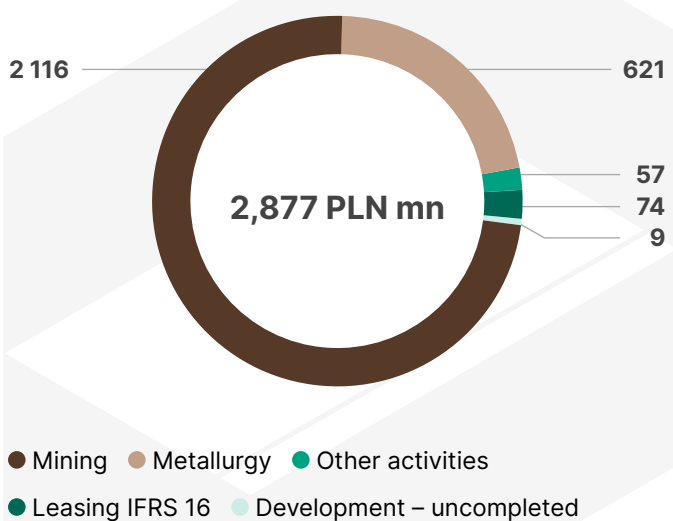
KGHM Polska Miedź S.A.

In 2022, capital expenditures on property, plant and equipment amounted to PLN 2,868 million. Together with expenditures incurred on uncompleted development work, capital expenditures stood at PLN 2,877 million and were greater than in the previous year by 11.3%.

Structure of expenditures on property, plant and equipment and intangible assets of KGHM Polska Miedź S.A. (in million PLN)

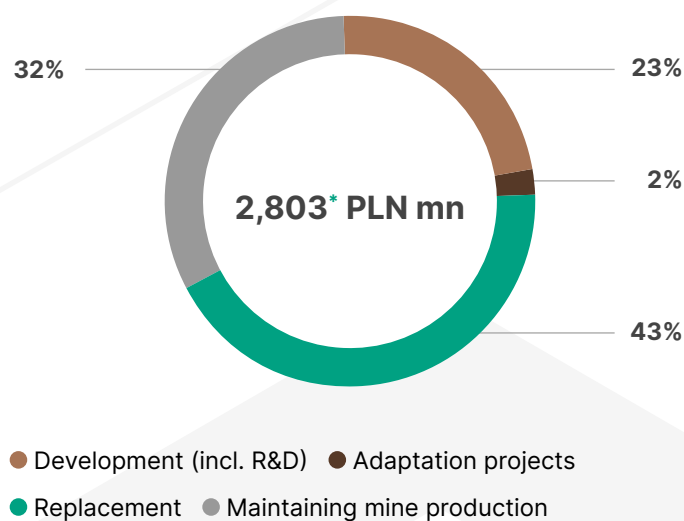
	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Mining	2,116	1,747	+21.1	801	511	420	384
Metallurgy	621	664	(6.5)	218	142	177	84
Other activities	57	91	(37.4)	18	23	11	5
Development work – in progress	9	7	+28.6	2	2	1	4
Leases per IFRS 16	74	77	(3.9)	10	21	34	9
Total	2,877	2,586	+11.3	1,049	699	643	486
including borrowing costs	182	119	+52.9	59	52	25	46

CAPEX execution in 2022 by area



* excl. Leasing per IFRS 16

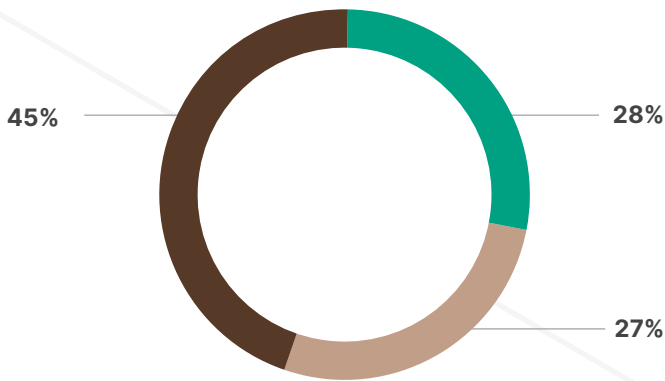
CAPEX execution in 2022 by category



Investment activities comprised projects related to the replacement of equipment and maintaining mine production, as well as development projects:

Projects related to the replacement of equipment aimed at maintaining production equipment in an undeteriorated condition, represent 43% of total expenditures incurred.

Structure of expenditures on the replacement of equipment of KGHM Polska Miedź S.A.

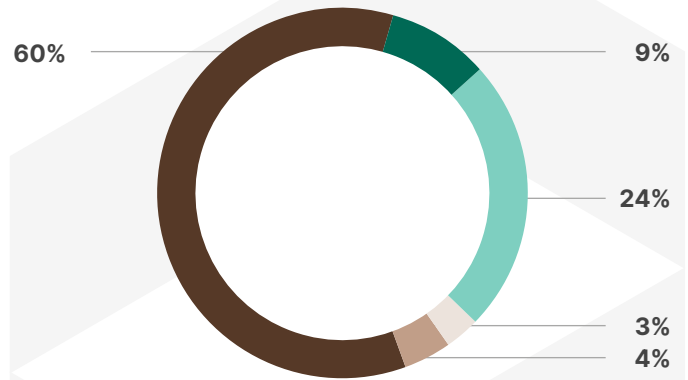


- Major components and major repairs
- Replacement of machinery at mines
- Other rehabilitation of infrastructure

Projects related to maintaining mine production

aimed at maintaining mine production on the level set in approved Production Plan (development of infrastructure to match mine advancement) represent 32% of total expenditures incurred.

Structure of expenditures on maintaining mine production of KGHM Polska Miedź S.A.

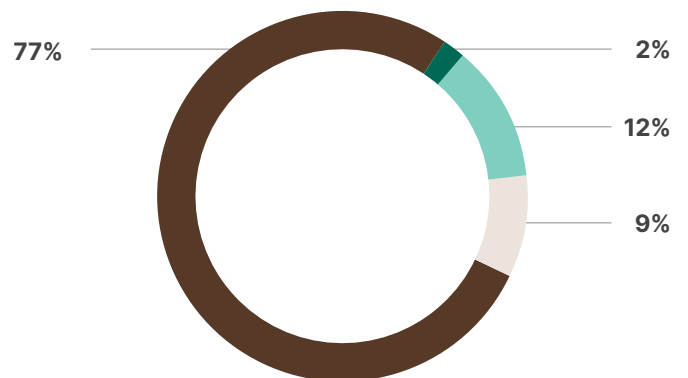


- Development of mining areas
- Expansion of Żelazny Most OUOW
- Dewatering of mines (including UZ 84%)
- Construction of SW-4 shaft
- Other

Deposit Access Program

Development projects aimed at increasing production volume of the core business, implementation of technical and technological activities optimising use of existing infrastructure, maintaining production costs and adaptation of the company's operations to changes in standards, laws and regulations (confirmatory projects and those related to environmental protection) represent 23% of total expenditures incurred.

Structure of expenditures on development at KGHM Polska Miedź S.A.



- Deposit Release Programme
- BAT-As programme
- Exploration of the resource base
- Other

Adaptation projects aimed at adapting the company's operations to changes in laws, existing standards or other regulations, especially as regards occupational health and safety, securing property, cybersecurity, ethical and

anti-corruption standards, environmental impact, quality standards and management systems, represent 2% of expenditures incurred.

KGHM INTERNATIONAL LTD.

Capital expenditure of KGHM INTERNATIONAL LTD. (in USD million)

	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Victoria Project	49	38	+28.9	12	12	15	10
Removal of superlayer and other	155	224	(30.8)	22	42	38	53
Total	204	262	(22.1)	34	54	53	63

Capital expenditure of KGHM INTERNATIONAL LTD. (PLN million)

	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Victoria Project	221	147	+50.3	57	57	63	44
Removal of superlayer and other	692	867	(20.2)	103	202	168	219
Total	913	1,014	(10.0)	160	259	231	263

Capital expenditures of the KGHM INTERNATIONAL LTD. segment in 2022 amounted to USD 204 million, which represents a decrease by USD 58 million (-22%), compared to 2021. Expenditures on the Victoria project increased,

while the decrease in other expenditures resulted chiefly from lower spending on the preparation of the deposit for future operations by the Robinson mine.

Sierra Gorda S.C.M.

In 2022, expenditures on property, plant and equipment, and intangible assets, included in the cash flow statement of Sierra Gorda S.C.M., amounted to USD 420 million, the majority of which, i.e. USD 166 million (40%) was

expenditure on removal of the superlayer to access further parts of the deposit, and the remaining amount was incurred on development and replacement of property, plant and equipment.

Capital expenditure on Sierra Gorda S.C.M.

	Unit	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Expenditure on property, plant and equipment	USD million	420	284	+47.9	119	78	74	149
Expenditure on property, plant and equipment	mIn PLN	1 031	605	+70,4	296	211	182	342
- segment (55% share)	PLN million	1,031	605	+70.4	296	211	182	342

The 48% increase in expenditures compared to 2021 was primarily due to the acquisition of the Oxide project from KGHM INTERNATIONAL LTD. in 2022.

Economic performance of the Group

733 kt

Copper production

2.20 USD/
lb

C1 cost



33,847 PLN
mn

Revenues

8,865 PLN
mn

Adjusted EBITDA

4,774 PLN
mn

Profit/loss for the period



Production

In 2022, the Group's copper output shrank by 3%, or 20.6 thousand tonnes compared to 2021. The decrease concerned KGHM INTERNATIONAL LTD. (-15.5 thousand tonnes) and Sierra Gorda S.C.M. (-13.6 thousand tonnes for a 55% share) and was not completely offset by an increase in output by Polska Miedź (+8.4 thousand tonnes).

The greater copper output at KGHM Polska Miedź S.A. in 2022 was driven by an increase in consumption of purchased copper-bearing materials and a greater degree of core production line availability.

The decrease in copper output at Sierra Gorda S.C.M. was largely due to the mining of ore with a lower Cu content and lower yield.

The decrease in output in the KGHM INTERNATIONAL LTD. segment was caused predominantly by the absence of production from the Franke mine from April 2022 (-8.0 thousand tonnes) and the lower output by the Robinson mine (-6.8 thousand tonnes). Improved copper output from the year before was recorded by the Sudbury Basin mines (+0.6 thousand tonnes).

Detailed information about production results can be found in the chapters devoted to the individual segments. The Group's production results are summarised below.

Production results in the Group*

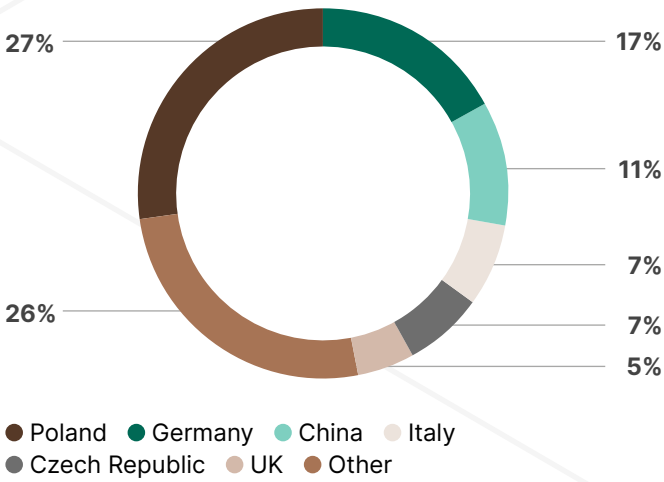
	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Payable copper (thousand tonnes)							
Group	733.1	753.7	(2.7)	175.6	179.8	184.5	193.2
- KGHM Polska Miedź S.A.	586.0	577.6	1.5	143.5	146.2	145.2	151.1
- KGHM INTERNATIONAL LTD.	56.2	71.7	(21.6)	8.9	10.4	18.7	18.2
- Sierra Gorda S.C.M.	90.8	104.4	(13.0)	23.2	23.2	20.6	23.9
Total precious metals [koz t]							
Group	177.5	163.5	8.6	45.3	41.0	48.4	42.8
- KGHM Polska Miedź S.A.	87.3	81.3	7.4	25.5	20.9	19.8	21.1
- KGHM INTERNATIONAL LTD.	55.9	51.3	9.0	10.7	10.5	19.6	15.1
- Sierra Gorda S.C.M.	34.3	30.9	11.0	9.1	9.6	9.0	6.6
Silver (tonnes)							
Group	1,327.1	1,366.1	(2.9)	305.1	338.7	335.6	347.7
KGHM Polska Miedź S.A.	1,298.4	1,332.2	(2.5)	298.6	331.3	328.7	339.8
KGHM INTERNATIONAL LTD.	2.0	2.0	-	0.6	0.6	0.5	0.3
Sierra Gorda S.C.M.	26.7	31.9	(16.3)	5.9	6.8	6.4	7.6
Molybdenum (million pounds)							
Group	3.0	8.4	(64.3)	0.5	0.5	0.7	1.3
KGHM Polska Miedź S.A.	-	-	x	-	-	-	-
KGHM INTERNATIONAL LTD.	0.1	0.2	(50.0)	-	-	-	0.1
Sierra Gorda S.C.M.	2.9	8.2	(64.6)	0.5	0.5	0.7	1.2

* Sierra Gorda – 55%, in line with Group share

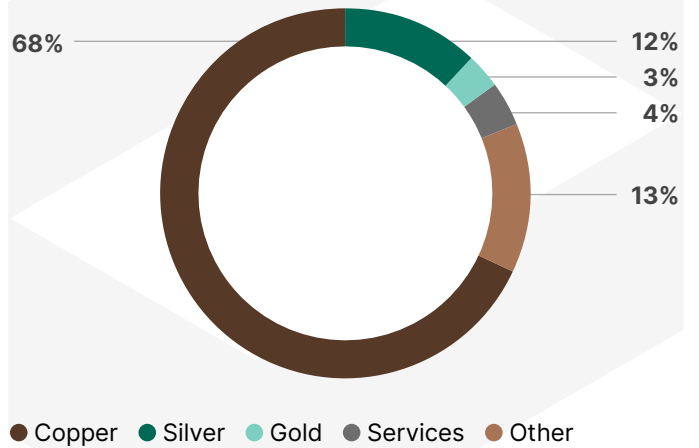
Breakdown of sales – by geography and product

In accordance with the adopted principle of consolidation by the equity method, sales revenue does not include revenues of the segment Sierra Gorda S.C.M.

Geographical structure of the Group's sales



Structure of the Group's sales by product



Production costs of payable copper C1 in the Group

Production costs of payable copper C1 in the Group (USD/lb)

	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Group	2.20	1.96	+12.2	2.21	2.23	2.18	2.19
KGHM Polska Miedź S.A.	2.38	2.26	+5.3	2.34	2.38	2.42	2.40
KGHM INTERNATIONAL LTD.	2.14	2.01	+6.5	2.47	2.07	1.77	2.23
Sierra Gorda S.C.M.	1.50	0.78	+92.3	1.55	1.68	1.41	1.35



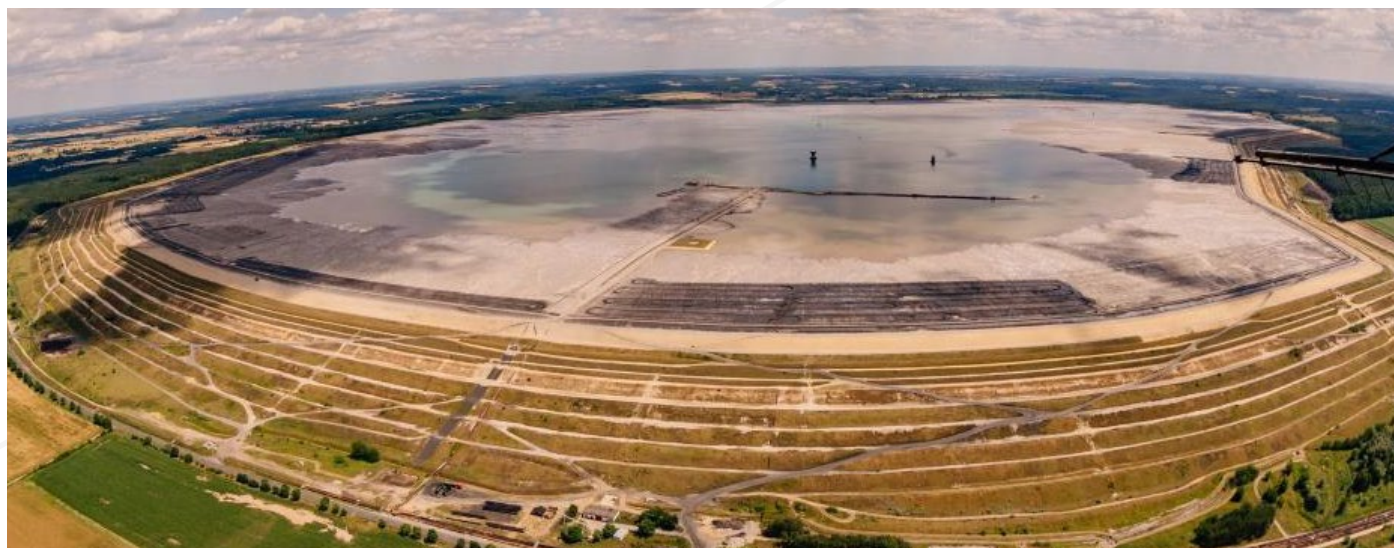
Financial results

Statement of profit or loss

Financial results of the Group (PLN million)

	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Revenues from contracts with customers	33,847	29,803	+13.6	8,151	7,770	8,933	8,993
Cost of sales, selling costs and administrative expenses	(29,503)	(25,093)	+17.6	(7,493)	(7,115)	(7,703)	(7,192)
Net profit on sales	4,344	4,710	(7.8)	658	655	1,230	1,801
Result on participation in a joint venture	1,455	2,874	(49.4)	195	158	855	247
Other operating income and (costs)	962	711	+35.3	(1,652)	1,075	972	567
Finance income and (costs)	(272)	(471)	(42.3)	423	(337)	(251)	(107)
Profit before tax	6,489	7,824	(17.1)	(376)	1,551	2,806	2,508
Income tax	(1,715)	(1,669)	+2.8	(117)	(464)	(525)	(609)
Net profit	4,774	6,155	(22.4)	(493)	1,087	2,281	1,899
Adjusted EBITDA*	8,865	10,327	(14.2)	1,920	1,636	2,176	3,133

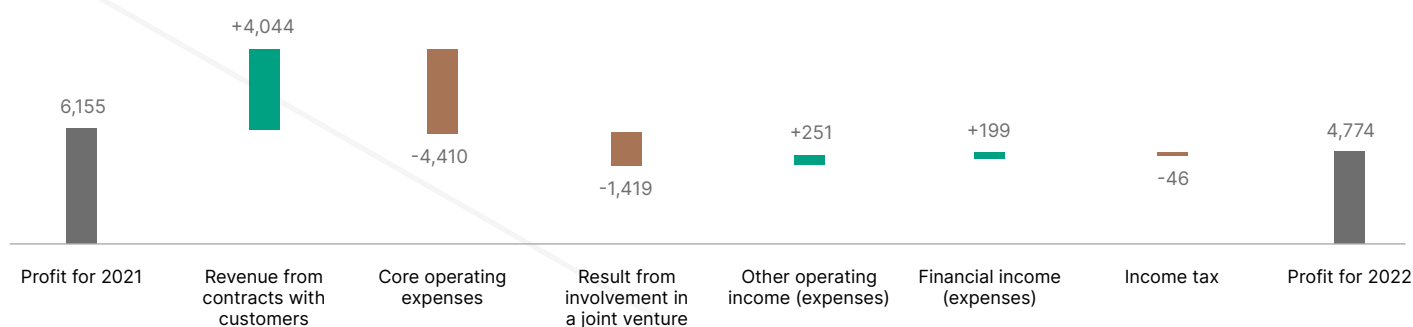
* SAdjusted EBITDA = profit on sales + depreciation/amortisation (recognised in profit or loss) + impairment loss (-reversal of impairment losses) on non-current assets recognised in cost of sales, selling costs and administrative expenses) according to part 2 of the consolidated financial statements – together with Sierra Gorda S.C.M.



Main factors impacting the change in profit or loss of the Group

Item	Impact on change of profit or loss (PLN million)	Description
Revenues from contracts with customers	+4,044	The increase in revenue results primarily from sales revenue of copper, silver, services and gold in the amount of +PLN 2,801 million, +PLN 373 million, +PLN 254 million and +PLN 171 million, respectively. A detailed explanation of the changes in revenues generated by the KGHM Polska Miedź S.A. and KGHM INTERNATIONAL LTD. segments is provided in sections 7 and 8 hereof.
Cost of sales, selling costs and administrative expenses	(4,410)	Cost of sales, selling costs and administrative expenses increased mostly due to: <ul style="list-style-type: none"> an increase in expenses by nature by PLN 4,851 million, mainly due to an increase in costs of materials and energy by PLN 3,914 million, including increases in the costs of purchased materials by PLN 1,727 million, employee benefits by PLN 890 million, third-party services by PLN 404 million, depreciation and amortisation by PLN 144 million, other taxes and fees by PLN 125 million. Relative to 2021, the cost of tax on certain minerals decreased by PLN 502 million and impairment losses on property, plant and equipment and intangible assets decreased by PLN 257 million, adjustments of the movement in inventories and work in progress by – PLN 464 million (-PLN 2,008 million in 2022; – PLN 1,544 million in 2021).
Result on participation in a joint venture	(1,419)	The decrease in profit/loss on involvement in joint ventures from PLN 2,874 million to PLN 1,455 million was due to: <ul style="list-style-type: none"> a decrease in gains due to reversal of impairment losses on loans granted to joint ventures, by PLN 1,507 million, an increase in interest income on loans by PLN 88 million.
Other operating income and (costs)	+251	The increase in the result on other operating activities from PLN 711 million to PLN 962 million was mainly due to: <ul style="list-style-type: none"> a higher result on the measurement and realisation of derivatives, by PLN 165 million. a PLN 180 million gain on the disposal of subsidiaries, a PLN 50 million improvement in the result on the disposal of intangible assets and property, plant and equipment, a transfer of PLN 100 million in financial support to municipalities, a lower result on foreign exchange differences by PLN 45 million.
Finance income and (costs)	+199	The improvement in finance income and costs from – PLN 471 million to – PLN 272 million was mainly due to: <ul style="list-style-type: none"> lower foreign exchange losses on the measurement and realisation of borrowings by PLN 120 million, lower interest costs on borrowings, by PLN 76 million.
Income tax	(46)	The increase in income tax was mainly due to: <ul style="list-style-type: none"> a decrease in current tax by PLN 195 million, an increase in deferred tax by PLN 191 million.

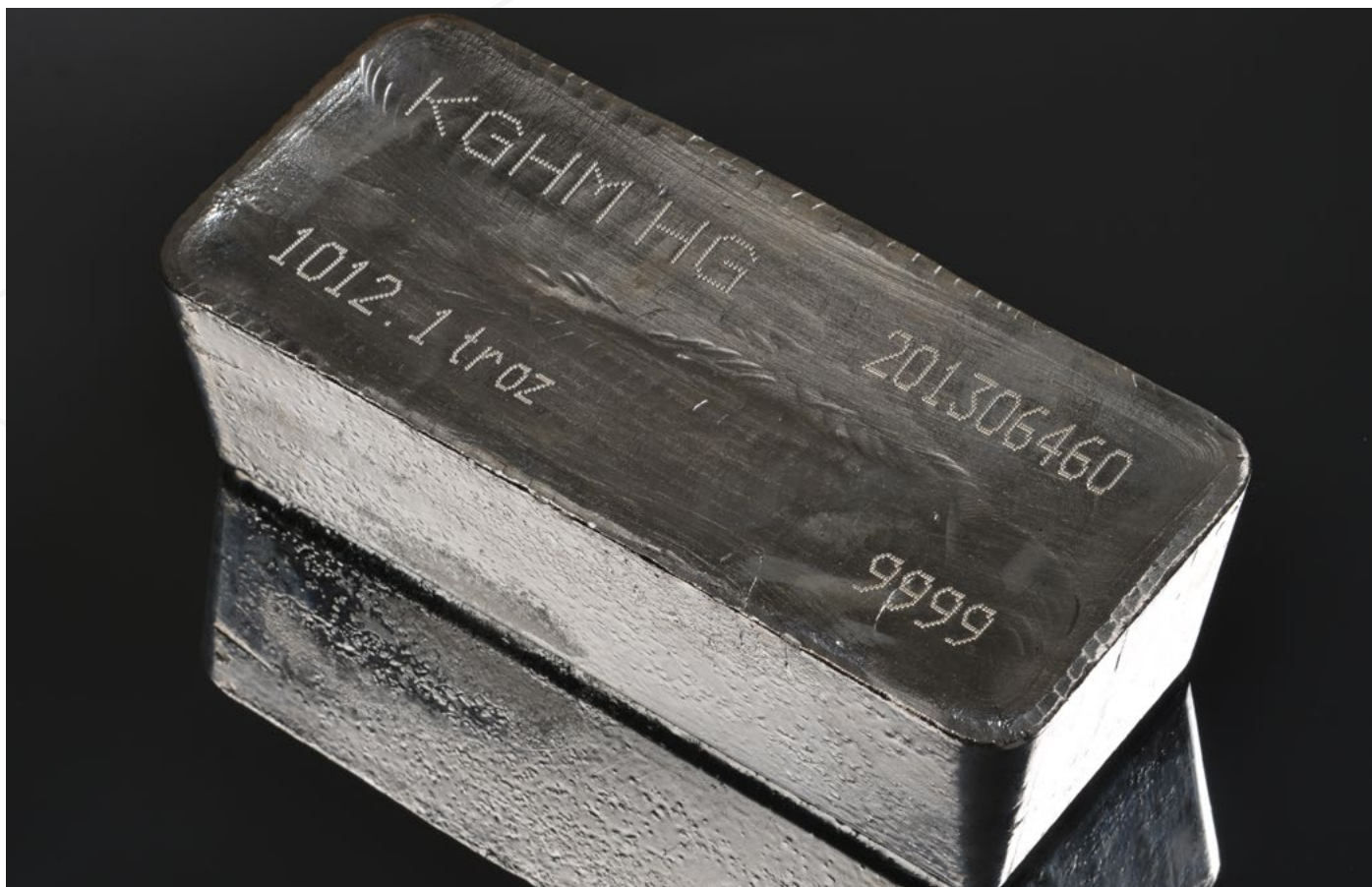
Change in the Group's financial result in 2022 (in PLN million)



Cash flows

Cash flows of the Group (PLN million)

	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Profit before tax	6,489	7,824	(17.1)	(376)	1,551	2,806	2,508
Total exclusions of income and costs	(12)	(51)	(76.5)	1,688	(706)	(1,039)	45
Income tax paid	(1,696)	(740)	×2.3	(205)	(192)	(652)	(647)
Changes in working capital	(2,317)	(2,767)	(16.3)	(801)	(85)	(1,250)	(181)
Net cash generated from/(used in) operating activities	2,464	4,266	(42.2)	306	568	(135)	1,725
Expenditures on property, plant and equipment and intangible assets	(4,118)	(3,890)	+5.9	(1,162)	(988)	(884)	(1,084)
Repayment of loans with interest granted to a joint venture	789	1,259	(37.3)	-	-	358	431
Proceeds from the disposal of property, plant and equipment and intangible assets	394	98	×4.0	18	3	43	330
Proceeds from the disposal of subsidiaries	243	-	×	-	-	92	151
Other cash flows from investing activities	(3)	7	×	(18)	62	(24)	(23)
Net cash generated from/(used in) investing activities	(2,695)	(2,526)	+6.7	(1,162)	(923)	(415)	(195)
Proceeds/expenditures due to borrowings drawn	252	(1,720)	×	(110)	503	(98)	(43)
Interest paid	(92)	(94)	(2.1)	(47)	(5)	(9)	(31)
Repayment of lease liabilities	(59)	(67)	(11.9)	(8)	(9)	(33)	(9)
Dividends paid to the parent entity's shareholders	(600)	(300)	×2.0	-	(600)	-	-
Other cash flows from financing activities	53	(19)	×	45	2	(1)	7
Net cash used in financing activities	(446)	(2,200)	(79.7)	(120)	(109)	(141)	(76)
NET CASH FLOW	(677)	(460)	47.2	(976)	(464)	(691)	1,454
Exchange differences	(27)	(158)	(82.9)	44	(39)	(29)	(3)
Cash and cash equivalents at beginning of the period	1,904	2,522	(24.5)	2,132	2,635	3,355	1,904
Cash and cash equivalents at end of the period	1,200	1,904	(37.0)	1,200	2,132	2,635	3,355



Net cash flows from operating activities in 2022 stood at +PLN 2,464 million and comprised a pre-tax profit of +PLN 6,489 million, increased mainly by a depreciation and amortisation adjustment of +PLN 2,239 million, a reclassification of other comprehensive income to profit and loss due to the realisation of hedging derivatives in the amount of +PLN 492 million and impairment losses on non-current assets of +PLN 147 million.

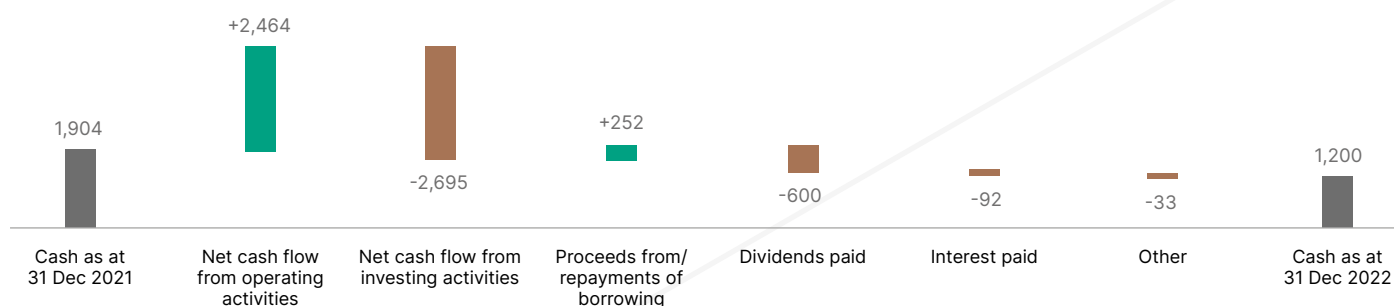
The lower cash flows from operating activities in 2022 were mostly related to the movement in working capital by – PLN 2,317 million, income tax paid of – PLN 1,696 million, adjustment of gain on the reversal of impairment of loans granted to a joint venture of – PLN 873 million, adjustment of foreign exchange differences of – PLN 661 million, adjustment of interest on loans granted to a joint venture of – PLN 582 million, movement in derivative assets and liabilities of – PLN 353 million, adjustment of gain on the disposal of subsidiaries of – PLN 180 million and gain on the disposal of property, plant and equipment and intangible assets of – PLN 108 million.

Net cash flows from investing activities in 2022 reached – PLN 2,695 million and mainly comprised expenditures on the purchase of property, plant and equipment and intangible assets in the amount of PLN 4,118 million, proceeds from the repayment of loans plus interest on loans granted to a joint venture of PLN 789 million, proceeds from the disposal of subsidiaries of PLN 243 million and proceeds from the disposal of property, plant and equipment and intangible assets of PLN 394 million.

Net cash flows from financing activities in 2022 stood at – PLN 446 million and mainly comprised the balance of inflows and outflows from loans and borrowings of PLN 252 million, the disbursement of a dividends to shareholders of the Parent Entity of PLN 600 million and interest payments of PLN 92 million.

After reflecting the exchange differences on cash and cash equivalents, cash and cash equivalents at the end of 2022 decreased by PLN 704 million to PLN 1,200 million.

Cash flow of the Group in 2022 (in PLN million)



Assets

Consolidated assets (PLN million)

	31.12.2022	31.12.2021	Change (%)	30.09.2022	30.06.2022	31.03.2022
Property, plant and equipment and intangible assets	28,630	26,723	+7.1	28,674	27,679	26,707
Joint ventures – loans granted	9,603	7,867	+22.1	10,591	9,438	8,348
Financial instruments	1,789	1,728	+3.5	1,953	2,200	1,763
Deferred tax assets	137	185	(25.9)	156	205	191
Other non-financial assets	220	161	+36.6	160	157	158
Non-current assets	40,379	36,664	+10.1	41,534	39,679	37,167
Inventories	8,902	6,337	+40.5	8,160	7,810	6,892
Trade receivables	1,177	1,009	+16.7	1,252	1,524	1,405
Tax assets	367	364	+0.8	271	290	246
Derivatives	796	254	×3.1	826	587	192
Joint ventures – loans granted	-	447	×	-	-	-
Other financial assets	337	172	+95.9	380	245	180
Other non-financial assets	286	162	+76.5	284	336	281
Cash and cash equivalents	1,200	1,884	(36.3)	2,132	2,635	3,337
Assets held for sale	-	734	×	-	-	341
Current assets	13,065	11,363	+15.0	13,305	13,427	12,874
Total assets	53,444	48,027	+11.3	54,839	53,106	50,041

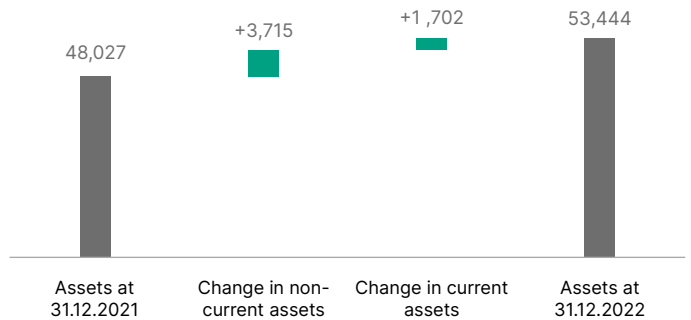
At the end of 2022, total assets in the consolidated statement of financial position amounted to PLN 53,444 million and were higher as compared to 31 December 2021 by PLN 5,417 million.

As at 31 December 2022, non-current assets totalled PLN 40,379 million, up by PLN 3,715 million compared to the end of 2021. The increase in non-current assets was predominantly related to the rise in value of loans granted to joint ventures by PLN 1,736 million and property, plant and equipment and intangible assets by PLN 1,907 million.

The increase in current assets by PLN 1,702 million was caused chiefly by growth in inventories by PLN 2,565 million, receivables from customers by PLN 168 million, derivative financial instruments by PLN 542 million and other financial and non-financial

assets by PLN 289 million. The decrease in current assets was largely caused by declines in assets held for sale by PLN 734 million, cash by PLN 684 million and loans granted to a joint venture by PLN 447 million.

Change in the value of the Group's assets in 2022 (in PLN million)



Equity and liabilities

Consolidated equity and liabilities (PLN million)

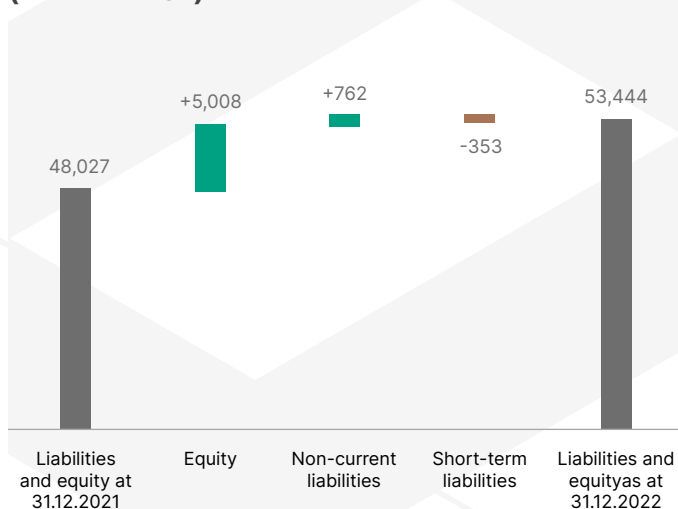
	31.12.2022	31.12.2021	Change (%)	30.09.2022	30.06.2022	31.03.2022
Share capital	2,000	2,000	-	2,000	2,000	2,000
Other reserves from measurement of financial instruments	(427)	(1,705)	(75.0)	(1,085)	(670)	(1,949)
Accumulated other comprehensive income	1,812	2,219	(18.3)	2,093	2,145	2,123
Retained earnings	28,704	24,532	+17.0	29,198	28,112	26,432
Equity attributable to shareholders of the Parent Entity	32,089	27,046	+18.6	32,206	31,587	28,606
Equity attributable to non-controlling interests	57	92	(38.0)	58	57	55
Equity	32,146	27,138	+18.5	32,264	31,644	28,661
Liabilities on account of loans, borrowings, leases and debt securities	5,220	5,409	(3.5)	5,549	4,786	4,809
Derivatives	719	1,134	(36.6)	1,544	1,079	1,163
Employee benefits liabilities	2,621	2,306	+13.7	2,553	2,292	2,353
Provisions for decommissioning costs of mines and other facilities	1,859	1,242	+49.7	1,539	1,508	884
Deferred tax liabilities	1,151	643	+79.0	911	978	577
Other liabilities	543	617	(12.0)	704	629	632
Non-current liabilities	12,113	11,351	+6.7	12,800	11,272	10,418
Liabilities on account of loans, borrowings, leasing and debt securities	1,223	455	×2.7	1,369	1,250	1,145
Derivatives	434	889	(51.2)	521	371	1,149
Trade and similar payables	3,094	2,974	+4.0	3,081	3,138	2,858
Employee benefits liabilities	1,699	1,437	+18.2	1,512	1,681	1,536
Tax liabilities	1,233	1,453	(15.1)	1,287	1,212	1,904
Provisions for liabilities and other charges	173	207	(16.4)	251	205	203
Other liabilities	1,329	1,661	(20.0)	1,754	2,333	1,781
Liabilities related to assets held for sale	-	462	×	-	-	386
Current liabilities	9,185	9,538	(3.7)	9,775	10,190	10,962
Non-current and current liabilities	21,298	20,889	+2.0	22,575	21,462	21,380
TOTAL EQUITY AND LIABILITIES	53,444	48,027	+11.3	54,839	53,106	50,041

Equity as at the end of 2022 amounted to PLN 32,146 million and was higher by PLN 5,008 million than at the end of 2021, mainly due to an increase in retained earnings by PLN 4,172 million.

Non-current liabilities of the KGHM Polska Miedź S.A. Group as at 31 December 2022 amounted to PLN 12,113 million and were higher by PLN 762 million compared to the end of 2021, mainly due to an increase in employee benefit liabilities by PLN 315 million, provisions for decommissioning costs of other facilities by PLN 617 million and deferred tax liabilities by PLN 508 million, with a simultaneous decrease in liabilities from loans by PLN 189 million and liabilities from derivative financial instruments by PLN 415 million.

Current liabilities of the KGHM Polska Miedź S.A. Group as at 31 December 2022 amounted to PLN 9,185 million and were lower by PLN 353 million compared to the end of 2021, mainly due to a decrease in derivative financial instruments by PLN 455 million, tax liabilities by PLN 220 million, other liabilities by PLN 332 million and liabilities related to assets held for sale by PLN 462 million. The increase in current liabilities results mainly from loans, borrowings and lease liabilities up by PLN 768 million, employee benefits by PLN 262 million and trade and similar payables by PLN 120 million.

Change in equity and liabilities of the Group in 2022 (in PLN million)



Contingent assets and liabilities under guarantees and warranties granted

As at 31 December 2022, contingent assets amounted to PLN 366 million and related mainly to promissory notes receivables in the amount of PLN 147 million and guarantees received in the amount of PLN 195 million.

As at 31 December 2022, the Group's liabilities under guarantees and letters of credit totalled PLN 1,156 million (PLN 849 million as at 31 December 2021), while those under promissory notes amounted to PLN 170 million (PLN 173 million as at 31 December 2021).

The most significant items under this heading are the Parent Entity's obligations to secure the following liabilities:

- **Sierra Gorda S.C.M.** – a corporate guarantee of PLN 969 million (USD 220 million) established as security for the repayment of Sierra Gorda S.C.M.'s credit facility (PLN 670 million or USD 165 million as at 31 December 2021). The guarantee will expire in September 2024. The carrying amount of the liabilities due to financial guarantees granted and recognised in the accounts is PLN 57 million (as at 31 December 2021: PLN 58 million)*,

other entities, including the Parent Entity:

- PLN 126 million – a guarantee for the proper execution by the Parent Entity of future environmental obligations related to the obligation to restore terrain, following the discontinuation of operations of the Żelazny Most tailings storage facility (as of 31 December 2021 in the amount of PLN 124 million), the guarantee is in force for up to 1 year,
- PLN 14 million – a guarantee of claims by the Marshal of the Voivodeship of Lower Silesia to cover costs related to the collection and processing of waste, the guarantee is in force for up to 1 year,
- PLN 37 million (PLN 30 million and CAD 2 million) – a guarantee to cover liabilities related to the proper execution of agreements entered into by the Group (as at 31 December 2021, in the amount of PLN 39 million, or PLN 32 million and CAD 2 million), the guarantee is in force for up to 3 years,
- PLN 2 million – a guarantee to cover obligations related to customs-tax duties, the guarantee is in force indefinitely.

* The financial guarantee is recognised in the accounts in accordance with sec. 4.2.1(c) of IFRS 9.

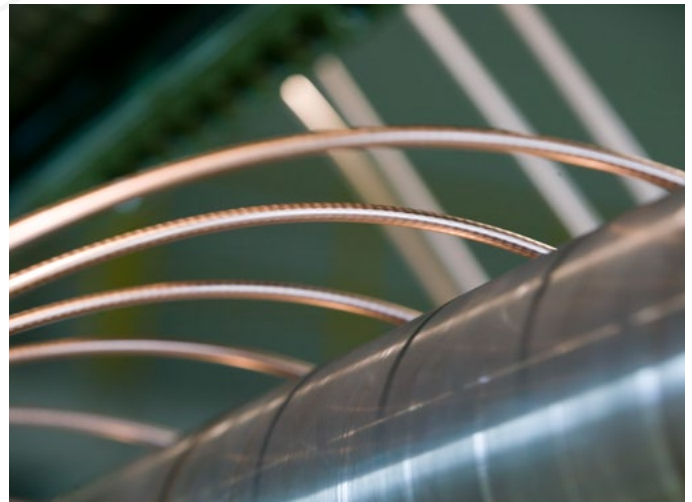
Economic results of the segment KGHM Polska Miedź S.A.

586 kt

Copper production

2.38 USD/
lb

C1 cost



28,429 PLN
mn

Revenues

5,400 PLN
mn

Adjusted EBITDA

3,533 PLN
mn

Profit/loss for the period

Production

The main goals set by the Management Board in terms of production and occupational health and safety for 2022 were:

- optimal utilisation of the resource base and of the production capacity of the Company, and
- optimisation of copper content in ore and concentrate.

The goals set required advancement of the following actions:

in mining

- expanding mining operations within the Deep Głogów (Głogów Głęboki-Przemysłowy) area,
- continuation of work related to exploration of the „Radwanice” and „Retków” copper ore deposits,
- improvement of the ore extraction technology, greater mining efficiency and improved occupational health and safety, by:
 - adapting the geometry of mining systems to local geological and mining conditions,
 - improving the efficiency of technological and active methods of limiting the threat of rock bursts and of other associated natural threats, and
 - proper barren rock management in mining areas (selective extraction, siting of rock, mechanical ore mining),
- a greater scope of work with respect to identifying gas-related threats and the use of new technical solutions and means of prevention to counteract this threat,
- sinking the GG-1 shaft to the target depth of 1,351 m (in the breach),
- continued construction of the Surface-based Air Conditioning Station at the GG-1 Shaft with target capacity of 40 MW,
- expansion of the mine dewatering system,
- maintaining the efficiency of mining vehicles in an assortment required to execute production tasks along with successive replacement of the machine park,
- realisation of the planned scope of mine development and access work using the commissioning system at the level of 56.6 thousand meters,

in ore processing

- maintaining the production capacity of individual areas of the Concentrators Division Areas to the amount and quality of ore supplied,
- maintaining the production of concentrates in an amount and quality necessary for optimal use of the production capacity of the fire phases of the smelters and refineries,
- tests were conducted on flotation machinery of new construction under 1/4th technical scale conditions, dedicated to the recovery of small grains,
- the continuity of concentrate deliveries to the Rudna Region concentrator continued despite the simultaneous advancement of investment tasks and breakdowns of a technical-construction nature (limited amount of thickeners, modernisation of press filters, driers, modernisation of concentrate loading and haulage),
- an installation for the removal of carbonates from the product of flotation and treatment of concentrates was brought online in the Polkowice Region concentrator,
- 8.53 million tonnes of ore were processed versus the planned amount of 8.3 million tonnes in the Lubin Region concentrator – the coordination of maintenance work requiring a shutdown and in the logistics of transport and storage was improved,

in metallurgy

- the share of imported concentrates and copper scrap was increased in order to carry out the planned high level of electrolytic copper production,
- planned maintenance of the flash furnace complex at the Głogów II Copper Smelter and Refinery was carried out,
- minimisation of environmental impacts by actions designed to improve the effectiveness of the dedusting and hermetic sealing processes, as well as optimisation of water and sewage management,
- optimal utilisation of infrastructure enabled the full execution of production tasks in terms of the main products,
- increase of the share of recycling in copper production as a result of bigger processing of scrap at the Głogów Copper Smelter and Refinery furnaces and maximisation of scrap processing at all furnace stages at the Legnica Copper Smelter and Refinery,

in occupational health and safety

- the activation and moderation of the engagement of all Company employees in the question of occupational health and safety,
- consistent implementation of the Employee Safety Improvement Program – „Think About the Consequences”,
- the implementation of agreed elements of the Program to eliminate the most frequent threats to workplace safety through utilisation of innovative technology,
- constant monitoring of threats occurring in the workplace and the realisation of organisational and technical goals aimed at limiting professional risks and accident rates,
- the commencement of additional organisational and technical initiatives aimed at improving workplace safety, in particular with respect to the Company's mines,
- continuous improvement of the occupational safety and hygiene management system implemented by the Company pursuant to the PN ISO 45000:2018 standard.

Mining production

In 2022 extraction of ore (dry weight) amounted to 30.5 million tonnes and was higher by 0.5 million tonnes than in 2021.

The average copper content in extracted ore amounted to 1.45% and was lower than the level achieved in 2021. The content of silver in the extracted ore was lower at 50.4 g/t.

As a result the amount of copper in extracted ore was higher than in 2021 by 0.1 thousand tonnes of copper and amounted to 442.7 thousand tonnes. The volume of silver in ore increased by 12 tonnes and amounted to 1,533 tonnes.

In 2022, 30.5 million tonnes of ore (dry weight) were processed (535 thousand tonnes more than in 2021). The greater volume of ore with poorer Cu content extracted by the Mining Divisions directly translated into a higher amount of copper in concentrate, which was 392.5 thousand tonnes.

The production of concentrate (dry weight) increased by 14 thousand tonnes compared to 2021.

The amount of silver in concentrate was higher than in 2021 by 1%.



Mining production of KGHM Polska Miedź S.A.

	Unit	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Mined ore (wet weight)	million t	32.1	31.6	+1.6	7.9	8.1	8.0	8.2
Mined ore (dry weight)	million t	30.5	30.0	+1.7	7.5	7.6	7.6	7.7
Copper grade	%	1.45	1.48	(2.0)	1.44	1.43	1.47	1.48
Copper in ore	kt	442.7	442.6	+0.0	108.2	108.8	111.2	114.4
Silver grade	g/t	50.4	50.7	(0.6)	50.4	49.9	51.0	50.1
Silver in ore	t	1,533.3	1,521.7	+0.8	377.7	380.8	386.8	388.0
Production of concentrate (dry weight)	kt	1,755	1,741	+0.8	434	435	442	443
Copper in concentrate	kt	392.5	391.3	+0.3	97.1	96.4	98.9	100.0
Silver in concentrate	t	1,315.8	1,302.9	+1.0	326.9	326.6	331.9	330.3

Metallurgical production

The production of electrolytic copper as compared to 2021 increased by 8.4 thousand tonnes, or by 1.5%.

The higher production of electrolytic copper was the result of an increase in the supply of purchased metal-bearing materials. By supplementing own concentrate with purchased metal-bearing materials in the form of scrap, copper blister and imported concentrate, existing technological capacity was effectively used.

The production of other metallurgical products (silver, wire rod, OFE rod) derives from the level of Cu concentrate processing and silver content, and in the case of copper products also depends on market demand and the production capacity of the Cedynia Copper Wire Rod Plant.

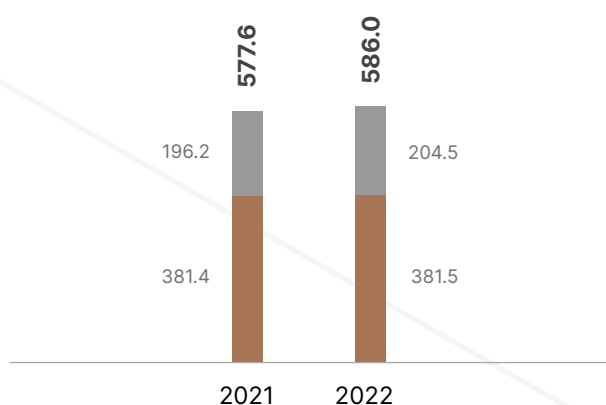
In comparison to 2021, the production of metallic gold increased by 187 kg, or by 7.4%, to 87.3 koz t, while metallic silver production was lower by 33.8 tonnes, or – 2.5%, closing the year at 1,298 tonnes.

Metallurgical production of KGHM Polska Miedź S.A.

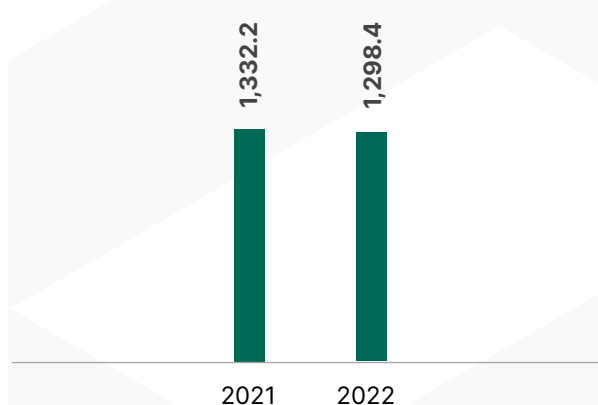
	Unit	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Electrolytic copper, including:	kt	586.0	577.6	+1.5	143.5	146.2	145.2	151.1
production from own concentrates	kt	381.5	381.4	+0.0	107.6	96.3	81.1	96.6
production from purchased materials	kt	204.5	196.2	+4.2	35.9	50.0	64.1	54.5
Wire rod, OFE and CuAg rod	kt	277.8	281.9	(1.5)	60.0	73.8	71.7	72.3
Metallic silver	t	1,298.4	1,332.2	(2.5)	298.6	331.3	328.7	339.8
Metallic gold	koz t	87.3	81.3	+7.4	25.5	20.9	19.8	21.1
Refined lead	kt	28.8	30.1	(4.3)	7.2	5.9	7.9	7.8

Production of electrolytic copper (kt) and metallic silver (t)

Electrolytic copper production (kt)



Metallic silver production (t)



- from purchased metal-bearing materials
- from own concentrate

Sales

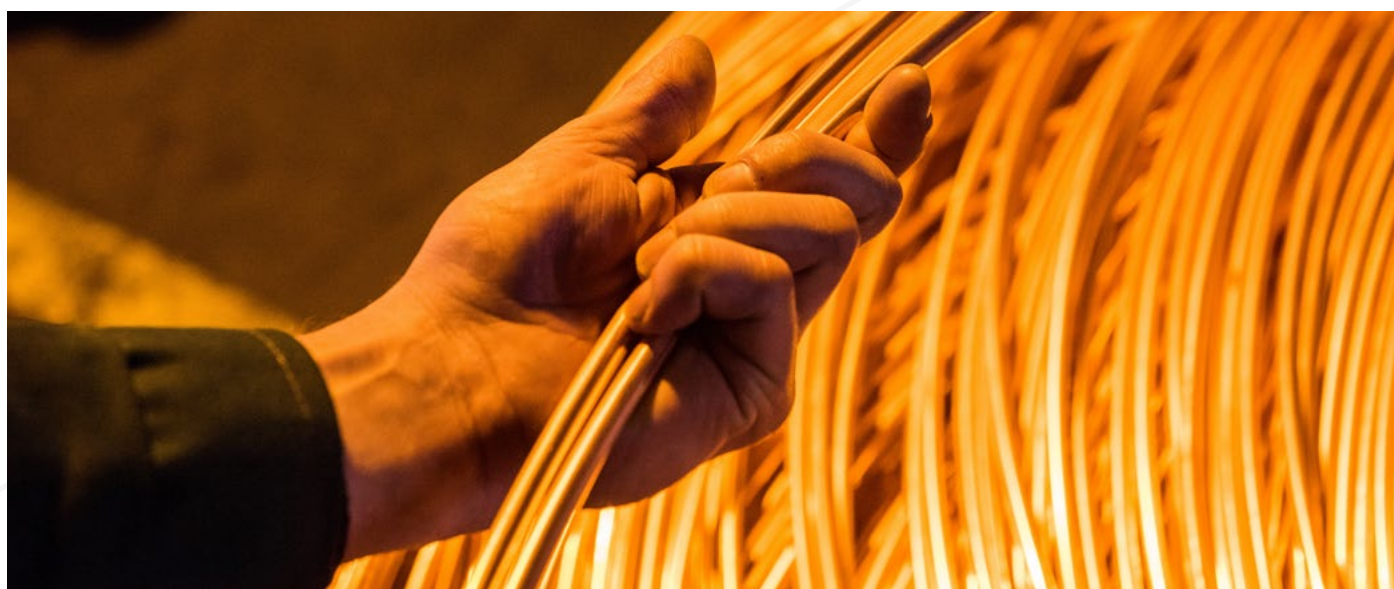
In 2022, the level of sales of copper products by the Company was higher than that achieved in 2021 and amounted to 565.0 thousand tonnes, versus 561.5 thousand tonnes in the prior year. In 2022, sales of copper cathodes amounted to 279.7 thousand tonnes, meaning an increase by 0.1% compared to 2021. Sales of copper wire rod and OFE rod increased however by 2%, amounting to 282.3 thousand tonnes in 2022.

The structure of sales of copper products results from the year-long high demand for higher-margin products compared to processed copper cathodes.

Sales of metallic silver in 2022 amounted to 1,338 t, meaning an increase by 7% compared to 2021, alongside a decrease in production by 3%. Silver inventory at the end of 2022 was designated to meet the sales schedule in 2023. Sales of gold in 2022 reached 80.5 koz t.

Sales volume of basic products of KGHM Polska Miedź S.A.

	Unit	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Cathodes and cathode parts	kt	279.7	279.3	+0.1	69.6	69.9	74.2	66.1
Copper wire rod and OFE rod	kt	282.3	278.0	+1.5	64.8	66.6	74.5	76.4
Other copper products	kt	3.0	4.2	(28.6)	0.8	0.7	0.8	0.7
Total copper and copper products	kt	565.0	561.5	+0.6	135.1	137.2	149.5	143.2
Metallic silver	t	1,338.3	1,248.9	+7.2	300.9	323.8	333.1	380.5
Metallic gold	koz t	80.5	78.0	+3.2	16.5	22.2	17.5	24.3
Refined lead	kt	29.3	30.7	(4.6)	7.5	6.7	8.1	7.0



Total revenues from sales by KGHM Polska Miedź S.A. in 2022 amounted to PLN 28,429 million, representing an increase by 15% versus 2021, when revenues amounted to PLN 24,618 million.

Revenues from sales of copper products in 2022 increased by 16% and amounted to PLN 22,207 million (compared to revenues in 2021 of PLN 19,079 million).

Revenues from metallic silver sales in 2022 also increased (+9%) to PLN 4,341 million compared to PLN 3,990 million

in 2021. Revenues from sales of metallic gold in 2022 increased to PLN 649 million, versus PLN 548 million in 2021 (+18%).

The increase in revenues from contracts with customers compared to the previous year by PLN 3,811 million was mainly due to higher prices of copper, silver and gold (+PLN 1,683 million) and higher volume (+PLN 427 million), with a lower negative adjustment of revenues due to hedging transactions (+PLN 1,469 million) than in the prior year.

Revenues from contracts with customers of KGHM Polska Miedź S.A. (in million PLN)

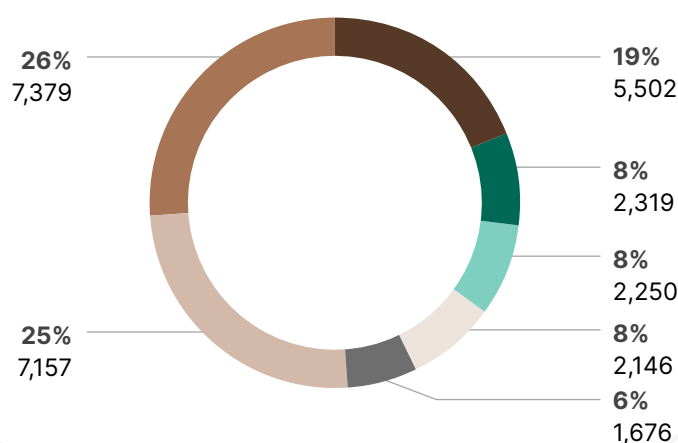
	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Cathodes and cathode parts	10,803	9,462	+14.2	2,658	2,521	2,946	2,678
Copper wire rod and OFE rod	11,283	9,461	+19.3	2,518	2,542	3,107	3,115
Other copper products	122	156	(21.8)	29	26	36	31
Total copper and copper products	22,207	19,079	+16.4	5,205	5,089	6,089	5,824
Metallic silver	4,341	3,990	+8.8	980	1,030	1,117	1,214
Metallic gold	649	548	+18.4	133	184	142	190
Refined lead	294	271	+8.9	76	67	82	70
Other goods and services	570	452	+26.1	138	121	147	164
Merchandise and materials	367	278	+32.0	114	82	79	92
Total revenues from contracts with customers	28,429	24,618	+15.5	6,646	6,572	7,656	7,555

Geographical breakdown of sales

In 2022, KGHM Polska Miedź S.A. earned most of its revenues from domestic sales, which accounted for 25% of total revenue. Amongst KGHM's other customers, the largest ones were from Germany (19%), Italy (8%), the Czech Republic (8%), China (8%) and the UK (6%).

● Germany ● Italy ● Czech Republic
● China ● UK ● Poland ● Others

Sales revenue of KGHM Polska Miedź S.A. by market (PLN million)



Costs

The Company's cost of sales, selling costs and administrative expenses (cost of products, merchandise and materials sold plus selling costs and administrative expenses) in 2022 amounted to PLN 24,463 million and was 19% higher as compared to the corresponding period of 2021. The Company's cost of sales, selling costs and administrative expenses was substantially affected by the increase in production of electrolytic copper by 8.4 thousand tonnes of copper and a substantial increase in the purchase prices of technological materials, fuels and energy, due to the current market situation.

Total expenses by nature in 2022 as compared to 2021 were higher by 18%, despite higher consumption of purchased metal-bearing materials by PLN 1,727 million (a higher amount by 15 thousand tonnes and a higher price by 16%).

The minerals extraction tax charge was lower by PLN 502 million (-14%) despite higher copper prices expressed in PLN/t, as during the period January-November 2022 the Company took advantage of a statutory reduction in the tax rate by 30%.

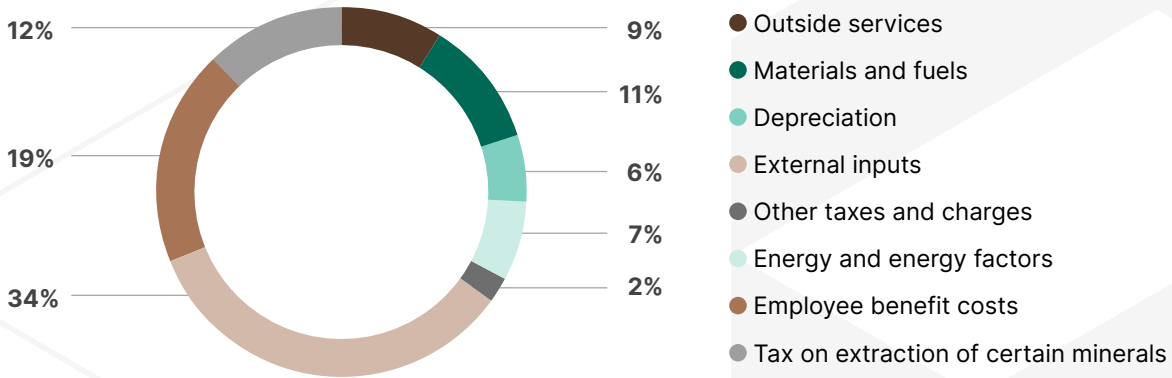
Expenses by nature of KGHM Polska Miedź S.A. (in million PLN)

	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Depreciation of property, plant and equipment and amortisation of intangible assets	1,504	1,435	+4.8	387	376	377	364
Costs of employee benefits	4,832	4,249	+13.7	1,344	1,168	1,332	988
Materials and energy, including:	13,687	10,242	+33.6	3,446	3,291	3,640	3,310
purchased metal-bearing materials	8,859	7,132	+24.2	2,158	2,077	2,420	2,204
electrical and other energy	1,921	1,230	+56.2	415	574	450	482
Third party services	2,238	1,884	+18.8	684	548	530	476
Minerals extraction tax	3,046	3,548	(14.1)	746	647	809	844
Other taxes and charges	487	398	+22.4	140	112	22	213
Other costs	101	145	(30.3)	43	13	33	12
Total expenses by nature	25,895	21,901	+18.2	6,790	6,155	6,743	6,207

Expenses by nature, excluding purchased metal-bearing materials and the minerals extraction tax, amounted to PLN 13,990 million and were higher as compared to the corresponding period of the previous year by PLN 2,769 million, mainly due to an increase in the following:

- consumption of materials and energy (+PLN 1,718 million) – mainly due to higher prices for natural gas, electricity, coke and technological materials,
- labour costs (+PLN 583 million) – due to an increase in wage rates,
- external services (+PLN 354 million) – mainly due to an increase in transportation services, repairs and maintenance and mine development work,
- depreciation/amortisation (+PLN 69 million) – an increase due to investments advanced in prior periods.

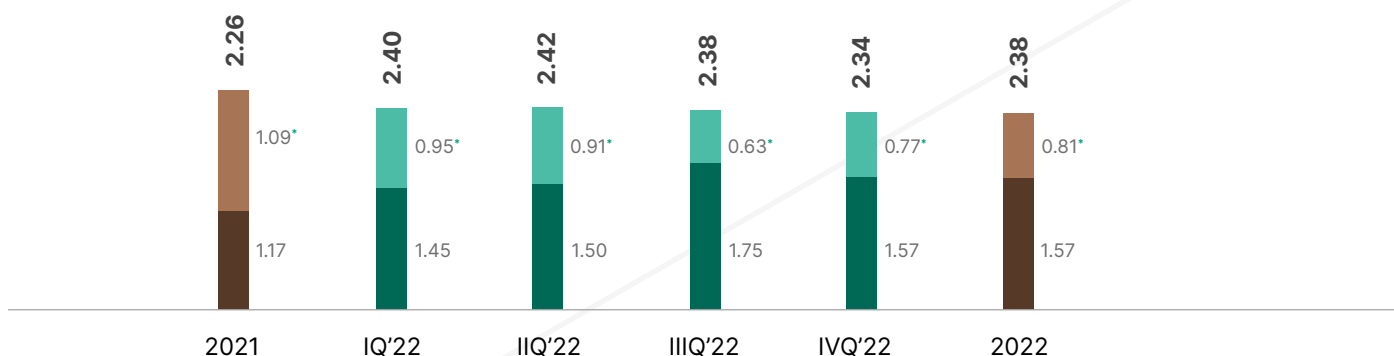
Breakdown of expenses by nature in 2022



The Company's operating expenses are decisively impacted by the costs of electrolytic copper production (prior to the decrease by the value of by-products), whose share is around 96%.



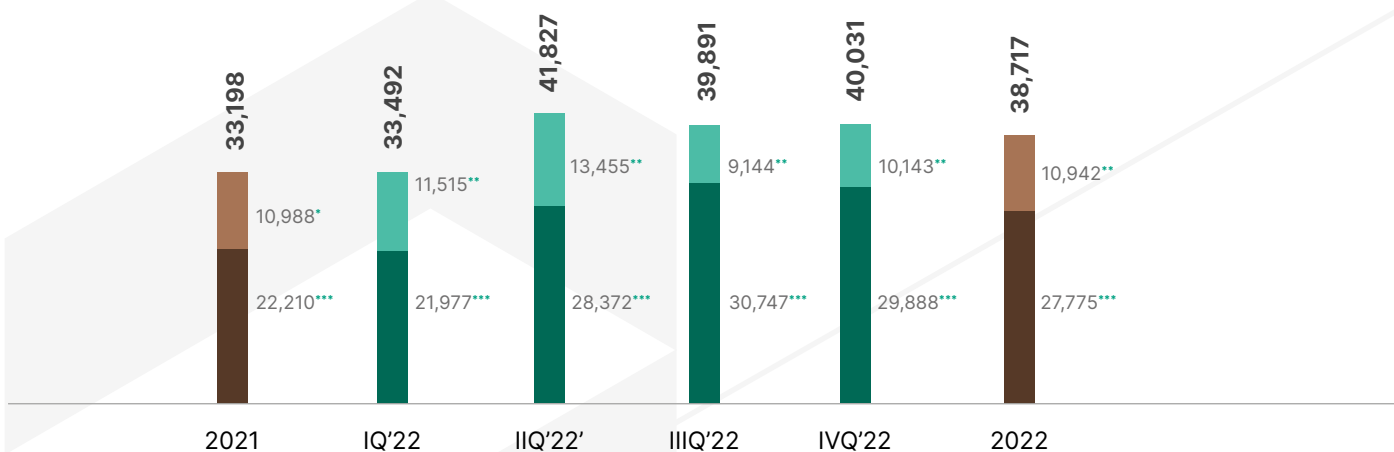
Koszt produkcji miedzi w koncentracji – C1 (USD/funt)



Cost of producing copper in concentrate – C1 (unit cash cost of producing payable copper in concentrate, reflecting costs of ore extraction and processing, transport costs, the minerals extraction tax, administrative costs during the mining stage, and smelter treatment and refining charges (TC/RC), less the value of by-products) was 2.26 USD/lb in 2021 and 2.38 USD/lb in 2022. The increase

in this cost by 5% was mainly due to the higher costs of materials, external services and labour described above, but also to a lower valuation of by-products due to a decrease in silver prices. Positive impact on this cost came from a strengthening in the USD as compared to the PLN and to a lower minerals extraction tax charge.

Pre-precious metals credit unit cost of electrolytic copper production – from own concentrate (PLN/t)



The pre-precious metals credit unit cost of copper production from own concentrate (unit cost prior to decrease by the value of anode slimes containing among others silver and gold) was higher than that recorded in 2021 by 5,520 PLN/t (16.6%), with a similar volume of production from own concentrate. The increase in the unit

cost was mainly due to the higher prices of energy, fuels and technological materials, third-party services and higher costs of labour. The total unit cost of copper production from own concentrate was higher compared to 2021 by 5,565 PLN/t (25%) with a slightly lower valuation of anode slimes due to lower silver prices.

* Including the minerals extraction tax

** Value of anode slimes

*** Total unit cost of copper production from own concentrate

Financial results of the KGHM Polska Miedź S.A. segment

Statement of profit or loss

In 2022, the Company recorded profit for the period in the amount of PLN 3,533 million, or by PLN 1,636 million (32%) lower than in the prior year.

Table 93. Basic items of the statement of profit or loss of KGHM Polska Miedź S.A. (in million PLN)

	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Revenues from contracts with customers	28,429	24,618	+15.5	6,646	6,572	7,656	7,555
– adjustment of income from hedging transactions	(182)	(1,651)	(89.0)	71	124	(161)	(216)
Cost of sales, selling costs and administrative expenses	(24,463)	(20,514)	+19.3	(6,053)	(5,943)	(6,514)	(5,953)
Profit or loss on sales	3,966	4,104	(3.4)	593	629	1,142	1,602
Other operating income and (costs)	1,299	3,088	(57.9)	(901)	807	1,052	341
exchange differences on assets and liabilities other than borrowings	500	511	(2.2)	(796)	600	477	219
measurement and realisation of derivatives	(222)	(445)	(50.1)	(127)	(102)	64	(57)
interest on loans granted and other financial receivables	348	304	+14.5	94	97	103	54
fair value gains on financial assets measured at fair value through profit or loss	631	1,070	(41.0)	(175)	337	409	60
fair value losses on financial assets measured at fair value through profit or loss	(87)	(63)	+38.1	(6)	55	(96)	(40)
reversal of impairment losses on shares in subsidiaries	-	1,010	×	-	-	-	-
impairment losses on shares and investment certificates in subsidiaries	-	(182)	×	-	-	-	-
reversal of impairment losses on financial instruments measured at amortised cost	213	807	(73.6)	31	(10)	139	53
other	(84)	76	×	78	(170)	(44)	52
Finance income and (costs)	(269)	(476)	(43.5)	447	(355)	(256)	(105)
exchange differences on borrowings	(179)	(338)	(47.0)	436	(315)	(223)	(78)
interest on borrowings	(48)	(92)	(47.8)	17	(30)	(20)	(15)
other	(42)	(46)	(8.7)	(6)	(10)	(13)	(12)
Profit/(loss) before income tax	4,996	6,716	(25.6)	139	1,081	1,938	1,838
Income tax	(1,463)	(1,547)	(5.4)	(144)	(351)	(455)	(513)
PROFIT/LOSS FOR THE PERIOD	3,533	5,169	(31.7)	(5)	730	1,483	1,325
Depreciation/amortisation recognised in profit or loss	(1,434)	(1,363)	+5.2	(370)	(369)	(373)	(322)
Adjusted EBITDA*	5,400	5,474	(1.4)	963	998	1,515	1,924

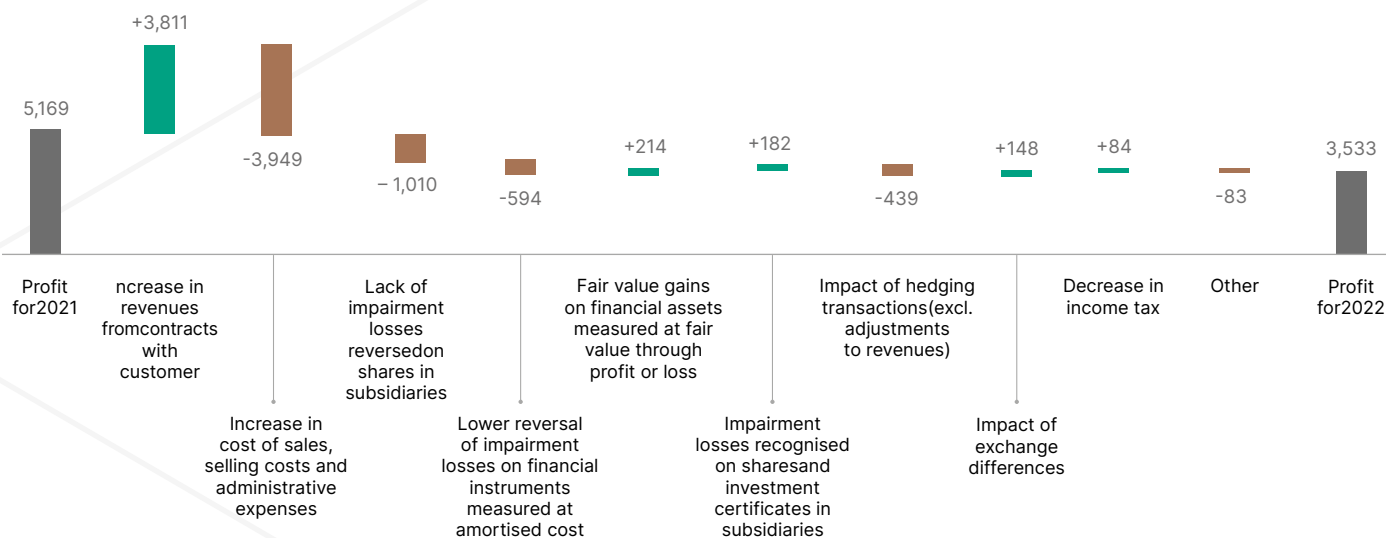
* Adjusted EBITDA = profit on sales + depreciation/amortisation (recognised in profit or loss) + impairment loss (-reversal of impairment losses) on non-current assets, recognised in cost of sales, selling costs and administrative expenses

Main factors impacting the change in profit or loss of KGHM Polska Miedź S.A.

Item	Impact on change of profit or loss (PLN million)	Description
An increase in revenues from contracts with customers (+PLN 3,811 million)	+3,963	An increase in revenues from sales of basic products (copper, silver, gold) due to a more favourable average USD/PLN exchange rate (a change from 3.86 to 4.46 USD/PLN)
	(2,279)	A decrease in revenues due to lower prices of copper (-520 USD/t, - 6%) and silver (3.41 USD/oz t, - 14%) with unchanged gold prices
	+1,469	A change in the adjustment of revenues due to hedging transactions from - PLN 1,651 million to PLN 182 million
	+427	An increase in revenues due to higher volume of sales of copper (+3.5 kt, +1%), silver (+89 t, +7%) and gold (+2.4 koz t, +3%)
	+231	An increase in other revenues from sales, including revenues from the sale of merchandise, waste and production materials (+PLN 87 million), sulphuric acid (+PLN 59 million), refined lead (+PLN 24 million), copper sulphate (+PLN 19 million) and nickel sulphate (+PLN 18 million)
An increase in cost of sales, selling costs and administrative expenses*	(3,949)	Mainly an increase in expenses by nature by PLN 3,994 million, mainly due to higher costs: consumption of purchased metal-bearing materials (+PLN 1,727 million), other materials and energy (+PLN 1,718 million), employee benefits (+PLN 583 million) and a higher minerals extraction tax charge (+PLN 502 million).
Reversal of impairment losses on shares in subsidiaries	(1,010)	The total amount is in respect of 2021 and shares of the holding company Future 1 Sp. z o.o. which holds indirectly 100% of the shares of KGHM INTERNATIONAL LTD.
Reversal of impairment losses on financial instruments measured at amortised cost	(594)	A lower level of reversals of impairment losses on financial instruments measured at amortised cost, from PLN 807 million to PLN 213 million. This change is mainly (+PLN 539 million) in respect of loans granted to Future 1 Sp. z o.o. and the KGHM INTERNATIONAL LTD. Group (a decrease from PLN 752 million to PLN 213 million).
Impact of derivatives and hedging transactions	+214	An increase by PLN 223 million in the result due to the measurement and realisation of derivatives in other operating activities
		A decrease by PLN 9 million in the result due to the measurement and realisation of derivatives in financing activities
Impairment losses on shares and investment certificates in subsidiaries	+182	No losses in 2022 versus - PLN 182 million in the prior year, entirely in respect of impairment of the shares in Energetyka Sp. z o.o.
Fair value gains on financial assets measured at fair value through profit or loss	(439)	A decrease in fair value gains on financial assets measured at fair value through profit or loss, from PLN 1,070 million to PLN 631 million. This change is mainly (-PLN 455 million) in respect of loans (a decrease from PLN 1,056 million to PLN 601 million).
Impact of exchange differences	+148	A decrease by PLN 11 million in foreign exchange differences on the measurement of assets and liabilities other than borrowings - in other operating activities.
		An increase by PLN 159 million in foreign exchange differences on borrowings (presented in finance costs).
Decrease in income tax	+84	The decrease in income tax resulted from a decrease in current income tax by PLN 186 million, with an increase in deferred income tax by PLN 51 million and a change in the adjustment of current tax for prior periods by PLN 51 million

* Costs of products, merchandise and materials sold plus selling costs and administrative expenses

Change in profit for the period of KGHM Polska Miedź S.A. (in million PLN)



Cash flows

Cash flow of KGHM Polska Miedź S.A. (in million PLN)

	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Profit before income tax	4,996	6,716	×0.7	139	1,081	1,938	1,838
Exclusions of income and costs, total	247	(1,216)	×	848	(516)	(850)	765
Income tax paid	(1,575)	(707)	×2.2	(192)	(194)	(1,020)	(169)
Changes in working capital	(1,877)	(2,830)	×0.7	(725)	(65)	(492)	(595)
Net cash generated from/(used in) operating activities	1,791	1,963	×0.9	70	306	(424)	1,839
Expenditures on property, plant and equipment and intangible assets	(2,731)	(2,407)	×1.1	(735)	(647)	(568)	(781)
Proceeds/expenditures due to loans granted	1,043	1,655	×0.6	52	(11)	576	426
Other	59	145	×0.4	7	84	(6)	(26)
Net cash generated from/(used in) investing activities	(1,629)	(607)	×2.7	(676)	(574)	2	(381)
Proceeds/expenditures due to borrowings drawn	253	(1,684)	×	(99)	507	(65)	(90)
Expenditures due to dividends paid to shareholders of the Company	(600)	(300)	×2.0	-	(600)	-	-
Other	(159)	(107)	×1.5	(10)	36	(153)	(32)
Net cash used in financing activities	(506)	(2,091)	×0.2	(109)	(57)	(218)	(122)
NET CASH FLOW	(344)	(735)	×0.5	(715)	(325)	(640)	1,336
Exchange differences on cash and cash equivalents	(3)	(68)	×0.0	(3)	(1)	15	(14)
Cash and cash equivalents at beginning of the period	1,332	2,135	×0.6	1,332	2,029	2,654	1,332
Cash and cash equivalents at end of the period	985	1,332	×0.7	985	1,703	2,029	2,654

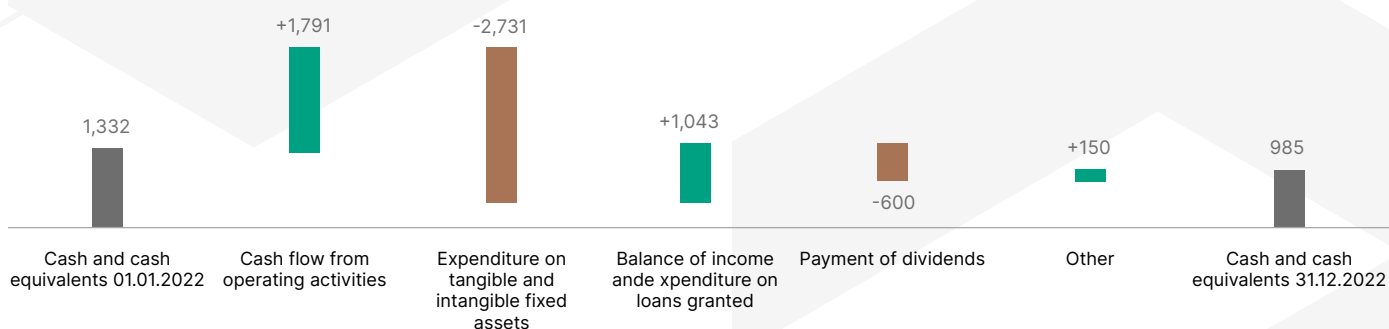
Net cash generated from operating activities in 2022 amounted to +PLN 1,791 million and mainly comprised profit before income tax in the amount of PLN 4,996 million, adjusted by the exclusion of income and costs in the amount of +PLN 247 million, less income tax paid in the amount of PLN 1,575 million and a decrease in working capital by PLN 1,877 million. The change in working capital was mainly due to the following: a decrease in inventories (-PLN 2,027 million) with an increase in trade payables by PLN 225 million.

Net cash used in investing activities in 2022 amounted to - PLN 1,629 million and mainly comprised expenditures on property, plant and equipment and intangible assets in the amount of - PLN 2,731 million and the balance of proceeds and expenditures due to loans granted, +PLN 1,043 million.

Net cash used in financing activities during the same period amounted to - PLN 506 million and mainly comprised dividends paid to shareholders in the amount of PLN 600 million.

After reflecting exchange differences on cash and cash equivalents, in 2022 cash and cash equivalents decreased by PLN 347 million to PLN 985 million.

Cash flow of KGHM Polska Miedź S.A. (in million PLN)



Assets and sources of asset financing

Assets of KGHM Polska Miedź S.A. (in million PLN)

	31.12.2022	31.12.2021	Change (%)	30.09.2022	30.06.2022	31.03.2022
Property, plant and equipment and intangible assets	22,497	20,995	+7.2	21,855	21,511	20,789
Investments in subsidiaries, other than loans granted	3,701	3,691	+0.3	3,701	3,698	3,691
Financial instruments, including:	10,392	9,931	+4.6	11,419	10,684	9,898
loans granted	8,763	8,249	+6.2	9,590	8,605	8,190
Other non-financial assets	117	54	×2.2	-12,927	-35,841	-34,327
Non-current assets	36,707	34,671	+5.9	24,048	52	51
Inventories	7,523	5,436	+38.4	6,673	-	-
Trade receivables	620	600	+3.3	740	6,534	5,838
Tax assets	312	301	+3.7	227	873	837
Derivatives	796	254	×3.1	826	249	193
Cash pooling receivables	588	498	+18.1	489	587	192
Other financial assets	322	289	+11.4	432	351	106
Other non-financial assets	142	77	+84.4	170	248	178
Cash and cash equivalents	985	1,332	(26.1)	1,703	245	144
Non-current assets held for sale	-	-	×	-	2,029	2,654
Current assets	11,288	8,787	+28.5	11,260	11,261	10,142
TOTAL ASSETS	47,995	43,458	+10.4	35,308	47,206	10,193

As at 31 December 2022, total assets amounted to PLN 47,995 million, or an increase as compared to the end of 2021 by PLN 4,537 million, or by 10%, mainly due to increases in the following items:

- Inventories by PLN 2,087 million, including half-finished products and work in progress (+PLN 1,235 million, finished goods (+PLN 479 million) and materials (+PLN 379 million),
- property, plant and equipment and intangible assets by PLN 1,502 million, resulting from advancement of investments – cash expenditures on property, plant and equipment and intangible assets in 2021 amounted to PLN 2,741 million,
- long-term financial instruments by PLN 461 million, including loans granted (+PLN 514 million),
- short-term financial instruments by PLN 542 million, alongside a decrease in the value of cash and cash equivalents by – PLN 347 million.

Change in assets of KGHM Polska Miedź S.A. in 2022 (in million PLN)



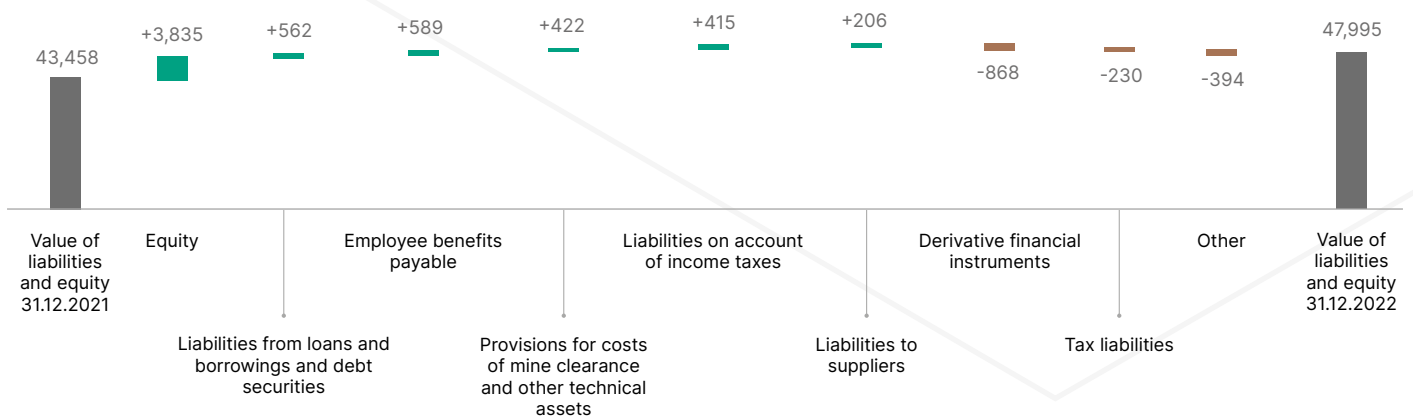
Equity and liabilities of KGHM Polska Miedź S.A. (in million PLN)

	31.12.2022	31.12.2021	Change (%)	30.09.2022	30.06.2022	31.03.2022
Share capital	2,000	2,000	-	2,000	2,000	2,000
Other reserves from measurement of financial instruments	(395)	(1,670)	(76.3)	(1,049)	(643)	(1,921)
Accumulated other comprehensive income	(702)	(329)	×2.1	(602)	(428)	(440)
Retained earnings	28,772	25,839	+11.4	28,777	28,047	27,164
Equity	29,675	25,840	+14.8	29,126	26,976	26,803
Liabilities on account of loans, borrowings, leases and debt securities	5,000	5,180	(3.5)	5,298	4,590	4,559
Derivatives	719	1,133	(36.5)	1,543	1,078	1,163
Employee benefits liabilities	2,394	2,040	+17.4	2,323	2,062	2,104
Provisions for decommissioning costs of mines and other technological facilities	1,233	811	+52.0	896	888	460
Other non-current liabilities	965	543	+77.7	(9,757)	(8,368)	(8,027)
Non-current liabilities	10,311	9,707	+6.2	303	250	259
Liabilities on account of loans, borrowings, leases and debt securities	1,124	382	×2.9	1,279	1,122	1,059
Cash pooling liabilities	321	360	(10.8)	329	267	340
Derivatives	434	888	(51.1)	519	369	1,147
Trade and similar payables	2,819	2,613	+7.9	2,503	2,732	2,438
Employee benefits liabilities	1,365	1,130	+20.8	1,162	1,329	1,244
Tax liabilities	1,061	1,291	(17.8)	1,152	1,072	1,660
Provisions for liabilities and other charges	110	98	+12.2	169	94	96
Other current liabilities	775	1,149	(32.6)	1,218	1,833	1,202
Current liabilities	8,009	7,911	+1.2	8,331	8,818	9,186
Non-current and current liabilities	18,320	17,618	+4.0	19,165	18,230	17,926
TOTAL EQUITY AND LIABILITIES	47,995	43,458	+10.4	48,291	45,206	44,729

There was an increase in equity and liabilities, mainly due to increases in the following items:

- equity by PLN 3,835 million, mainly with respect to the profit for 2022 in the amount of PLN 3,533 million,
 - employee benefits liabilities (+PLN 589 million),
 - borrowings, lease and debt securities (+PLN 562 million),
 - provisions for decommissioning costs of mines and other technological facilities (+PLN 422 million),
 - deferred tax liabilities (+PLN 415 million),
 - trade and similar payables (+PLN 206 million)
- alongside a decrease in:
- derivatives (-PLN 868 million),
 - tax liabilities (-PLN 230 million).

Change in equity and liabilities of KGHM Polska Miedź S.A. in 2022 (in million PLN)



Contingent assets and liabilities under guarantees and warranties granted

As at 31 December 2022, contingent assets amounted to PLN 373 million and related mainly to promissory notes receivables in the amount of PLN 253 million and guarantees received by the Company in the amount of PLN 115 million.

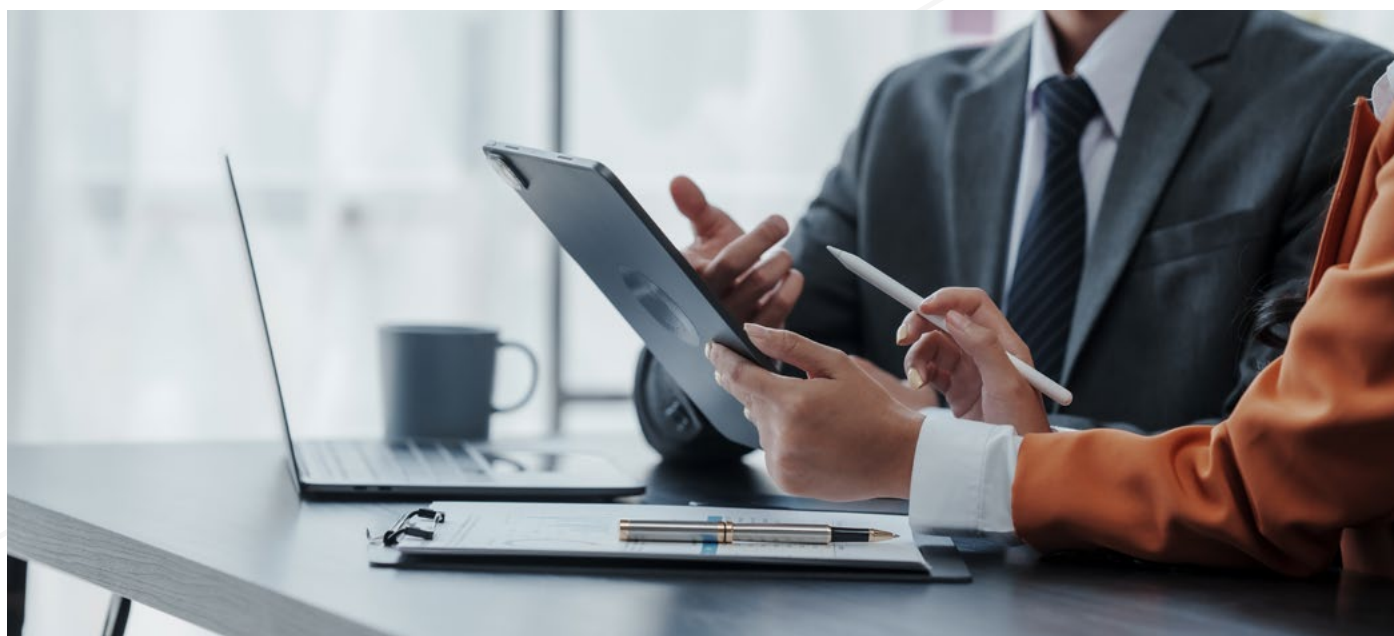
As at 31 December 2022, the Company held liabilities due to guarantees granted and letters of credit in the total amount of PLN 1,609 million. The following are the most significant guarantees granted to secure liabilities:

- **Sierra Gorda S.C.M.** – a guarantee for the performance of agreements in the amount of PLN 969 million (as at 31 December 2021: PLN 670 million); PLN 969 million (USD 220 million) – a corporate (financial) guarantee securing repayment of a Revolving Credit Facility, the guarantee is in force to September 2024. The carrying amount of the liabilities due to financial guarantees granted and recognised in the accounts is PLN 57 million (as at 31 December 2021: PLN 58 million).

other entities:

- PLN 126 million – a guarantee for the proper execution by the Company of future environmental obligations related to the obligation to restore terrain, following the discontinuation of operations of the Żelazny Most tailings storage facility (as of 31 December 2021 in the amount of PLN 124 million), the guarantee is in force for up to 1 year,

- PLN 461 million (USD 90 million, CAD 18 million) – a guarantee for the restoration costs of the Robinson mine, the Podolsky mine and the Victoria project (as at 31 December 2021 in the amount of PLN 402 million, or USD 90 million, CAD 12 million), the guarantee is in force for up to 1 year,
- PLN 14 million – a guarantee for claims by the Marshal of the Voivodeship of Lower Silesia to cover costs related to the collection and processing of waste, the guarantee is in force until 6 March 2023,
- PLN 2 million – a guarantee to cover liabilities related to customs-tax duties, the guarantee is in force indefinitely,
- PLN 7 million (PLN 2 million and CAD 2 million) – a guarantee to cover liabilities related to the proper execution of agreements entered into by KGHM Polska Miedź S.A. and Group companies (as at 31 December 2021 in the amount of PLN 10 million, or PLN 3 million and CAD 2 million), the guarantee is in force for up to 3 years,
- PLN 30 million – a guarantee to cover liabilities incurred by a Brokerage due to the settlement of transactions on markets operated by the energy trading market Towarowa Giełda Energii S.A., the guarantee is in force until 31 December 2022.



Performance of the KGHM INTERNATIONAL LTD. segment

56.2 kt

Copper production

**2,14 USD/
lb**

C1 cost



**3,217 PLN
mn**

Revenues

**1,001 PLN
mn**

Adjusted EBITDA

**900 PLN
mn**

Profit/loss for the period

Production

KGHM INTERNATIONAL LTD. production performance

	Unit	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Payable copper, including:	kt	56.2	71.7	(21.6)	8.9	10.4	18.7	18.2
Robinson mine (USA)	kt	46.8	53.6	(12.7)	7.2	8.8	16.5	14.3
Sudbury Basin mines (Canada)*	kt	2.5	1.9	+31.6	1.0	0.6	0.5	0.4
Payable nickel	kt	0.4	0.5	(20.0)	0.1	0.1	0.1	0.1
Precious metals (TPM), including:	koz t	55.9	51.3	+9.0	10.7	10.5	19.6	15.1
Robinson mine (USA)	koz t	38.6	38.1	+1.3	4.9	6.7	14.7	12.3
Sudbury Basin mines (Canada)**	koz t	17.3	13.2	+31.1	5.8	3.8	4.9	2.8

In 2022, copper production in the KGHM INTERNATIONAL LTD. segment was 56.2 thousand tonnes, down by 15.5 thousand tonnes (-22%) compared to 2021. The decisive factor for the decrease in copper production was the quality of the ore processed at Robinson (lower

content and yield compared to 2021) and the disposal of the Franke mine finalised on 26 April 2022.

The increase in output of precious metals by 4.6 koz t (+9%) resulted chiefly from the increased volumes of platinum and palladium mined at Sudbury.

Revenues

Volume and sales revenue of KGHM INTERNATIONAL LTD. (in USD million)

	Unit	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Revenues from contracts with customers,** of which:	USD million	720	806	(10.7)	210	132	168	210
copper	USD million	451	600	(24.8)	124	75	107	145
nickel	USD million	12	8	+50.0	3	3	2	4
TPM – precious metals	USD million	100	82	+22.2	28	21	25	26
Copper sales volume	kt	54.8	66.2	(17.2)	15.3	11.3	14.2	14.0
Nickel sale volume	kt	0.4	0.5	(20.0)	0.1	0.1	0.1	0.1
TPM sale volume	koz t	55.2	46.7	+18.2	16.8	11.5	15.9	11.0

* McCreedy West mine in the Sudbury Basin

** Including treatment charges

Sales revenue of KGHM INTERNATIONAL LTD. (in PLN million)

	Unit	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Revenues from contracts with customers,[*] of which:	PLN million	3,217	3,125	+2.9	953	648	740	876
copper	PLN million	2,015	2,325	(13.3)	561	379	470	605
nickel	PLN million	55	31	+77.4	17	11	12	15
TPM – precious metals	PLN million	448	318	+40.9	127	103	110	108

Revenue of the KGHM INTERNATIONAL LTD. segment in 2022 totalled USD 720 million, down by USD 86 million (-11%), resulting primarily from lower volumes of copper sold (decrease in output, disposal of the Franke mine and delays in rail transport operations affecting sales of concentrate from the Robinson mine).

Moreover, as regards revenue, the prices realised on copper sales were unfavourable due to their lower levels than in 2021. By contrast, DMC Mining Services Ltd.'s revenue

increased by 19% due to the greater scope of mining services provided. Key factors affecting the changed volume of revenue compared to 2021 are discussed in the section dealing with the performance of the KGHM INTERNATIONAL LTD. segment.

Due to the depreciation of the Polish zloty against the US dollar, the PLN-denominated segment revenue was 3% greater than that generated in 2021.

Costs

Cost of producing payable copper C1 by KGHM INTERNATIONAL LTD.

	Unit	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Cost of producing payable copper C1**	USD/lb	2.14	2.01	+6.5	2.47	2.07	1.77	2.23

In 2022, the weighted average unit cash cost of copper production for all mines in the KGHM INTERNATIONAL LTD. segment was 2.14 USD/lb, up 7% year-on-year. The greater C1 cost was caused by a 17% decrease in the volume of

copper sold compared to 2021 and an increase in mining and processing costs per unit of Cu sales. A favourable factor, limiting the increase in C1, was the increase in revenue from sales of precious metals, which reduced this cost.

* Including treatment charges

** Unit copper production cost C1 – cash production cost of payable copper, taking into account the costs of extracting and processing the winnings, tax on minerals, transport costs, administrative costs of the mining phase and treatment charge and refining charge (TC/RC), decreased by the value of by-products.

Financial results

Financial performance of KGHM INTERNATIONAL LTD. (in USD million)

	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Revenues from contracts with customers	720	806	(10.7)	210	132	168	210
Cost of sales, selling costs and administrative expenses, including*:	(631)	(633)	(0.3)	(200)	(134)	(147)	(150)
(impairment losses)/reversal of impairment losses on non-current assets	(8)	(40)	(80.0)	(8)	-	-	-
Profit or loss on sales	89	173	(48.6)	10	(2)	21	60
Profit or loss before tax, including:	229	679	(66.3)	(23)	(21)	167	106
Income tax	(27)	0	x	(4)	(1)	(10)	(12)
PROFIT/LOSS FOR THE PERIOD	202	679	(70.3)	(28)	(21)	157	94
Depreciation/amortisation recognised in profit or loss	(127)	(133)	(4.5)	(46)	(28)	(27)	(26)
Adjusted EBITDA**	224	346	(35.2)	64	26	47	87

Financial performance of KGHM INTERNATIONAL LTD. (in PLN million)

	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Revenues from contracts with customers	3,217	3,125	+2.9	953	648	740	876
Cost of sales, selling costs and administrative expenses, including*:	(2,820)	(2,463)	+14.5	(905)	(645)	(645)	(625)
impairment losses/reversal of impairment losses on non-current assets	(36)	(162)	(77.8)	(36)	-	-	-
Profit or loss on sales	397	662	(40.0)	48	3	95	251
Profit or loss before tax, including:	1,022	2,631	(61.2)	(98)	(44)	724	440
Income tax	(122)	1	x	(22)	(7)	(43)	(50)
PROFIT/LOSS FOR THE PERIOD	900	2,632	(65.8)	(120)	(51)	681	390
Depreciation/amortisation recognised in profit or loss	(568)	(516)	+10.1	(207)	(133)	(118)	(110)
Adjusted EBITDA**	1,001	1,340	(25.3)	291	136	213	361

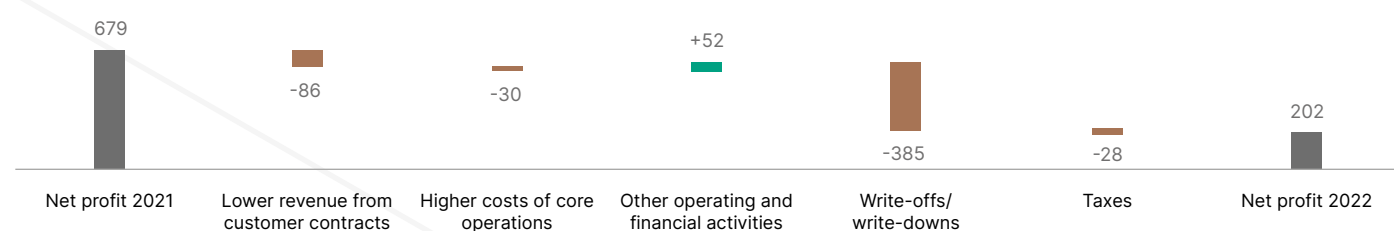
* Costs of products, merchandise and materials sold plus selling costs and administrative expenses

** Adjusted EBITDA = profit on sales + depreciation/amortisation (recognised in profit or loss) + impairment loss (-reversal of impairment losses) on non-current assets, recognised in cost of sales, selling costs and administrative expenses

Key factors of change in profit or loss of KGHM INTERNATIONAL LTD.

Item	Description
Decrease in revenue – impact on profit/loss: – USD 86 million	Decrease in revenue due to a change in the volume of metals sold, – USD 97 million , of which: <ul style="list-style-type: none"> ■ copper (-11 kt; USD 113 million) ■ precious metals (+8.5 koz t; +USD 15 million) ■ other (+USD 1 million)
	Decrease in revenue due to a change in the prices of metals sold, – USD 34 million , of which: <ul style="list-style-type: none"> ■ copper (-USD 35 million) ■ precious metals (-USD 4 million) ■ other, primarily nickel (+USD 5 million)
	Increase in revenue generated by DMC Mining Services Ltd., +USD 20 million
	Other factors, +USD 25 million , primarily related to deferred revenue from precious metal purchase contracts
Lower cost of sales, selling costs and administrative expenses – impact on profit/loss: +USD 2 million	Increase in costs by nature before a change in inventories and cost of products manufactured for the entity's own use, – USD 11 million (primarily an increase in labour costs and third-party service costs). The costs increased despite the sale of the Franke mine (26 April 2022)
	Change in products and work-in-progress and cost of products for the entity's own use – impact on profit/loss: +USD 13 million (decrease in costs of – USD 144 million compared to – USD 131 million in 2021)
	Impairment losses/reversals of impairment losses on property, plant and equipment – impact on profit/loss: +USD 32 million (-USD 8 million impairment loss on the Carlota mine fixed assets compared to – USD 40 million in 2021) (for Robinson, reversal of the impairment loss of +USD 10 million; impairment losses on non-current assets at Sudbury, Franke and Carlota for a total of – USD 50 million)
	Impairment losses/reversals of impairment losses on inventories – impact on profit/loss: – USD 27 million (impairment loss of – USD 10 million in 2022 v. reversal of +USD 17 million in 2021)
	Other factors: – USD 4 million
Impact of other operating activity and financing activity	Reversal of an impairment loss on Sierra Gorda mine construction loans, – USD 418 million (reversal of an impairment loss of +USD 196 million v. +USD 614 million in 2021).
	Other factors, +USD 52 million , including +USD 35 million from the disposal of the Oxide project to Sierra Gorda S.C.M. and +USD 18 million in gain from the sale of Franke assets
Taxes – impact on profit loss (-USD 28 million)	The increase in income tax comprises the following elements: <ul style="list-style-type: none"> ■ a decrease in current tax by USD 7 million (as a consequence of the decrease in profit before tax after a deduction of gains on the reversal of impairment losses) ■ an increase in deferred tax by USD 35 million (as a consequence of an increase in deferred tax liabilities).

Change in net profit/loss generated by KGHM INTERNATIONAL LTD. (in USD million)*



* Cost of sales, selling costs and administrative expenses, excluding impairment losses/reversal of impairment losses on property, plant and equipment and other operating expenses without impairment losses/reversal of impairment losses on Sierra Gorda mine construction loans

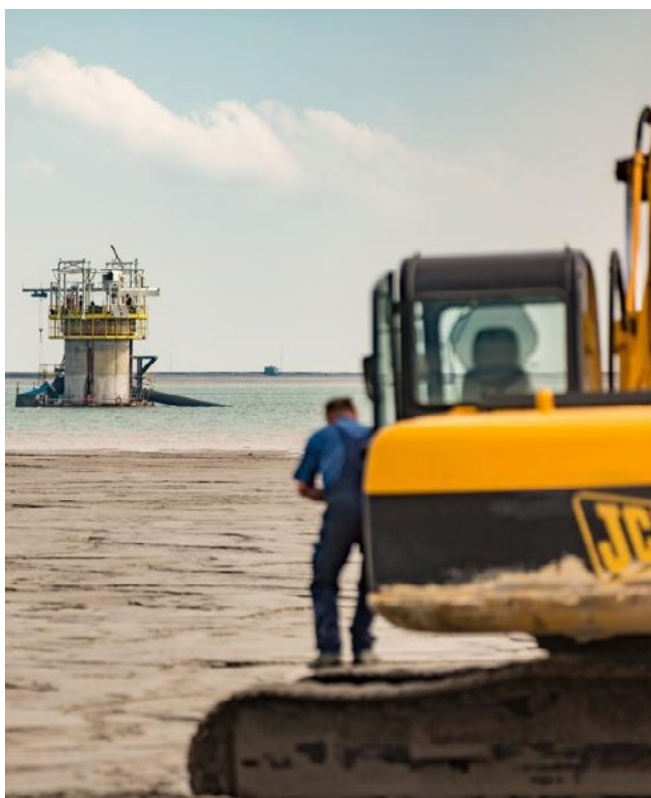
Economic performance of the Sierra Gorda S.C.M. segment

90.8 tys.t

kt (55%)

1.50 USD/lb

C1 cost



3,974 PLN mn
Revenues

2,190 PLN mn
Adjusted EBITDA

239 PLN mn
Profit/loss for the period

The Sierra Gorda S.C.M. segment is a joint venture owned by KGHM INTERNATIONAL LTD. (55%) and the Australian-based South32 mining group (45%).

The production and financial figures disclosed below are presented based on the full ownership interest in the joint venture (100%) and pro rata to the interest in Sierra Gorda S.C.M. (55%), in accordance with the presentation

methodology adopted in note 2 of the consolidated financial statements.

Production

In 2022, Sierra Gorda S.C.M.'s copper and molybdenum output was lower than in 2021 as a direct result of operations conducted in zones containing lower quantities of these metals.

Sierra Gorda S.C.M.'s production of copper, molybdenum and precious metals*

	Unit	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Copper production	kt	165.1	189.8	(13.0)	42.1	42.1	37.5	43.4
Copper production – segment (55%)	kt	90.8	104.4	(13.0)	23.1	23.2	20.6	23.9
Molybdenum production	million pounds	5.3	14.9	(64.4)	0.9	0.9	1.4	2.1
Molybdenum production – segment (55%)	million pounds	2.9	8.2	(64.4)	0.5	0.5	0.7	1.2
TPM production – gold	koz t	62.4	56.1	+11.2	16.6	17.4	16.3	12.1
TPM production – gold – segment (55%)	koz t	34.3	30.9	+11.2	9.1	9.6	9.0	6.6

2021 was an exceptional year in terms of the copper content in the mined ore, which was significantly greater than the levels obtained in all other years since the inception of commercial production in 2015. The mining of resources with a lower Cu content was the primary reason for the decline in payable copper output in 2022 (-13%) despite the maintenance a comparable volume of ore processed to that of 2021.

In terms of molybdenum output, the decrease from the level obtained in 2021 was 64%, which also resulted from the mining plan's selection of zones characterised by a significantly lower content of this metal and a deterioration in molybdenum yield at the processing phase.



* Metal payable in concentrate

Sales

Sales revenues in 2022 totalled USD 1,617 million (for a 100% interest), or PLN 3,974 million considering KGHM Polska Miedź S.A.'s 55% ownership interest.

Sierra Gorda S.C.M. sales volume and revenue

	Unit	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Revenues from contracts with customers* of which from sales:	USD million	1,617	2,151	(24.8)	458	335	303	521
copper	USD million	1,322	1,762	(25.0)	365	275	223	459
molybdenum	USD million	153	244	(37.3)	58	23	42	30
TPM (gold)	USD million	109	100	+9.0	28	29	29	23
Copper sales volume	kt	165.6	185.9	(10.9)	42.6	42.6	37.0	43.4
Molybdenum sales volume	million pounds	7.8	14.7	(46.9)	2.4	1.5	2.3	1.6
TPM (gold) sales volume	koz t	61.4	55.9	+9.8	17.0	17.2	15.2	12.0
Revenues from contracts with customers* – segment (55% share)	PLN million	3,974	4,585	(13.3)	1,143	893	744	1,194

Revenue decreased by 25% compared to the volume generated in 2021. Such a significant decrease was a direct consequence of the mining of ore with a lower copper and molybdenum content, which translated into a drop in sales by 11% (Cu) and 47% (Mo). The change in sales volume accounts for approximately half of the USD 534 million decrease in revenue. Other reasons for the decrease in revenue include, for the most part, selling price factors and refining charges, which went up due to the market situation in 2022.

The decrease in segment revenue (in PLN) was not as significant as for revenue presented in the Sierra Gorda S.C.M. report (in USD) due to the exchange rates applied to convert the values presented in the report (USD 1 = PLN 3.88 in 2021 v. USD 1 = PLN 4.47 in 2022).

The detailed impact of specific factors on the change in revenue is presented in the subsection on Sierra Gorda S.C.M.'s financial performance.



* Including treatment charges, refining charges and other

Costs

Sierra Gorda S.C.M.'s cost of sales, selling costs and administrative expenses totalled USD 1,107 million, of which USD 964 million represents costs of products sold and USD 143 million represents combined selling, general and administrative expenses. Pro rata to the ownership interest (55%), the Sierra Gorda segment costs stood at USD 2,721 million.

Cost of sales, selling costs and administrative expenses along with cost of producing payable copper (C1) at Sierra Gorda S.C.M.

	Unit	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Cost of sales, selling costs and administrative expenses (before the reversal of impairment losses in 2021)	USD million	(1,107)	(1,030)	+7.5	(281)	(286)	(267)	(273)
Reversal of an impairment loss on non-current assets	USD million	-	1,182	(100.0)	-	-	-	-
Cost of sales, selling costs and administrative expenses (before the reversal of impairment losses in 2021) – segment 55%	PLN million	(2,721)	(2,196)	(23.9)	(705)	(748)	(642)	(626)
C1 unit cost*	USD/lb	1.50	0.78	+92.3	1.55	1.68	1.41	1.35

The increase in operating expenses and C1 cash cost of Sierra Gorda S.C.M.'s copper production in 2022 reflect the rate of price changes in the energy, materials and fuel markets. Compared to 2021, an increase in prices was recorded primarily for:

- diesel fuel (+79%)
- energy prices (+78%)
- explosives (+49%)
- third-party services, grinding materials and other direct-use materials.

These factors were the main reason for the USD 77 million (+8%) increase in cost of sales, selling costs and administrative expenses compared to 2021 and the 0.72 USD/lb (+92%) increase in the C1 unit cost of copper production. In the case of C1, an additional burden was the decrease in molybdenum sales, which directly translated into lower accompanying element deductions. Also relevant was the lower level of copper sales, translating into an unfavourable distribution of fixed costs per unit of copper sales.



* Unit copper production cost C1 – cash production cost of payable copper, taking into account the costs of extracting and processing the winnings, tax on minerals, transport costs, administrative costs of the mining phase and treatment charge and refining charge (TC/RC), decreased by the value of by-products.

Financial results

Statement of profit or loss

In 2022, adjusted EBITDA was USD 891 million, of which PLN 2,190 million was attributable to the KGHM Group on a pro-rata basis (55%).

Sierra Gorda S.C.M.'s performance in USD million (100% ownership interest)

	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Revenues from contracts with customers	1,617	2,151	(24.8)	458	335	303	521
Cost of sales, selling costs and administrative expenses (before the reversal of impairment losses)	(1,107)	(1,030)	+7.5	(281)	(285)	(267)	(273)
Reversal of an impairment loss on non-current assets	-	1,182	(100.0)	-	-	-	-
Profit or loss on sales	510	2,303	(77.9)	176	50	36	248
PROFIT/LOSS FOR THE PERIOD	97	1,435	(93.2)	47	(26)	(28)	104
Depreciation/amortisation recognised in profit or loss	(381)	(365)	+4.4	(77)	(98)	(96)	(110)
Adjusted EBITDA*	891	1,485	(40.0)	254	146	133	358

Sierra Gorda S.C.M. segment performance pro rata to the interest held (55%) in PLN million

	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Revenues from contracts with customers	3,974	4,585	(13.3)	1,143	893	744	1,194
Cost of sales, selling costs and administrative expenses (before the reversal of impairment losses)	(2,721)	(2,196)	+23.9	(705)	(748)	(642)	(626)
Reversal of an impairment loss on non-current assets	-	2,639	(100.0)	2,639	-	-	-
Profit or loss on sales	1,253	5,029	(75.1)	438	145	102	568
PROFIT/LOSS FOR THE PERIOD	239	3,178	(92.5)	117	(57)	(60)	239
Depreciation/amortisation recognised in profit or loss	(937)	(777)	+20.6	(196)	(257)	(231)	(253)
Adjusted EBITDA*	2,190	3,167	(30.8)	634	402	333	821

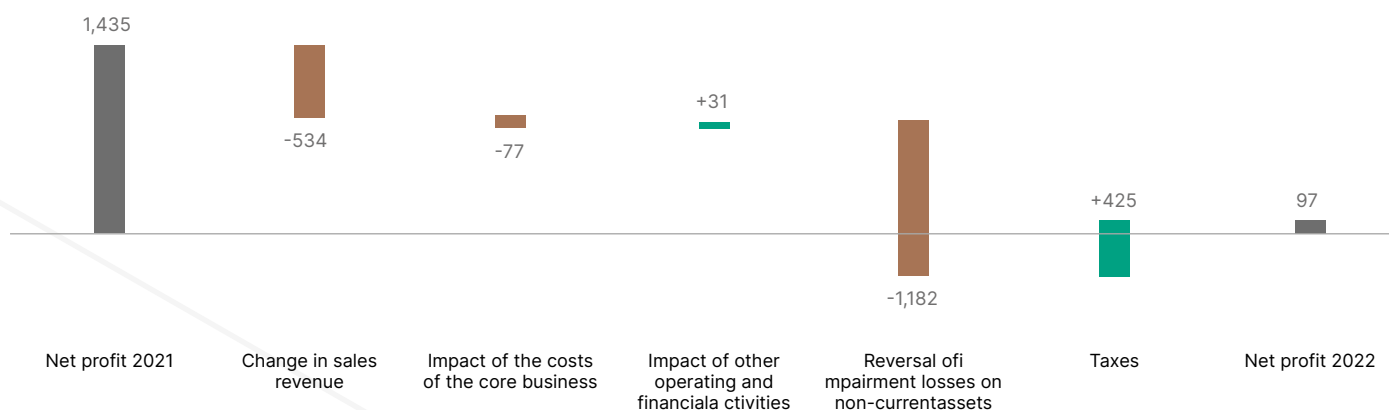
A summary of key factors affecting revenue and costs, and therefore EBITDA, is presented in the following description of the main factors affecting the USD 1,338 million decrease in Sierra Gorda S.C.M.'s net result.

* Adjusted EBITDA = profit on sales + depreciation/amortisation (recognised in profit or loss) + impairment loss (-reversal of impairment losses) on non-current assets, recognised in cost of sales, selling costs and administrative expenses

Key factors affecting the change in the Sierra Gorda S.C.M. segment's financial result

Item	Description
Decrease in sales revenue – impact on profit/loss: – USD 534 million	<p>Lower Cu sales revenue (–USD 440 million), primarily due to:</p> <ul style="list-style-type: none"> less favourable pricing factors (–USD 248 million) decrease in sales volume by 20 kt (–USD 180 million) increase in transport and refining charges (–USD 13 million) <p>Lower Mo sales revenue (–USD 91 million), primarily due to:</p> <ul style="list-style-type: none"> less favourable pricing factors (–USD 39 million) decrease in sales volume (–USD 54 million) <p>Impact of other factors:</p> <ul style="list-style-type: none"> decrease in Ag and Au sales revenue (–USD 2 million)
Change in cost of sales, selling costs and administrative expenses – impact on profit/loss	<p>The increase in cost of sales, selling costs and administrative expenses (before taking into account the reversal of impairment losses in 2021) was caused primarily by the significantly higher price levels of materials, fuels and energy prices in 2022 (–USD 77 million)</p> <p>In 2021, the bottom line took into account the reversal of impairment losses on non-current assets effected in previous years (+USD 1,182 million). As at the end of 2022, Sierra Gorda did not post any impairment losses/reversal of any impairment losses on non-current assets</p>
Impact of other operating activity and financing activity +USD 31 million	<ul style="list-style-type: none"> greater loss on other operating activities (–USD 3 million) smaller loss on financing activities (+USD 34 million), primarily due to the lower interest expenses resulting from repayments of the mine construction loan granted by the Sierra Gorda S.C.M. Owners (repayment of USD 560 million in 2021 and USD 350 million in 2022)
Taxes +USD 425 million	<ul style="list-style-type: none"> Income tax +USD 394 million (pre-tax profit of USD 169 million v. USD 1,931 million in 2021) other, including mining tax +USD 31 million

Change in Sierra Gorda S.C.M.'s net result (in USD million)*



* Cost of sales, selling costs and administrative expenses excluding impairment losses/reversal of impairment losses on property, plant and equipment

Economic performance of other segments

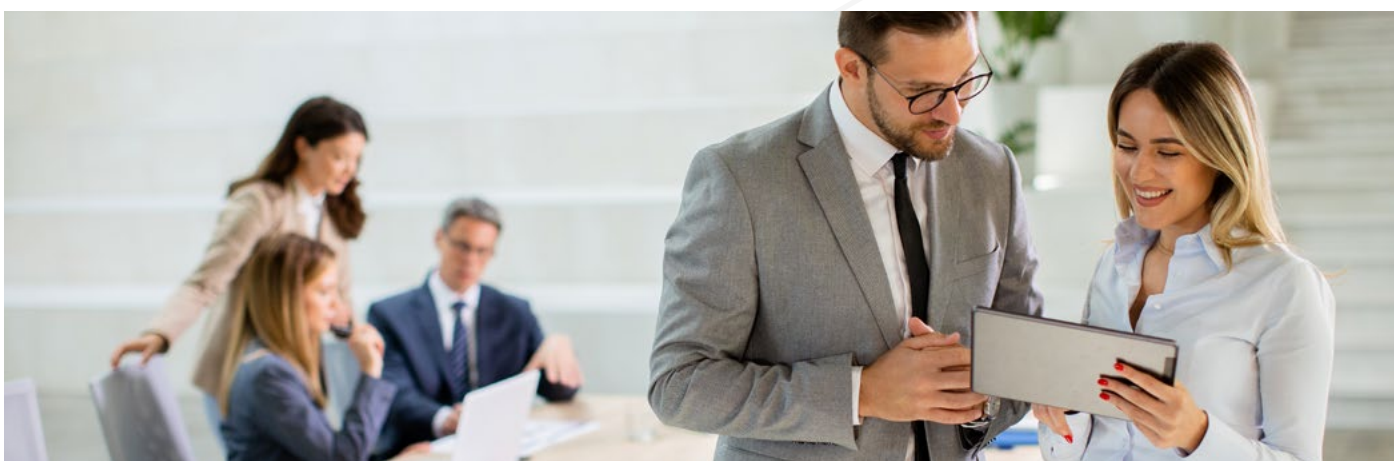
The companies comprising other segments are those that pursue very diverse lines of business. They include companies that support the core production business as well as those that are non-operational or play an important role in the pursuit of the corporate social responsibility policy.

Financial performance of other segments (before consolidation adjustments)

	2022	2021	Change (%)	Q4 22	Q3 22	Q2 22	Q1 22
Sales revenue	12,889	10,329	+24.8	3,304	3,061	3,469	3,055
of which from external customers	2,766	2,468	+12.1	715	664	672	715
Net profit/loss on sales	2	(39)	x	(36)	33	46	(41)
Profit/loss for the period	(51)	(140)	(63.6)	(51)	28	25	(53)
Depreciation/amortisation recognised in profit or loss	(273)	(258)	+5.8	(70)	(67)	(68)	(68)
Adjusted EBITDA*	274	346	(20.8)	32	100	115	27

In 2022, other segments recorded a loss on sales, prior to recognition of consolidation adjustments, in the amount of PLN 51 million, an improvement as compared to 2021 by PLN 89 million (the net loss in 2021 was PLN 140 million).

The total net result is a compilation of the performance of individual KGHM Group companies, excluding transactions executed between companies belonging to the same segment.



* Adjusted EBITDA = profit on sales + depreciation/amortisation (recognised in profit or loss) + impairment loss (-reversal of impairment losses) on non-current assets, recognised in cost of sales, selling costs and administrative expenses

Sales revenue generated by KGHM Group companies (excluding intersegment revenue)

Sales revenue in 2022	From external customers	From KGHM Polska Miedź S.A.	TOTAL
Metraco S.A.	222	5,892	6,114
Mercus Logistyka Sp. z o.o.	70	1,121	1,190
PeBeKa S.A.	52	883	935
Energetyka Sp. z o.o.	128	732	860
Centrozłom Wrocław S.A.	812	2	814
KGHM ZANAM S.A.	63	683	746
NITROERG S.A.	319	216	535
WPEC S.A. in Legnica	251	7	258
Miedziowe Centrum Zdrowia S.A.	225	31	256
POL-MIEDŹ TRANS Sp. z o.o.	51	173	224
Other	573	383	956
TOTAL	2,766	10,123	12,889

Metraco S.A. is the largest buyer of copper scrap in Poland and Central and Eastern Europe, specialising in providing comprehensive services to KGHM Polska Miedź S.A. in supplying scrap metal used by metallurgical plants for production.

Mercus Logistyka Sp. z o.o. acts as a logistics operator for KGHM Polska Miedź S.A., supplying the necessary materials and goods.

PeBeKa S.A. executes construction projects for KGHM Polska Miedź S.A., specializing in mining, drilling, tunnelling and infrastructural projects.

Energetyka Sp. z o.o. is involved in supplying petroleum fuels to KGHM Polska Miedź S.A. and in the production, transmission and distribution of heat.

Centrozłom Wrocław S.A. is not involved in any operations directly supporting KGHM Polska Miedź S.A. Its lines of business include the purchase, processing and sale of steel, iron and non-ferrous metal scrap (copper, bronze, brass, aluminium and zinc).

The best net sales performance was generated by: KGHM ZANAM S.A. (PLN 36 million), Metraco S.A. (PLN 31 million), PeBeKa S.A. (PLN 21 million) and NITROERG S.A. (PLN 16 million). At the other end of the spectrum, Zagłębie Lubin was the worst performer (-PLN 18 million). The adjustment of the net result on sales for intersegment trade (generated between subsidiaries) was PLN 122 million, representing an excess of intersegment revenue over costs, including production costs.

KGHM in the capital market

Shareholding structure

As at 31 December 2022 and as at the date of signing this report, the share capital of the Company, in accordance with the entry in the register of entrepreneurs of the National Court Register, amounted to PLN 2,000 million and was divided into 200 million shares, series A, fully paid, having a face value of PLN 10 each. All shares are bearer shares. The Company has not issued preference shares. Each share grants the right to one vote at the general meeting. The Company does not hold any treasury shares.

In 2022 and 2021, there was no change in either registered share capital or in the number of outstanding shares issued. Moreover, in 2022 and 2021 there were no changes in the ownership structure of significant blocks of shares of KGHM Polska Miedź S.A.

The Company's shareholder structure as at 31 December 2022, established on the basis of notifications received by the Company pursuant to art. 69 of the Act on public offerings and conditions governing the introduction of

financial instruments to organised trading, and on public companies, was as follows:

Shareholding structure of KGHM Polska Miedź S.A. as at 31 December 2022

Shareholder	Number of shares/votes	Interest in the share capital /total number of votes
State Treasury*	63,589,900	31.79%
Nationale-Nederlanden Otwarty Fundusz Emerytalny**	10,104,354	5.05%
Aviva Otwarty Fundusz Emerytalny Aviva Santander***	10,039,684	5.02%
Other shareholders	116,266,062	58.14%
Total	200,000,000	100.00%



* Based on a notification received by the Company dated 12 January 2010

** Based on a notification received by the Company dated 18 August 2016

*** Based on a notification received by the Company dated 17 July 2018

On 5 January 2023, the Company was informed about the merger of Powszechne Towarzystwo Emerytalne Allianz Polska Spółka Akcyjna (PTE Allianz Polska S.A.) and Aviva Powszechne Towarzystwo Emerytalne Aviva Santander Spółka Akcyjna. As a result of the merger, the total balances in the accounts of the funds managed by PTE Allianz Polska S.A. are: Allianz Otwarty Fundusz

Emerytalny, Allianz Polska Dobrowolny Fundusz Emerytalny and Drugi Allianz Polska Otwarty Fundusz Emerytalny hold 12,241,453 shares in KGHM Polska Miedź S.A., representing 6.12% of the Company's share capital.

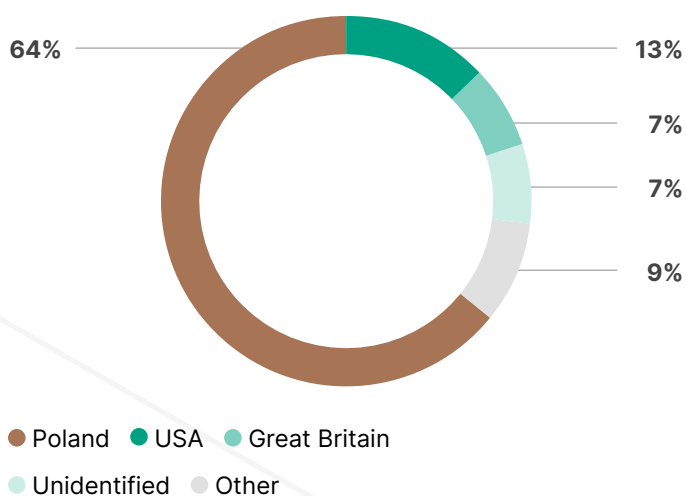
The Company's shareholding structure at the date of signing this report is as follows:

Shareholding structure of KGHM Polska Miedź S.A. as at the date of signing of the Management Report

Shareholder	Number of shares/votes	Interest in the share capital/ total number of votes
State Treasury	63,589,900	31.79%
Powszechne Towarzystwo Emerytalne Allianz Polska Spółka Akcyjna*	12,241,453	6.12%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	10,104,354	5.05%
Other shareholders	114,064,293	57.04%
Total	200,000,000	100.00%

Other shareholders, whose combined interest in the share capital and in the total number of votes amounts to 57.04%, are mainly institutional investors, both international and domestic.

Geographic shareholder structure of KGHM Polska Miedź S.A. as of the date this report was signed (%) (Source: CMi2i, February 2023)



In 2022, the Company did not have an employee share incentive program in place.

* Total holdings of funds managed by Powszechne Towarzystwo Emerytalne Allianz Polska Spółka Akcyjna: Allianz Otwarty Fundusz Emerytalny, Allianz Polska Dobrowolny Fundusz Emerytalny and Drugi Allianz Polska Otwarty Fundusz Emerytalny

Bonds issued by KGHM Polska Miedź S.A.

On 27 May 2019 an issue agreement was signed under which the Management Board of KGHM Polska Miedź S.A. established a bond issue programme up to the amount of PLN 4 billion. The Parties to the Issue Agreement were KGHM Polska Miedź S.A. as Issuer and Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, Bank Handlowy w Warszawie Spółka Akcyjna, Bank Polska Kasa Opieki Spółka Akcyjna and Santander Bank Polska Spółka Akcyjna as Organisers and Dealers. The issue took place in June 2019, and the maximum total nominal value of bonds amounted to PLN 2 billion. Under the Bond Issue Program,

Series A and Series B bonds were issued. The bond offer was made through a private placement and was directed toward no more than 149 investors and was offered exclusively in Poland.

On 20 September 2019, by a resolution of the Management Board of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) bearer bonds Series A and Series B of KGHM Polska Miedź S.A. were introduced to the alternative trading system on the Catalyst bond market. The first day of trading of the bonds on the Alternative Trading System was set at 3 October 2019.



KGHM Polska Miedź S.A. at the Warsaw Stock Exchange

KGHM Polska Miedź S.A. debuted on the Warsaw Stock Exchange (WSE) in July 1997. The Company's shares are traded on the primary market of the WSE in the continuous trading system and are a component of the WIG, WIG20 and WIG30 main indices as well as the WIG-ESG index published since 3 September 2019, comprising listed companies which adhere to the principles of corporate social responsibility.

KGHM Polska Miedź S.A. is also a component of the sector index WIG-Mining and is a component company of the prestigious FTSE4Good Index Series. The FTSE4Good Index Series is part of the group of ethical investment indicators, reflecting criteria of corporate social responsibility and ESG risk management.

The year 2022 brought a general deterioration of sentiment on the stock exchange due to existing uncertainty as to the development of the global macroeconomic situation in reaction to the armed conflict resulting from Russia's aggression against Ukraine and the continued consequences of the coronavirus pandemic.

During the analysed 12-month period of 2022, the highest price that investors were prepared to pay

for the Company's shares, PLN 182.20, was recorded on 24 March. The subsequent falling trend that lasted for several months meant that on 28 September the share price of KGHM Polska Miedź S.A. reached its minimum at PLN 84.22. At the end of the year, the Company's share price began to rise, and at the close of trading on 30 December it stood at PLN 126.75. Nevertheless, the share price of the Company fell by 9.1% compared to the share price from the last trading day of 2021.

The aforementioned factors also had a significant impact on the price of copper – the Company's main product – which fell to 8,387 USD/t, or by 13.5% compared to the price at the end of 2021, alongside an increase in the average USD/PLN exchange rate by 8.4%.

The effects of the macroeconomic situation were also reflected in the stock market indices WIG, WIG20 and WIG30, which decreased respectively by 17.08%, 20.95% and 20.88%. A similar situation prevailed in terms of the London-based FTSE 350 mining index – comprised of companies from the mining sector listed on the London Stock Exchange – which from the start of the year fell by 43.3% compared to its level at the end of 2021.

Percentage change in the share price of KGHM Polska Miedź S.A. versus the WIG index and FTSE 350 mining indices (compared to the price from the last trading day in 2021) (source: own work, Bloomberg)



Key share price data of the Company on the Warsaw Stock Exchange in 2021-2022

(source: proprietary material, WSE Statistic Bulletin for 2021 and 2022, Bloomberg)

Ticker: KGH, ISIN: PLKGHM000017	Unit	2022	2021
Number of shares issued	million	200	200
Market capitalisation of the Company at year's end	PLN bn	25.4	27.9
Average trading volume per session	shares	727,127	584,783
Turnover	PLN million	23,189.58	26,308.89
Change in share price from the end of the prior year	%	-9.1	-23.8
Highest closing price during the year	PLN	182.20	223.80
Lowest closing price during the year	PLN	84.22	133.10
Closing price from the last day of trading in the year	PLN	126.75	139.40

Dividend

In accordance with Resolution No. 6/2022 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 21 June 2022 on the distribution of profit for 2021 in the amount of PLN 5,169 million, the profit was allocated as follows: PLN 600 million was earmarked for a dividend to shareholders (PLN 3.00 per share) and PLN 4,569 million was transferred to the Company's supplementary capital. The Ordinary General Meeting of KGHM Polska Miedź S.A. set the dividend date for 2021 at 7 July 2022, and the dividend payment date for 2021 at 14 July 2022.

All shares in the Company are ordinary shares.

Investor relations

The Investor Relations team, on behalf of the Management Board of KGHM Polska Miedź S.A., maintains an open dialogue with capital market participants pursuant to its policy of ensuring a transparent company and adherence to Warsaw Stock Exchange Best Practices. The Company fulfils its disclosure obligations by publishing regulatory filings and periodic reports via the official reporting system (ESPI).



2022 was another year of intense activities by KGHM Polska Miedź S.A. in terms of communicating with investors.

Key actions taken by the Company were as follows:

Investor conferences in Poland and abroad	The Company actively meets with investors and analysts in Poland and abroad during conferences organised by brokers. In 2022, the Company took part in more than a dozen investor conferences and in about 100 meetings with portfolio managers and analysts representing investment and pension funds as well as other asset management firms.
Results conferences	The Investor Relations Department organises meetings with the Management Board to discuss the financial results of the Company and Group. In 2022, the publication of financial results was accompanied by results conferences open to all stakeholders via webcasts in Polish and English, with the possibility of submitting questions by email. Video recordings of these conferences are available on the Company's website, www.kghm.com , in the section Investors.
Capital Market Days	The Company regularly organises events for the capital market. This type of meeting is aimed at familiarising investors with the degree of advancement of the development strategy as well as with the current operating and financial situation of the Group and its individual assets. In September 2022, following a break caused by the pandemic, the Investor Relations Department, in cooperation with the Individual Investors Association (Stowarzyszenie Inwestorów Indywidualnych), organised an Individual Investors Day in the Company. The invited guests visited the mines, the Precious metals Plant at the Głogów Copper Smelter and Refinery, and also the Tailings Division with its new Southern Quarter. This was followed by presentations by senior management and a joint panel discussion at the Head Office of KGHM Polska Miedź S.A., where subjects involving finances, strategy, production and the macroeconomic situation were discussed.
WallStreet 26 conference	In 2022, KGHM Polska Miedź S.A. once again actively participated in the WallStreet conference and was a Main Partner of the 26th edition of the conference. During the conference, representatives of KGHM took part in a panel discussion, gave a lecture and granted an interview to the quarterly „Akcjonariusz” (“Shareholder”). On the conference website, throughout the event, KGHM's virtual stand was available.
Investor chats	Representatives of the Company are available to individual investors during on-line chats. These are organised on a regular basis following the publication of the Company's results. In 2022, four investor chats were held.
Quarterly IR Newsletter	The initiative related to publication of the IR Newsletter for Investors was continued, which summarises the most important quarterly events and is distributed to subscribers via email. The goal of the IR Newsletter is to assure its recipients with an accurate source of knowledge about KGHM and the global copper market and to facilitate analysis and assessment of the possibilities associated with investing in the Company's shares.
KGHM IR profile on LinkedIn	A KGHM Investor Relations profile was created on the social media platform LinkedIn, which is dedicated to investors and analysts. This is a place where we share news which might be of interest to capital market participants.
IR Release	Information for investors and analysts on important events for the Company and Group. The IR Release is a cyclical announcement published after the disclosure of the quarterly results and distributed by email, and is also available to all stakeholders on the Company's corporate website.

In 2022, analytical reports on KGHM Polska Miedź S.A. were published by nine sell-side analysts based in Poland and eight based abroad.

List of brokerage houses preparing analytical reports on KGHM Polska Miedź S.A.

Poland		
Biuro Maklerskie mBanku	Dom Maklerski BOŚ	Santander Biuro Maklerskie
Dom Maklerski Banku Handlowego	Erste Group	IPOPEMA Securities
Biuro Maklerskie PKO BP	Trigon Dom Maklerski	Biuro Maklerskie Pekao
Abroad		
Bank of America Merrill Lynch	Global Mining Research	Goldman Sachs
Morgan Stanley	UBS	WOOD & Company
JP Morgan	EVA Dimensions	

Awards and distinctions

BEST PRACTICE

In 2022, once again the Central Institute for Labour Protection – the National Research Institute awarded KGHM with the Card of the Safe Work Leader. KGHM is the only representative of underground mining and metal processing sector to receive this award.

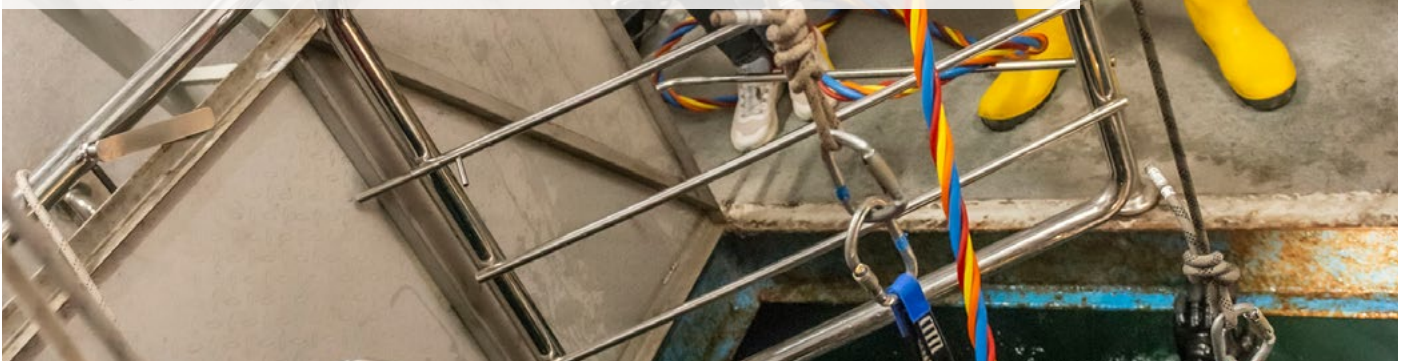
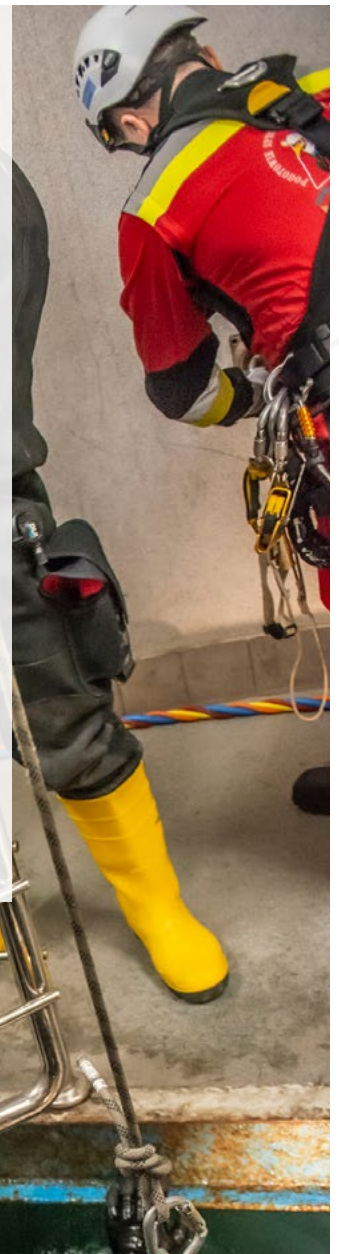
KGHM Polska Miedź S.A. has been a member of the Safe Work Leaders Forum since 2000.



“ Our ambition is to achieve the long-term goal of ‘zero accidents’ for personal or technical causes and occupational diseases. This is a big challenge for us, but we believe that even in the mining industry this objective is achievable. Very few industries take the issue of safety as seriously as ours. We apply numerous technical measures to ensure that the rock mass tremors that occur in our mines are provoked in areas and at times when no crews are working. We attach a great deal of significance to this, as we cannot fully control natural hazards, but many accidents can be avoided with the right attitude, caution and appropriate clothing and personal protective equipment.

Marek Świder

KGHM's Vice President for Production



Selected awards and distinctions awarded to KGHM Polska Miedź S.A. in 2022:

- first place in the non-financial companies category in Rzeczpospolita's ranking of the Most Important Companies for Poland;
- second place in the competition of the Humanites Institute for the implementation of the campaign Two Hours for the Family,
- the Decoration of Honour "Meritorious for Polish Culture" award – distinction awarded by the Ministry of Culture and National Heritage and the Union of Entrepreneurs and Employers;
- "Ace" of the Employers' Organization of Polish Copper – in the "Best Practices" category, the Communication Department of KGHM Polska Miedź S.A. was awarded for the CSR policy in the implementation of social programs. Whereas, in the "Legislation" category, the award went to the Regulatory Department of KGHM for the highly professional level of submitted opinions and expert opinions;
- 2022 Super Business Golden Laurel award in the "Innovation" category;
- Golden Emblem of the Highest Quality Programme. The award in the QI ORDER category for anti-corruption management system according to ISO 37001;
- 'Trustworthy Employer' in the 'Education' category for its activities and cooperation with institutions, schools and organisations involved in science, training and education of young people;
- 'Patron of Culture' – Award from the Minister for Culture and National Heritage;
- Award of the Copper Belt NGO Academy for its work for the people of the region;
- The Best Annual Report 2021 organised by the Institute of Accounting and Taxes – the distinction was awarded to the Consolidated Financial Statements of KGHM Polska Miedź S.A. Group for 2021;
- Award in the "National Champions" ranking, organised by Polityka Insight.





Awards and distinctions in 2022 for investor communication and capital market activities:

- Best Investor Relations amongst individual investors – 1st place for the KGHM IR Team as judged by individual investors, in a survey on IR quality by the newspaper „Parkiet” and the Chamber of Brokerage Houses,
- Partner 25-lecia – the Individual Investors Association granted KGHM Polska Miedź S.A. the award „Partner 25-lecia” (25-year partner) during WallStreet 26, Poland’s largest meeting of individual investors.
- The Best of the Best – KGHM Polska Miedź S.A. was again awarded the title The Best of The Best in the competition „The Best Annual Report 2021” organised by the Institute of Accounting and Taxes,

Moreover, the KGHM Polska Miedź Foundation received an award for its support for the “ “Help Poles in the East Campaign”.



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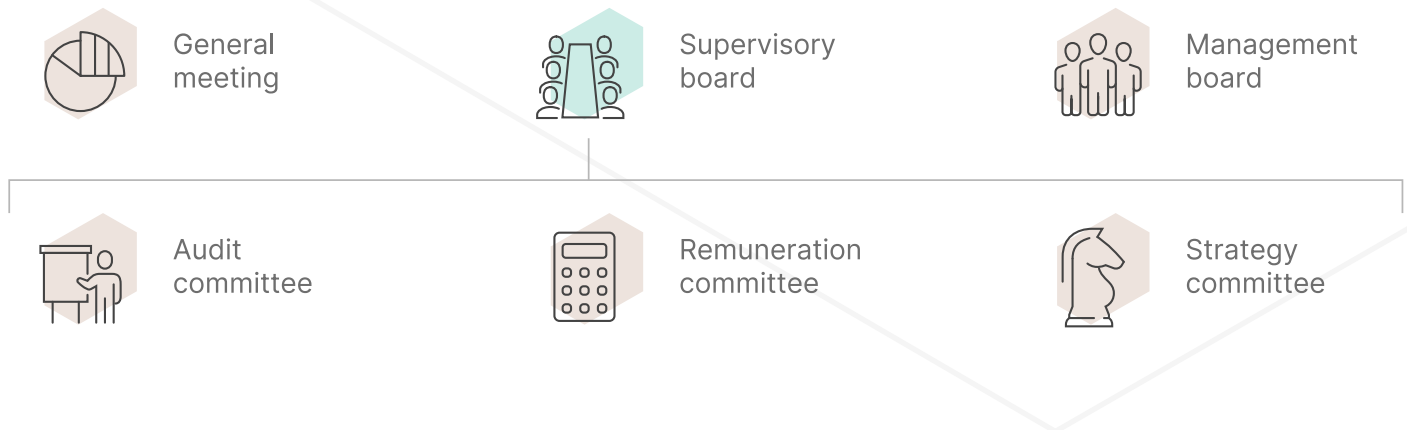
Governance and ethics

Corporate governance

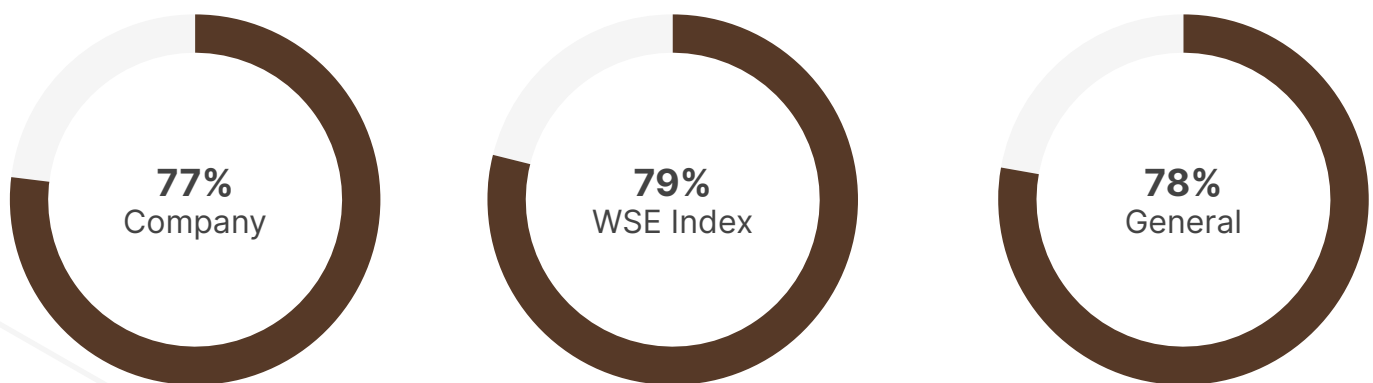
KGHM Polska Miedź S.A. strives at every stage of its operations to apply the principles contained in the document entitled Best Practice for GPW Listed Companies 2021 to the greatest possible extent, taking into account the principles of proportionality and adequacy as well as sector-specific aspects.

Application of corporate governance

Corporate governance structure at KGHM Polska Miedź S.A.



COMPLY ratio by KGHM Polska Miedź S.A.



To increase interest in the subject of corporate governance and the engagement of shareholders in the affairs of companies, the Warsaw Stock Exchange created a benchmark for companies which, through the EBI system, provided information about their current state of application of the principles of DPSN 2021. The COMPLY ratio used for this purpose was defined as the relation

of principles applied to the total number of principles applied and not applied (the response „not applicable” are excluded from the calculation). KGHM Polska Miedź S.A. applies the principles of DPSN 2021 at a comparable level to that declared by companies comprising the WSE’s index, or taking into consideration all of the companies which published a report.

KGHM Polska Miedź S.A., under the principles indicated in section 1 of DPSN 2021, strives to achieve the goal of ensuring quality investor communications and pursuing a transparent and fair disclosure policy in the interest of all market participants and its own interest.

In accordance with the published statement on the Company's compliance with the principles contained in chapter 1 of DPSN 2021, the following principles regarding informational policy and communication with investors are partially applied:

Principle 1.3.1 involving the integration of ESG factors in the business strategy, in particular environmental factors, including measures and risks relating to climate change and sustainable development.

The principle is partially applied. In connection with the publication of the Climate Policy of KGHM Polska Miedź S.A. as a directional document, whose chief goal is to present the climate-related ambitions of the Company and to set forth the scope of process and organisational changes needed to achieve them, the Company is currently working on detailed solutions related among others to the operationalisation of the Strategy in this regard. The Climate Policy will be followed by the Decarbonisation Program of the KGHM Group, which will provide details on how the planned reduction goals will be attained, as well as total capital expenditures on the realisation of activities aimed at reducing emissions of greenhouse gases.

Principle 1.3.2 involving the integration of ESG factors in the business strategy, in particular social and employee factors, including among others actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employees' rights, dialogue with local communities, customer relations.

The principle is partially applied. The Company regularly publishes a broad range of information on its actions as regards social and employee issues, proper working conditions, respecting employee rights, dialogue with local communities and relations with its customers and stakeholders. In accordance with upcoming regulations, such as the SFDR, the Company will soon be providing information regarding employment at senior management levels broken down by gender as well as information on current and planned actions aimed at ensuring gender equality.

Principle 1.4.1 pursuant to which a company shall publish on their website information concerning the framework of the ESG strategy, which should among others explain how the decision-making processes of the company and its group members integrate climate change, including the resulting risks.

The principle is partially applied. In connection with the publication of the Climate Policy of KGHM Polska Miedź S.A. as a directional document, whose chief goal is to present the climate-related ambitions of the Company and to set forth the scope of process and organisational changes needed to achieve them, the Company is currently working on detailed solutions in this regard.



The Company maintains effective internal control, risk management and compliance systems, as well as an effective internal audit function, appropriate to the size and specifics of the KGHM Polska Miedź S.A. Group. The Company has separate units in its structure responsible for the tasks of individual systems and functions.

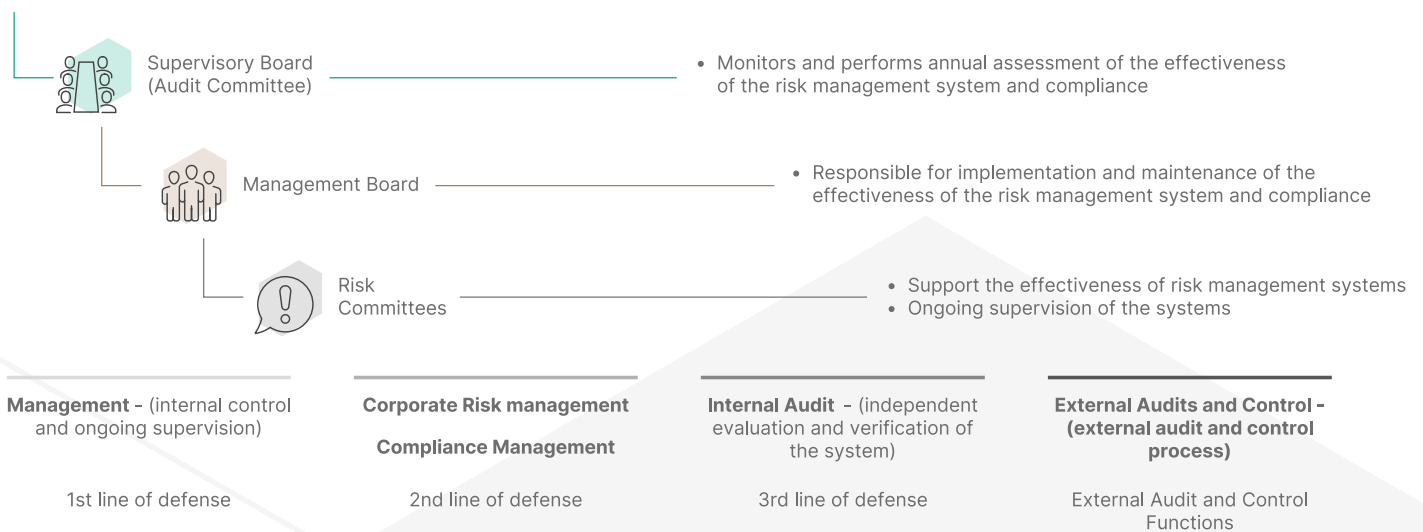
The Supervisory Board prepares and submits to the Ordinary General Meeting for its approval an annual report which includes, among other things, an assessment of the Company's situation on a consolidated basis, taking into account the assessment of the internal control, risk management and compliance systems and the internal audit function, along with information on the steps the Supervisory Board took to make this assessment.

The Supervisory Board's assessment covers all relevant controls, including in particular those relating to reporting and operations, and is prepared on the basis of, among other things, information received from the Management Board and risk and compliance managers, and the head of internal audit regarding the effectiveness of these

functions, discussions held with the Management Board and other persons invited to the Supervisory Board meeting, and taking into account the financial statements, the Management Board's report on the activities of KGHM Polska Miedź S. A. and the KGHM Polska Miedź S.A. Group, and taking into account the conclusions of the auditor's examination of the Company's accounts and other audits.

In the areas of corporate risk, compliance and internal control systems (including financial reporting), the Audit Committee conducts regular monitoring of these functions. The responsibility for the performance of commitments and roles within these systems reflect the principles applicable in the organisation regarding the distribution of competence at various operational and management levels and supports the achievement of defined business objectives. According to the adopted diagram 26, the Company follows the Three Lines of Defence (3LoD) model, placing risk management by business units and risk owners and controls in the company's operational processes on the first line, the risk management support function on the second, and internal audit controlling the other lines on the third.

Diagram of the Three Lines of Defence in the risk management system of KGHM Polska Miedź S.A.



According to the published Information on the status of the Company's application of the principles contained in Chapter III of the DPSN 2021 set, the following principles for systems and functions are partially applied or not applied:

Principles set out in Chapter III of the DPSN 2021 set applied partially or not applied in KGHM Polska Miedź S.A. in 2022

Principle 3.3. under which a company belonging to the WIG20, mWIG40 or sWIG80 index appoints an internal auditor to head the internal audit function, operating in accordance with generally recognized international standards of professional internal audit practice. In other companies where an internal auditor meeting the above requirements has not been appointed, the audit committee (or the supervisory board, if it performs the functions of the audit committee) assesses annually whether there is a need to appoint such a person.

The principle is partially applied. The Company has appointed an Executive Director for Audit. Due to the failure to meet all the criteria for independence as defined by generally recognized international standards of professional practice for internal auditing, the Company applies the principle in part.

Principle 3.4. regarding the remuneration of those responsible for risk management and compliance and the head of internal audit, which should be based on the performance of assigned tasks and not on the short-term performance of the company.

The principle is partially applied. The remuneration of those responsible for risk management and compliance and the head of internal audit in the Company is based on the Company's internal regulations and the Company's Collective Labour Agreement, which make part of the remuneration dependent on the Company's net result for the year and the level of EBITDA. Currently, remuneration depends in part on the completion of assigned tasks.

Principle 3.5 under which those responsible for risk management and compliance report directly to the president or another management board member.

The person responsible for risk and compliance management reports organisationally to the Executive Director for Audit, but in accordance with the Company's Organisational Regulations, he or she is granted autonomy expressed in, among other things, direct reporting to the Management Board and the Supervisory Board Audit Committee.

According to the published Information on the status of the Company's application of the principles contained in Chapter III of the DPSN 2021 set, the following principle relating to systems and functions does not apply to the Company:

Principle 3.7 stating that principles 3.4-3.6 also apply to the company's material group entities if they have designated persons to perform these tasks.

- (See principle 3.4 – Remuneration of those responsible for risk management and compliance and the head of internal audit should be based on the performance of assigned tasks and not on the short-term performance of the company)

The principle does not apply to the Company. No persons have been appointed in the Company's group entities to perform the tasks indicated in principles 3.4-3.6, but persons have been appointed in the Company's group entities to act as risk coordinators who report directly to those responsible for risk and compliance management in the parent entity (i.e. the Company). In addition, once the IT tool for the compliance function is completed, compliance coordinators are planned to be appointed in the aforementioned companies. The Company will also consider, in the case of entities from its group, building a structure that complies with principles 3.4.-3.6. with respect to risk and compliance management functions. With regard to the audit function, the tasks in the Company's group entities are carried out by the Internal Audit Department of the parent entity (Company).

- **Principle 3.5** – Those responsible for risk management and compliance report directly to the president or another management board member.
- **Principle 3.6** – The head of internal audit reports organisationally to the president of the management board and functionally to the chairman of the audit committee, or to the chairman of the supervisory board if the board serves as an audit committee

The Parent Entity's Management Board

GRI: 2-9, 2-10, 2-11, 2-12, 2-13, 2-14, 2-15, 2-17, 2-18

The scope of the Management Board's responsibilities includes all aspects of the Company's affairs, except for the instances reserved in the Commercial Companies and Partnerships Code and the Statutes of the Company and other mandatory provisions of law as regards the competences of the General Meeting of KGHM Polska Miedź S.A. or the Supervisory Board of KGHM Polska Miedź S.A.

The principles of appointing and dismissing the Members of the Management Board

According to the Company's Statutes, the Management Board of the Company shall be composed of 1 to 7 persons, appointed to a mutual term of office. The term of office of the Management Board lasts three consecutive years. The number of members of the Management Board shall be determined by the Supervisory Board of KGHM Polska Miedź S.A., which appoints and dismisses the President of the Management Board and the Vice Presidents.

The KGHM Polska Miedź S.A. Supervisory Board appoints the members of the Management Board following the conduct of qualification proceedings, the goal of which is to review and evaluate the qualifications of candidates and to select the best candidate for a member of the Management Board. Members of the Management Board may be dismissed by the Supervisory Board of KGHM Polska Miedź S.A. prior to the expiration of their term, which shall not interfere with their rights arising from their employment contract or other legal relationship relating to their functioning as a member of the Management Board.

The manner of operation of the Management Board

The Management Board acts on the basis of established law, the Statutes of the Company and the Bylaws of the Management Board of KGHM Polska Miedź S.A. The Bylaws of the Management Board of KGHM Polska Miedź S.A. and Statutes of the Company is publicly available at the corporate website at kghm.com/en/investors/corporate-governance.

The work of the Management Board shall be organized by its President. In the event of a vacancy in the position of the President of the Management Board or during a break in his/her management operations, the powers of the President of the Management Board to convene and conduct meetings, as well as to pass resolutions of the Management Board outside the meeting, shall be exercised by a Member of the Management Board authorized by the President of the Management Board, or in the absence of an actual possibility of issuing or delegating authorisation by the most senior Member of the Management Board. Members of the Management Board are obliged to participate in meetings of the Management Board.

The presence of at least two-thirds of the Management Board at a meeting shall be required in order for resolutions to be valid. Resolutions of the Management Board shall be adopted by an ordinary majority of votes of those present. In the case of a tie, the President of the Management Board has the deciding vote. The Resolutions of the Management Board are taken in open voting, unless the law provides otherwise or at least one of Members of the Management Board requests a secret ballot. In justified circumstances, voting shall be permitted through written means, or through the use of long-distance means of direct communication. A resolution passed in this manner shall be valid if all Members of the Management Board were informed of the wording of the proposed resolution and at least two-thirds of the Management Board participated in the vote.



BIOGRAMS AND RESPONSIBILITIES OF MANAGEMENT BOARD MEMBERS

Tomasz Zdzikot – President of the Management Board

From April 2020 he served as President of the Management Board of Poczta Polska S.A. He is also deputy chairman of the supervisory board of EXATEL S.A. In the years 2020-2021 he was chairman of the supervisory board of Poczta Polska Usługi Cyfrowe Sp. z o.o.

From November 2021 Chairman of the Social Advisory Team of the Minister of National Defence for Cyber Security. In December 2021 he was appointed by the President of the Republic of Poland Andrzej Duda to the Council for Security and Defence under the National Development Council.

Previously (2018–2020) he worked in the position of Secretary of State in the Ministry of National Defence.

In these years he also served in the function of Plenipotentiary to the Minister of National Defence for Cybersecurity. He was responsible among others for developing, implementing and advancing the program to enhance the capabilities of the Polish Armed Forces to operate in cyberspace.

From 2015 as a Deputy Minister he was associated with the Ministry of the Interior and Administration. He was also Government Plenipotentiary for Preparing State Administration Bodies for Cooperation with the Schengen Information System and Visa Information System.

In the past, he also served as an advisor to the Deputy Mayor of Warsaw and advisor to the Masovian Voivode. He was vice president of Centrum Bankowo-Finansowe „Nowy Świat” S.A. – a State Treasury company, and of the University of Warsaw Foundation. For many years he worked in the Legal Department of the Office of the National Broadcasting Council, including as deputy director of the department.

Attorney-at-law, member of the Warsaw Bar Association, graduate of the Faculty of Law at Cardinal Stefan Wyszyński University in Warsaw and of doctoral studies at the Institute of Legal Sciences of the Polish Academy of Sciences. He has also completed, among others,



the Top Public Executive program organised by the IESE Business School in Barcelona and Lech Kaczyński National School of Public Administration, as well as MBA studies in Cybersecurity at the Cybernetics faculty of the Jarosław Dąbrowski Military University of Technology in Warsaw, as well as Post-Graduate Studies in Cybersecurity at the faculty of Command and Naval Operations of the Heroes of Westerplatte Naval Academy in Gdynia.

COMPETENCIES:

- management of corporate risk, compliance and internal audit and control
- the Company's Strategy and Sustainable Development Policy
- security and preventing losses
- corporate governance
- activities related to communications and corporate image-building and relations with the external business environment
- human resources management
- development projects in the field of energy
- providing legal services to the Company's bodies with the exception of the Supervisory Board
- acting Vice President of the Management Board (Development)20
- R&D policy, innovation and intellectual property
- investment and development processes
- managing projects and programs
- development of resources base in Poland
- purchasing processes
- development of the mining and production structure



Mateusz Wodejko – Vice President of the Management Board (Finance)

From October 2022 served as Executive Director for Investments and Executive Director for Strategy in KGHM Polska Miedź S.A.

From October 2020 to October 2022

he served as Vice President of the Management Board (Finance) in Poczta Polska S.A. Also served as Vice President of the Management Board in the company PERN S.A. (2018-2020) and as a Member of the Management Board (finance) in the company Operator Logistyczny Paliw Płynnych Sp. z o.o. (2016-2018). Previously he also held management positions in the PGNiG and BOŚ groups as well as NBP.

He has been a member of the supervisory boards and management boards of many capital companies, where

among others he served as Chairman and Deputy Chairman.

A graduate of the Warsaw School of Economics with a major in Finance and Banking, as well as of the University of Warsaw's Institute of International Relations. He also completed postgraduate studies in Accounting and Corporate Finance at the Warsaw School of Economics. He expanded his professional competence during courses, amongst others in International Financial Reporting Standards, financial audit and internal control, as well as financial risk management as well as valuation and accounting principles of derivatives.

COMPETENCIES:

- financial and taxation policy
- accounting services
- reporting and publishing obligations
- investor relations
- the activities of the Data Centre Division (COPI)



Mirosław Kidoń – Vice President of the Management Board (International Assets)

A graduate of the Faculty of Law and Administration at the University of Warsaw.

Associated with the Group since the beginning of 2000. Until the date

of appointment to the Management Board of KGHM Polska Miedź S.A. he worked among others as a shift foreman, Senior foreman for Production and head of production in the Concentrators Division. In the years 2017-2018 he was Executive Director of the Concentrators Division of KGHM Polska Miedź S.A. and subsequently from 2018 he served as General Manager (CEO) in Sierra Gorda S.C.M. in Chile.

He was responsible for planning the development of the main production line and for managing organisational structures in the divisions of KGHM Polska Miedź S.A. as well as in companies of the KGHM Polska Miedź S.A. Group.

A graduate of Politechnika Zielonogórska (Technical University of Zielona Góra), an engineer of the Primary Technical Problems Faculty (Wydział Podstawowych Problemów Techniki) specialising in Management and Marketing. He completed post-graduate studies in „Minerals processing – Mineral engineering” at Wrocław University of Science and Technology as well as „Lean Six Sigma Transformation” at the Wrocław University of Economics and Business.

He has many years of professional experience in production management and planning as well as in the area of mining technology. He perfected his skills in companies of the KGHM Polska Miedź S.A. Group in Poland and abroad.

COMPETENCIES:

- strategy for the international assets
- developing the international resource base
- international exploration and resource projects
- substantive oversight over the international production subsidiaries
- shaping of commercial and logistics policies
- identification of international development opportunities



Marek Świder – Vice President of the Management Board (Production)

Since the start of his professional career, i.e. since 1996, he has been connected with KGHM Polska Miedź S.A., where he has held positions such as Executive

Director of the Rudna Mine, Executive Director for Mining in the International Assets, Chief Mining Engineer and Director of the Projects Management Department. In the years 2015-2016 he was responsible for production in the position of Vice President, Production Control in KGHM INTERNATIONAL LTD.

Until 14 March 2022 he served as Executive Director of the Polkowice-Sieroszowice Mine Division of KGHM Polska Miedź S.A., where he managed the production structure.

He has mainly been responsible for planning the development of the core production line, searching for and implementing new technology and methods for managing organisational structures in the copper company.

He is a graduate of Wrocław University of Science and Technology and has a Master's Degree in Mine Engineering with specialisation in techniques for mining underground deposits. He has completed post-graduate studies in costs management as well as MBA studies – Master of Business Administration.

He has many years of professional experience in strategic planning, management and mining technology which he acquired during work both in Poland and in the international production assets of the KGHM Polska Miedź S.A. Group.

COMPETENCIES:

- current production and the development of mine and metallurgical production
- occupational health and safety and control over the environmental risk
- the goals of the Energy Strategy
- management systems
- integrated supply chain management



Marek Pietrzak – Vice President of the Management Board (Corporate Affairs)

Until October 2021 he served as President of the Management Board of Orlen Asphalt Sp. z o.o. Currently, he serves as Chairman of the Supervisory Board of Polskie Radio Regionalna Rozgłośnia

w Warszawie, Radio dla Ciebie S.A. and as a member of the Supervisory Board of Alior Bank S.A. From December 2016 until October 2021 he served as a Member of the Supervisory Board of KGHM Polska Miedź S.A.

A graduate of the Department of Law and Administration of Łazarski University in Warsaw and the Private Higher School of Business and Administration in Warsaw. In 2013, he finished his legal adviser apprenticeship in the District Chamber of Legal Advisers in Warsaw and was licensed to perform the profession. He also finished management

and business studies (MBA) at the Warsaw Management University, accredited by the Apsley Business School of London and was granted the title of Executive Master of Business Administration. A graduate of post-graduate studies in Accounting and Corporate Finance of the SGH Warsaw School of Economics.

He has professional experience in public administration and practical experience in the supervision and management of commercial law companies, including those where the State Treasury is one of the shareholders.

COMPETENCIES:

- corporate oversight over subsidiaries in Poland and abroad
- the uniformity of internal regulations to maintain consistent operating principles
- ensuring legal services for the statutory bodies of the Company with regard to the Supervisory Board
- supervision of the functioning of the KGHM Polska Miedź Foundation as well as other organisations serving the public



Composition of the Management Board of KGHM Polska Miedź S.A. in 2022

	1.01-21.02	22.02-14.03	15.03-09.08	10.08-31.08	1.09-11.10	12.10-3.11	4.11-6.12	7.12-9.12	10.12-20.12	21.12-31.12
Tomasz Zdzikot ²					Vice President of the Management Board (Development)			acting Vice President of the Management Board (Finance)		
						acting President of the Management Board	President of the Management Board			
							acting Vice President of the Management Board (Development)			
Marek Pietrzak	Vice President of the Management Board (Corporate Affairs)									
Marek Świder	Vice President of the Management Board (Production) ³									
Mirosław Kidoń									Vice President of the Management Board (International Assets)	
Mateusz Wodejko										Vice President of the Management Board (Finance)
Marcin Chludziński	President of the Management Board									
Adam Bugajczuk	Vice President of the Management Board (Development)									
Paweł Gruza	Vice President of the Management Board (International Assets)									
Andrzej Kensbok	Vice President of the Management Board (Finance)									
Dariusz Świderski	Vice President of the Management Board (Production)									
Jerzy Paluchniak					Vice President of the Management Board (International Assets)					

^{1,2} Tomasz Zdzikot also served as the Acting President of the Management Board (from 12 October to 3 November 2022), acting Vice President of the Management Board (Development) (from 4 November to 31 December 2022) and as acting Vice President of the Management Board (Finance) (from 7 December 2022 to 20 December 2022).

³ Marek Świder served as the Acting Vice President of the Management Board (International Assets) from 12 October 2022 to 9 December 2022.

The Supervisory Board of the Parent Entity

The Supervisory Board of KGHM Polska Miedź S.A. is the permanent supervisory authority of KGHM Polska Miedź S.A., in all of the Company's functional areas. This function is exercised among others through the right to receive cyclical or advisory information from the Company concerning its assets, as well as important circumstances involving the Company's affairs, in particular in terms of the operations, investments and staff.

The detailed scope of duties of the Supervisory Board and the manner of its proceedings is described in the Statutes of the Company and the Bylaws of the Supervisory Board of KGHM Polska Miedź S.A.

The principles of appointing and dismissing the Members of the Supervisory Board

According to the Company's Statutes the Supervisory Board shall be composed of 7 to 10 persons appointed by the General Meeting, including at least 3 members elected by KGHM Group employees. The Supervisory Board Members are appointed for a mutual term of office, which lasts three years. Before the end of term of office the mandate of the Supervisory Board Members expires in case of resignation, death or dismissing the Member by the General Meeting.

The manner of operation of the Supervisory Board

The Supervisory Board acts on the basis of established law, the Statutes of the Company and the Bylaws of the Supervisory Board of KGHM Polska Miedź S.A. The Bylaws of the Supervisory Board of KGHM Polska Miedź S.A. and Statutes of the Company is publicly available at the corporate website at www.kghm.com.

The Supervisory Board shall select from among its members a Chairman of the Supervisory Board, his deputy and, if necessary, a Secretary.

For the validity of the Supervisory Board it is required to invite all Members of the Supervisory Board.

The Supervisory Board adopts resolutions by an absolute majority of votes in the presence of at least one-half of its members. The voting is open, unless the law provides otherwise or any Members of the Supervisory Board requests a secret ballot.

In justified instances the Supervisory Board may also pass resolutions in written form or through the use of long-distance means of direct communication. A resolution passed in this manner shall be valid if all Members of the Supervisory Board were informed of the wording of the proposed resolution and in the presence of at least one-half of the Members of the Supervisory Board.

The Supervisory Board should be convened at least once a quarter. In 2022, 14 meetings of the Supervisory Board were held. The absence of Members of the Supervisory Board was incidental and did not affect its work. In 2022, the Supervisory Board adopted five resolutions to justify the absence of a Member of the Supervisory Board at the meeting.

BIOGRAMS OF MEMBERS OF THE SUPERVISORY BOARD

Agnieszka Winnik-Kalemba – Chairwoman of the Supervisory Board

Attorney, graduate of the Department of Law of Wrocław University. She completed postgraduate studies Public Administration at Georgetown University in Washington D.C.; and of the faculty of Public Administration and Business Law at the University of Kentucky.

She passed her bar exam in 2003 under the District Bar Council in Wrocław and was licensed to work in the profession.

Since 2003 owner of a Law Office. In the years 2006-2010 served as an advisor and regular associate of the late Member of Parliament Aleksandra Natalli-Świat. In the years 1999-2003 gained experience as an apprentice attorney-at-law at Kazimierz Cyrklewicz's Law Office in Wrocław. Previously she was Manager of the Legal Services Office of the Lower Silesia Marshal's Office in Wrocław and was Legal Assistant to the Chairman of the Chamber of Regions of the European Council in Strasbourg, Parliament of the Voivodeship of Wrocław. Also gained experience as Legal Assistant in the Law Offices of Bowles, Keating, Matuszewicz & Fiordalisi Chicago – Milan – Rome, a Partnership of Professional Corporation, Chicago USA. In the years of 2006-2008 was the Member of the Supervisory Board of PKO Bank Polski S.A., and in

2016 was Deputy Chairwoman of the Supervisory Board of PKO Bank Polski S.A. Currently, she is a Member of the Supervisory Board of PKO Bank Polski S.A.

Katarzyna Krupa – Deputy Chairwoman of the Supervisory Board

Graduate of the Faculty of Management at the University of Warsaw. Employee of the Ministry of State Assets, where she is involved in supervisory work in the section responsible for the supervision of companies with a majority interest held by the State Treasury. In the years 1998-2017 she was an employee of the Ministry of the State Treasury, subsequently of the Ministry of Development, engaged in tasks involving ownership transformation and ownership supervision. She gained professional skills by working in corporate bodies. She was a member among others in supervisory boards of companies: Zakłady Azotowe Puławy S.A., Kopex S.A., Warmińsko-Mazurska Specjalna Strefa Ekonomiczna S.A.

Has many years of experience in conducting ownership supervision of companies with a majority interest held by the State Treasury and in transactions on the capital market.

Wojciech Zarzycki – Secretary of the Supervisory Board

In 2004 he obtained his master's degree from the Faculty of Economics at Poznań University of Economics and Business. He has been a statutory auditor since 2008 and he is a Member of the Polish Chamber of Statutory Auditors. Since 2009 he has been a Member of the Association of Chartered Certified Accountants (ACCA), and since 2022 he has held the title of Chartered Financial Analyst (CFA) in the United States, and is a member of the CFA Institute and CFA Society Poland.

Since 2011 employed as a Manager, and subsequently as a Financial Director of companies of the Allianz Group in Poland (prior to the merger of Aviva Group companies). From 2016 to 2022 he was a Member of the Supervisory Board of KGHM TFI S.A.

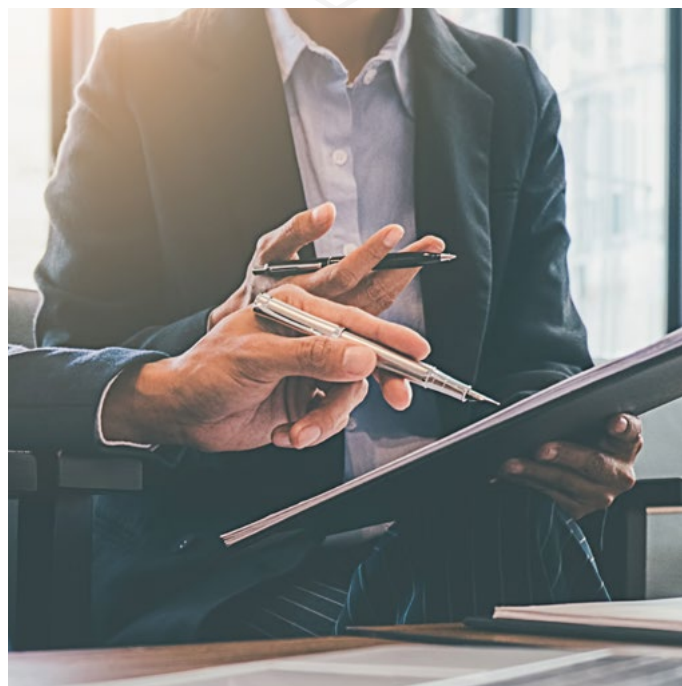
From 2005 to 2011 he worked as an Auditor in the company KPMG Audyty, conducting audits of the financial statements of insurance companies. From 2003 to 2005 he worked as an Accountant in the company Morison Finansista-Finlex.

Józef Czyczerski

Secondary technical education. Since 1979 employed in the Rudna Mine of KGHM Polska Miedź S.A. as an underground electromechanic. Chairman of the trade union Krajowa Sekcja Górnictwa Rud Miedzi NSZZ Solidarność. Employee-elected member of the Supervisory Board of KGHM Polska Miedź S.A. in the years 1999-2011, and then from 2014.

Przemysław Darowski

Has higher technical education. Professional work commenced in 1997 as a metallurgist, next as a railways rolling stock Specialist in Pol-Miedź Trans Sp. z o.o. From 2003 Head of the Unit responsible for maintenance planning and settlement as well as Maintenance Control, subsequently Head of the Railways Operations Unit in Głogów. From 2006 Senior Specialist / Commissioner of the Railway Cars Maintenance Handover Unit. Cooperated with the Gmina (municipality) of Legnica, on behalf of which Zespół Szkół Technicznych i Ogólnokształcących im. Henryka Pobożnego (Henryk Pobożny Technical and General School Complex) in Legnica acts as regards the operation of a training and examinations centre for train drivers and candidates for train drivers.



Former member of the railways commissions in Pol-Miedź Trans which review railway accidents and incidents. Moreover, in the years 2017-2019 served as an Employee Labour Inspector. Currently Chairman of the Interdivisional Commission of the NSSZ „Solidarność” trade union in Pol-Miedź Trans. Member of the trade union Sekcja Krajowa Górnictwa Rud Miedzi NSSZ „Solidarność”. Member of the Management Board of Region Zagłębie Miedziowe of the trade union NSSZ „Solidarność”.

Andrzej Kisielewicz

Graduate of the Faculty of Mathematics and Computer Science, University of Wrocław. He received his doctorate in mathematics at the Polish Academy of Science in Warsaw. He habilitated at the University of Wrocław and was awarded the title of Professor of Mathematics in 2001. He is currently a professor at the Wrocław University of Technology.

He gained his professional experience in foreign research centres: University of Manitoba (Winnipeg, Canada, 1989-1990), Technische Hochschule Darmstadt (Germany, 1990-1992), Vanderbilt University (Nashville, USA, 2001-2002). In addition, he has held a number of short-term internships abroad, among others in France, Italy, Austria and Israel. He is the recipient of two of the world's most prestigious academic scholarships: the Alexander von Humboldt Scholarship and the Fulbright Scholarship.

He also has many years of experience in supervisory boards. Among others, he was a member and chairman of the supervisory boards of such companies as “Spedtrans” sp. z o.o., “Teta” S.A. and PKO BP S.A.

He is the author of more than eighty scientific publications on mathematics, logic and computer science in foreign journals, as well as three books in Polish: “Logika i argumentacja” (Logic and argumentation), “Sztuczna inteligencja i logika” (Artificial intelligence and logic), “Wprowadzenie do informatyki” (Introduction to computer science).

Bogusław Szarek

Since 1982 employed at the Sieroszowice Mine of KGHM Polska Miedź S.A. as a mining machinery and tools mechanic. Secondary technical education.

Since 1992 – Chairman of the Plant Committee of the trade union NSZZ „Solidarność” in the Sieroszowice

Mine. Following the merger of the Polkowice mine with the Sieroszowice mine, since 1996 – Chairman of the Plant Committee of the trade union NSZZ „Solidarność” in the Polkowice – Sieroszowice mine. Since 2012 – employee-elected Member of the Supervisory Board of KGHM Polska Miedź S.A.

Deputy Chairman of the Board of the trade union Krajowa Sekcja Górnictwa Rud Miedzi NSZZ „Solidarność”. Treasurer of the Board of the Secretariat for Mining and Energy of the trade union NSZZ „Solidarność”. Member of the National Committee of the trade union NSZZ „Solidarność”.

Marek Wojtków

Graduate of the University of Economics in Wrocław, specialty: economic cybernetics and information technology as well as data processing and accounting. Completed postgraduate studies in occupational health and safety in the Witelon State Higher Vocational School in Legnica. He also holds the title of Executive Master of Business Administration (MBA) Collegium Humanum – Warsaw Management University.

Since 2016 he has worked in the Agency for Restructuring and Modernisation of Agriculture, and since 2019 he has served as deputy director of the regional unit in Wrocław. He is involved in among others managing and supervising the activities of county offices. He has previously held managerial positions in the areas of finance, logistics and management (ADEO Polska Group, DOMEX/AVANS/ELEKTRODOM, Jaworskie Zakłady Chemii Gospodarczej „Pollena”).

Radosław Zimroz

Graduate of Wrocław University of Science and Technology, professor of technical sciences in the discipline mining and geology. From 2017 he served as deputy dean, and since 2019 he has served as Dean of the faculty of Geoengineering, Mining and Geology of Wrocław University of Science and Technology. He is Chairman of the Underground Copper Deposit Mining Section of the Committee on Mining of the Polish Academy of Sciences.

In the years 2004-2005 he held a post-doctoral fellowship at Cranfield University (Applied Math and Computing Group), and in the years 2012-2018 he

worked in KGHM Cuprum CBR in Wrocław, where he established the Systems Analytics Unit. He is the author of numerous scientific publications, and has promoted many PhDs. He participated in, or was the head of projects for Turów Brown Coal Mine (KWB Turów) and for KGHM Polska Miedź S.A., as well as for State Committee for Scientific Research (KBN), Ministry of Science and Higher Education (MNiSW), National Centre for Research and Development (NCBiR), National Science Centre (NCN). He also carried out international projects under FP7, H2020, EIT Kic Raw Materials.

He is a member of the Polish Association of Technical Diagnostics (Vice President of the Management Board, second term), the Society of Mining Professors, the Society of Mine Engineers and Technicians, the Mining Committee of the Polish Academy of Sciences (second term, currently in the presidium). Amongst the awards he has received are „Zasłużony honorowy pracownik KWB Turów” (Award for honorary employee of Turów Brown Coal Mine), „Zasłużony dla górnictwa RP” (Award of the mining industry of the Republic of Poland), an honorary award of the State Mining Authority „Zasłużony dla

bezpieczeństwa w górnictwie” (Award for safety in mining). He holds the title „generał górniczy” (mining general), second degree.

Piotr Ziubroniewicz

Manager with experience in government administration as well as in non-governmental organisations. For nearly 4 years he directed the work of the Office of the Minister in the Ministry of Development and Technology, where he served as Deputy Director and Director of the Office. His previous experience was gained as an employee in local government.

He is a graduate of the Faculty of Law and Administration at the University of Opole. He also graduated from Master of Business Administration.

In January 2022 he was appointed to the position of Deputy President of National Property Resources. He served as an advisor to the Minister of the Economy. In the years 2021-2022 he was a Member of the Supervisory Board of Mesko S.A. He currently sits on the Supervisory Board of Invest-Park Development sp. z o.o.

The composition of the Supervisory Board of KGHM Polska Miedź S.A. in 2022

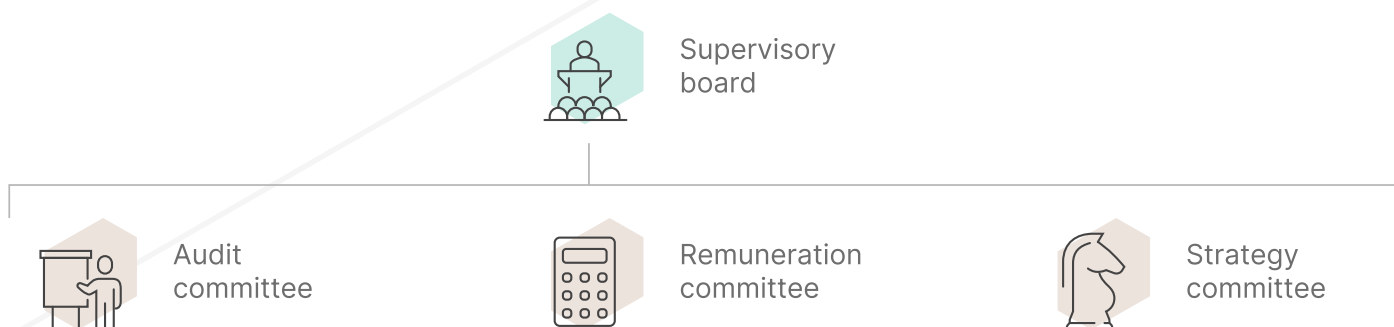
	1.01-21.06	22.06-6.10	7.10-23.11	24.11-31.12
Agnieszka Winnik-Kalemba	Chairwoman			
Andrzej Kisielewicz				
Katarzyna Krupa				
Wojciech Zarzycki				
Marek Wojtków				
Radosław Zimroz				
Piotr Ziubroniewicz				
Józef Czyczerski				
Bogusław Szarek				
Przemysław Darowski				
Bartosz Piechota				
Jarosław Janas				
Robert Kaleta				
Piotr Dytko				

Supervisory Board Committees

Within the structure of the Supervisory Board are three committees which serve in an auxiliary role to the Supervisory Board in the preparation of assessments, opinions and other actions aimed at reaching decisions which must be made by the Supervisory Board. After

the end of the year, the committees submit reports on their activities to the Supervisory Board. The Committees elect a Chairman from among themselves. Internal regulations on the basis of which the following Committees organize their work and their changes are adopted by the Supervisory Board.

Committees of the Supervisory Board of KGHM Polska Miedź S.A. in 2022



Audit Committee

Responsible for supervision in the areas of financial reporting, the internal control system, risk management and internal and external audits.

The composition of the Audit Committee of KGHM Polska Miedź S.A. in 2022

	1.01-21.06	22.06-6.10	7.10-23.11	24.11-31.12
Agnieszka Winnik-Kalemba				
Andrzej Kisielewicz				
Katarzyna Krupa				
Wojciech Zarzycki		Chairman		
Marek Wojtków				
Bogusław Szarek				
Przemysław Darowski				
Bartosz Piechota				
Jarosław Janas	Chairman			
Robert Kaleta				

In the scope of financial reporting the major tasks of the Audit Committee are as follows:

- monitoring of the financial reporting process,
- the conduct of financial review,
- conducting reviews of transactions carried out by the Company, which the Audit Committee considers as significant for the Company,
- submitting recommendations aimed at ensuring the transparency of the Company's financial reporting process.

In the scope of internal and external audit the major tasks of the Audit Committee are as follows:

- providing an opinion on the Company's internal audit plan and the internal audit bylaws, as well as changes in the position of internal audit director who reports directly to the President or other Member of the Management Board,
- analysis of the conclusions and recommendations of the Company's internal audit from monitoring the degree

of implementation of recommendations made by the Management Board,

- auditing and monitoring the independence of the certified auditor and the auditing firm, in particular if the auditing firm provides other services to the Company apart from auditing,
- assessing the independence of the certified auditor and expressing consent for the certified auditor to provide permitted non-auditing services in the Company,
- developing a policy for selecting an auditing firm to conduct the audit, developing a policy for the auditing firm conducting audits, through entities related to the said auditing firm and by a member of the auditing firm's network, to provide permitted non-auditing services and setting forth the Company's procedures for selecting an auditing firm,
- making a recommendation to the Supervisory Board on the appointment of an independent auditor to review the internal audit function.

Remuneration Committee

Responsible for supervising the realisation of contracts signed with the Management Board, the remuneration system and benefits paid out in the Company and Group, training and other benefits provided by the Company, as well as audits performed by the Supervisory Board in this regard.

Composition of the Remuneration Committee of KGHM Polska Miedź S.A. in 2022

	1.01-21.06	22.06-6.10	7.10-23.11	24.11-31.12
Agnieszka Winnik-Kalemba				
Andrzej Kisielewicz	Chairman			
Katarzyna Krupa			Chairwoman	
Wojciech Zarzycki				
Marek Wojtków				
Radosław Zimroz				
Józef Czyczerski				
Bogusław Szarek				
Przemysław Darowski				
Bartosz Piechota				
Jarosław Janas				
Robert Kaleta	Chairman			

The tasks of the Remuneration Committee are as follows:

- the management of issues related to the recruitment and employment of members of the Management Board by preparing and arranging draft documents and processes to be submitted for the acceptance of the Supervisory Board;
- the preparation of draft contracts/agreements and other sample documents related to the establishment of an employment relationship with a Member/Members of the Management Board and oversight of the execution of the contractual obligations by the parties;
- oversight of the execution of the Management Board remuneration system, in particular the preparation of settlement documents with respect to variable/exchangeable bonus elements of the remuneration in order to submit recommendations to the Supervisory Board and development of a draft report of the Supervisory Board on the remuneration of Members of the Management Board and Supervisory Board;
- monitoring and periodic assessment of the remuneration system for the Company's senior management and, if necessary, the preparation of recommendations for the Supervisory Board;
- oversight of the proper execution of additional benefits for Members of the Management Board arising from agreements binding Members of the Management Board with the Company;
- other tasks ordered by the Supervisory Board.

Strategy Committee

Supervises the realisation of company strategy, the company's annual and long-term operating plans, supervising the coherence of these documents, and also provides its opinion to the Supervisory Board on the strategic projects presented by the Management Board of the Company and any changes thereto, as well as on the company's annual and long-term operating plans.

Composition of the Strategy Committee of KGHM Polska Miedź S.A. in 2022

	1.01-21.06	22.06-6.10	7.10-23.11	24.11-31.12
Agnieszka Winnik-Kalemba				
Andrzej Kisielewicz		Chairman		
Katarzyna Krupa				
Wojciech Zarzycki				
Marek Wojtków				
Radosław Zimroz				
Piotr Ziubroniewicz				
Józef Czyczerski				
Bogusław Szarek				
Przemysław Darowski				
Bartosz Piechota	Chairman			
Robert Kaleta				
Piotr Dytko				

The tasks of the Strategy Committee are as follows:

- execution on behalf of the Company's Supervisory Board of tasks in the area of oversight of issues associated with the Company's strategy and the annual and long-term operating plans of the Company;
- monitoring execution of the Company's strategy by the Management Board and issuing opinions on the degree to which the existing strategy is able to deal with changes in the actual situation;
- monitoring execution of the annual and long-term operating plans of the Company by the Management Board, and assessment of whether these plans need to be modified;
- assessment of the consistency of the annual and long-term operating plans of the Company with the Company's strategy as executed by the Management Board, and the presentation of any proposed changes in all such Company's documents;
- submission to the Company's Supervisory Board of its opinions regarding the draft strategies of the Company and any changes thereto and of the annual and multi-year operating plans of the Company, as presented by the Company's Management Board, including budget;
- other tasks ordered by the Supervisory Board.



General Meeting

The General Meeting of KGHM Polska Miedź S.A. is the Company's highest authority. It meets in either ordinary or extraordinary form, based on generally prevailing law, the Statutes of the Company and the "Bylaws of the General Meeting of KGHM Polska Miedź S.A. with its registered head office in Lubin". Ordinary General Meeting is convened within six months of the end of each financial year. General Meetings are convened by the Company's Management Board. In situations defined by the Commercial Companies and Partnerships Code, General Meetings may be convened by the Supervisory Board or by shareholders. The Statutes of the Company also authorise the Polish State Treasury to convene a General Meeting. The General Meeting is convened by

an announcement published on the Company website and in the manner set forth in the Act dated 29 July 2005 on public offerings and conditions governing the introduction of financial instruments to organised trading, and on public companies. A General Meeting may adopt resolutions if at least one-fourth of the share capital is represented. Resolutions are adopted by a simple majority of votes cast, unless the law or the Company's Statutes state otherwise. Additional issues related to the functioning of the General Meeting are regulated by the "Bylaws of the General Meeting of KGHM Polska Miedź S.A. with its registered head office in Lubin" adopted by the General Meeting on 17 May 2010, which are available on the Company's website, www.kghm.com.

The duties of the General Meeting include in particular:

- examining and approving the report of the Management Board on the Company's activity and the financial statements; including the financial statements of the Group, for the past financial year;
- adopting resolutions on the appropriation of profits or coverage of losses;
- acknowledging the fulfilment of duties performed by members of the bodies of the Company;
- changing the subject of the Company's activity;
- changes in the Company Statutes;
- increasing or decreasing the share capital;
- the manner and conditions for retiring shares;
- merging, splitting and transforming the Company;
- dissolving and liquidating the Company;
- issuing convertible bonds or senior bonds;
- consenting to the disposal and lease of an enterprise or of an organised part thereof, as well as the attachment of limited property rights to same;
- all decisions relating to claims for redress of damage suffered during the foundation of the Company, or from management or supervisory activities;

- purchase of the Company's own shares, which are to be offered to employees or persons who were employed by the company or by related companies for a period of at least three years;
- establishing principles of the remuneration of members of the Supervisory Board, and
- establishing principles of the remuneration of members of the Management Board.

The schedule of work on organising the General Meetings of the Company is planned in such a way as to ensure that the obligations towards shareholders are properly met and to enable them to exercise their rights.

Changes in the Company's statutes

The introduction of changes in the Company's Statutes requires resolutions of the General Meeting and the insertion of an entry in the National Court Register. Changes in the Company's Statutes are made through the General Meeting in accordance with laws in force, in a manner and form described by the Commercial Companies and Partnerships Code, i.e. a majority three-fourths of votes cast in the presence of persons representing at least half of the share capital.



Shareholders and their rights

Shareholders of the Company exercise their rights in a manner and within the limits prescribed by prevailing law, the Statutes of the Company and the Bylaws of the General Meeting of KGHM Polska Miedź S.A.

Shareholders are entitled to exercise their voting rights either personally or through a proxy. The authority to participate in a General Meeting and to exercise voting rights should be granted in writing or in electronic form. Shareholders shall inform the Company of the granting of proxy authority in electronic form by filling out and sending to the Company the form placed on the website of the Company, or other information containing analogous data, no later than 24 hours prior to the planned date of the General Meeting.

Pursuant to the Company's Statutes, all of the shares are bearer shares, and their transformation into registered shares is not allowed. Each share represents one vote. The shares of the Company may be redeemed given shareholder consent through their acquisition by the Company (voluntary redemption). Redemption may not be carried out more than once per financial year. The resolution of the General Meeting on the redemption of shares should especially describe the legal basis for redemption, the amount of compensation to be paid to the shareholder for the redeemed shares or the justification for redeeming shares without compensation, and the way in which the share capital will be decreased. The resolution on the redemption of shares may be preceded by an agreement with the shareholder whose shares are to be redeemed. The agreement shall set forth the number of shares to be redeemed and the price for which the shares are to be purchased. The validity of the agreement shall depend on the passage of a resolution by the General Meeting.

Moreover, in a situation where the Supervisory Board conducts qualification proceedings in the case of the existence of circumstances justifying the appointment of a Member of the Management Board, it shall inform shareholders of the results of such proceedings and shall provide the minutes of the qualification proceedings. The Supervisory Board is also obliged to annually present to the Ordinary General Meeting a concise assessment of the standing of the Company, which should be included

in the Company's annual report, made available to shareholders within such a time period as to allow them to review the report prior to the Ordinary General Meeting.

There is no limitation to the transfer of ownership rights to the shares of the Company or with respect to the execution of voting rights on the shares of the Company, other than those generally prescribed by laws in force.

The Company has not issued securities which would grant special control rights in respect of the Company.

Special rights held by the State Treasury as a shareholder may result however from laws generally in force, among others:

- The Act of 16 December 2016 on the principles of state property management,
- The Act of 24 July 2015 on audits of certain investments.

Independent of the above, the rights shareholders of KGHM include among others:

- to request to convene a General Meeting – in cases described by the Commercial Companies and Partnerships Code, a General Meeting may be convened by shareholders representing at least half of the share capital or shareholders authorised by a court of registration to represent at least one-twentieth of the share capital;



- to announce draft resolutions and their justification – Shareholders may utilise electronic contact with the Company through the Company’s website, in particular to enable the submission of motions to include specific issues in the agenda of the General Meeting, to announce draft resolutions and their justification. Towards this end it is necessary to carry out the prior authentication of a shareholders for their identification, in the manner indicated by the Company on its website. The Company shall also provide on its website the proxy form and the form to facilitate voting through a proxy;
- to convene a General Meetings – the Polish State Treasury as a shareholder may convene an Ordinary General Meeting if the Management Board does not do so in the statutory timeframe as well as an Extraordinary General Meeting if it considers its convening as warranted;
- to request that a matter included in the agenda of the General Meeting be removed or not considered – removal of an issue from the agenda, or not considering an issue placed on the agenda at the request of the shareholders, requires the adoption of a resolution by the General Meeting, following the earlier-expressed approval of all shareholders present who had put forward such a proposal, and supported by at least 75% of the votes cast;
- to request the inclusion of specified matters on the agenda of the next General Meeting – shareholders representing at least one-twentieth of the share capital may order the inclusion of specified matters on the agenda of the next General Meeting.
- to announce candidates for Chairperson of the General Meeting – the General Meeting shall carry out an election of the Chairperson from amongst any number of persons entitled to participate in the General Meeting who are put forward by shareholders as a candidate for Chairperson;
- participation in dividends – the General Meeting may designate part of the profit for a shareholders’ dividend if the General Meeting of the Company had adopted a decision to designate part of the profit for a shareholders’ dividend. The Management Board of the Company is authorised, with the consent of the Supervisory Board, to adopt resolutions in the matter of an interim payment to shareholders on the anticipated dividend at the end of the financial year, if the Company is in the possession of sufficient funds for said payment. The rights date for dividends and the date for payment of dividends shall be set by the General Meeting and announced by the Management Board of the Company. Payment of dividends should commence within two months of the date the resolution on appropriation of profits is adopted. The payment of an interim dividend requires the approval of the Supervisory Board. The Company may make an interim payment on the anticipated dividend, if its approved financial statements for the prior financial year show a profit. The interim dividend may represent at most half of the profit earned since the end of the prior financial year, as shown in the financial statements audited by a certified auditor, and increased by the reserve capitals created from profit, which, for the purpose of payment of the interim dividend, may be used by the Management Board, and decreased by uncovered losses and treasury shares;
- upon the motion of a shareholder representing at least one-fifth of the share capital, group elections for the Supervisory Board shall be carried out at the nearest General Meeting. A motion to hold group elections for members of the Supervisory Board should be submitted to the Management Board of the Company, in sufficient time to include it in the agenda of the General Meeting;
- at the request of a shareholder representing at least one-twentieth of the share capital, the General Meeting may carry out elections for a three-person Voting Committee, from among those candidates put forward by the participants of the General Meeting. Should a Voting Committee be elected, its responsibilities shall include supervision to ensure that all voting is properly carried out, supervision of the electronic voting system, and checking and transmitting to the Chairman of the General Meeting the results of voting. The Voting Committee shall have the right to review the results of voting which was held prior to the election of the Voting Committee;
- at the request of a shareholder, the Management Board shall be required to provide the shareholder with a copy of the Bylaws of the General Meeting.

Remuneration of Members of the Parent Entity's Bodies

GRI: 2-19, 2-20, 2-21

Information on remuneration of Members of the Management Board KGHM Polska Miedź S.A.

Detailed principles for setting the terms of remuneration of the Management Board Members were established by the Supervisory Board in accordance with "Remuneration Policy for Members of the KGHM Polska Miedź S.A. Management Board and Supervisory Board", adopted by the General Meeting of Shareholders of KGHM Polska Miedź S.A., in the templates for the management services contracts concluded on behalf of the Company by the Supervisory Board with Management Board Members

(set forth in the form of resolutions, separately for the President of the Management Board and for the Vice Presidents of the Management Board).

Total remuneration received on their basis consists of a fixed part in the form of basic monthly remuneration, as well as variable remuneration representing supplementary remuneration for the Company's financial year.

The fixed monthly remuneration for individual members of the Company's Management Board amounts to fifteen times (in the case of the President of the Management Board) and fourteen times (in the case of the Vice Presidents of the Management Board) of the average monthly salary in the corporate sector, excluding payments from profit in the fourth quarter of the previous year, announced by the President of the Central Statistical Office.

Variable remuneration depends on the level of achievement of the management goals set by the Supervisory Board for a given financial year and may not exceed 100% of the annual fixed remuneration of the given Manager. In the case of a Manager functioning in the position for a period of less than one reporting year, with the provision that the contract was performed for a period of at least three months, variable remuneration is calculated proportionally.

Payment of variable remuneration is made following the submission by individual members of the Management Board of reports on the achievement of the management goals. Payment of the variable part is contingent on the achievement by a manager of the aforementioned management goals, approval of the Management Board's report on the activities of the Company and the Company's financial statements for the prior financial year, and the granting of approval by the General Meeting for the given Management Board Member's performance of duties. On this basis, the Supervisory Board evaluates the execution of the aforementioned goals and sets the amount of the variable remuneration due.



Potentially-due remuneration of Members of the Management Board of KGHM Polska Miedź S.A. for 2022 as at 31 December 2022

Last name	First name	Position	Potentially-due variable remuneration for 2022 as at 31 December 2022 (PLN thousand)
Zdzikot	Tomasz	Member of the Management Board – President of the Management Board	360.18
Świder	Marek	Member of the Management Board – Vice President of the Management Board	833.17
Wodejko	Mateusz	Member of the Management Board – Vice President of the Management Board	0
Kidoń	Mirosław	Member of the Management Board – Vice President of the Management Board	0
Pietrzak	Marek	Member of the Management Board – Vice President of the Management Board	1,045.09
Chludziński	Marcin	Member of the Management Board – President of the Management Board	874.02
Kensbok	Andrzej	Member of the Management Board – Vice President of the Management Board	975.42
Bugajczuk	Adam	Member of the Management Board – Vice President of the Management Board	696.73
Świdorski	Dariusz	Member of the Management Board – Vice President of the Management Board	0
Gruza	Paweł	Member of the Management Board – Vice President of the Management Board	635.77
Paluchniak	Jerzy	Member of the Management Board – Vice President of the Management Board	0

The management services contracts also regulate issues involving the granting of other benefits deriving from the Remuneration Policy:

- the possibility of joining the Employee Pension Program;
- the possibility for the Management Board Member's life insurance to be covered by the group life insurance policies in place in the Company;
- local housing appropriate to the Function served (in respect of which the Company covers the cost of such housing to the net amount of PLN 2,500);
- company car;
- incurring or refinancing costs of individual training for the Management Board Member related to

the Contract in question and contractual obligations, in each case with the prior consent of the Chairman of the Supervisory Board of the Company;

- civil liability insurance for the Management Board Member related to serving in the function; and
- other benefits, in particular such as those ensured by the Company to the Company's management staff in appropriate internal regulations or resolutions of Company bodies – under condition that the principles for the granting of such benefits to the Management Board Member, or their utilisation of such, are set forth by the Supervisory Board in resolutions.

The Contracts also provide that if the Management Board Member serves as a member of a body in a subsidiary of the Company within the Group, the Management Board Member will not receive additional remuneration for this function, apart from the remuneration provided for in the management services contract. In addition, the Management Board Member is obligated to inform the Supervisory Board of the possession of shares in publicly-listed companies and to gain its consent for accepting a position or serving in a function in the body of another commercial law company – excluding companies of the Group, the acquisition or possession of shares in another commercial law company, as well as performing work or services on behalf of other entities based on an employment contract, mandate contract or based on any other legal relationship.

The contracts signed with the Members of the Management Board regulate the question of

compensation in the case of termination, with or without notice, of the management services contract for reasons other than breach of the contract's basic obligations. The contracts foresee that the Company will provide severance pay of no higher than three times the amount of the fixed part of remuneration (if the contract was in force for at least 12 months).

The contracts with the Members of the Management Board – both during the period of employment as well as following the period of employment – deal with the question of forbidding competition. In particular, they establish that for a period of six months from the date when employment in the function ceases, the Management Board Member is not allowed to engage in any competing activities. For adherence to the clause on forbidding competitive activities, KGHM pays the Management Board Member compensation throughout the period during which competitive activities are banned in the amount of 50%





(and in the case of the President of the Management Board 100%) of the monthly fixed remuneration. The payment of compensation is conditional on the Management Board Member's having served in the function for at least six months and having provided the Company with an appropriate written declaration.

Information on the remuneration of Members of the Supervisory Board of KGHM Polska Miedź S.A.

The remuneration of members of supervisory boards was set on 7 June 2019 by the General Meeting based on the Act dated 9 June 2016 on the terms of setting the remuneration of individuals managing certain companies. According to "Remuneration Policy for Members of the KGHM Polska Miedź S.A. Management Board and Supervisory Board" the amount of monthly remuneration of individual members of the Supervisory Board depends on the function served and is set as 2.2x or twice the average monthly remuneration in the corporate sector excluding payments from profit in the fourth quarter of the previous year, announced by the President of the Central Statistical Office. Members of the Supervisory Board are not remunerated for any month in which they did not attend any of the formally convened meetings for unjustified reasons, which are assessed and qualified by the Supervisory Board.

Apart from the above-mentioned remuneration, Members of the Supervisory Board are not entitled to receive any additional remuneration components, including bonuses or other cash benefits.

According to the Commercial Companies and Partnerships Code, the Company also covers or reimburses costs related to participation in the work of the Supervisory Board.

Detailed information on the amount of remuneration and other benefits for Supervisory Board and Management Board members may be found in the "Report on the remuneration of Members of the Management Board and Supervisory Board KGHM Polska Miedź S.A. for 2022".

General information on the adopted and applied remuneration system for key managers of KGHM Polska Miedź S.A.

The principles of the remuneration of key managers of KGHM Polska Miedź S.A. – the Executive Directors of the Head Office and the Executive Directors of the Company's divisions – is set by the Company's Management Board.

The employment contracts concluded with the above-mentioned directors provide that they are entitled to the following components of remuneration and benefits:

- basic monthly remuneration, which amounts – depending on the function served – from 9 – to 12-times the average monthly remuneration in the corporate sector, excluding payments from profit, in the fourth quarter of the previous year, announced by the President of the Central Statistical Office.
- an annual bonus up to 40% of the annual fixed part of remuneration, paid in accordance with the principles for bonuses based on:
 - part A – evaluation of the degree of achievement of business KPIs and individual goals (up to 20%) – the system is based on collective and individual KPIs, the basis of which are the key performance indicators of the Management Board and goals resulting from the Company's strategy;
 - part B – evaluation of the work of a given director (up to 20%) reflecting among others their attitude, initiative, engagement, innovation and creativity;
- additional benefits, such as life insurance, the Employee Pension Program, a Health Care Package,
- a company car, and
- severance pay of no higher than three times the amount of the basic monthly remuneration, in the case of termination, of the contract by the Employer prior to the contractual period (if the contract was in force for at least 6 months).

Risks and opportunities

GRI: 3-3 material topic: Sustainability and ESG Risk Management, 2-12, 2-13, 2-16, 201-2

Risk Management System

The KGHM Polska Miedź S.A. Group defines risk as uncertainty, being an integral part of the activities conducted and having the potential to result in both opportunities and threats to achievement of the business goals. The current and future, actual and potential impact of risk on the KGHM Polska Miedź S.A. Group's activities is assessed. Based on this assessment, management practices are reviewed and adjusted in terms of responses to risk.

Under the Corporate Risk Management Policy and Procedure and the Rules of the Corporate Risk and Compliance Committee, the process of corporate risk management in the KGHM Polska Miedź S.A. Group is consistently performed. KGHM Polska Miedź S.A. oversees the process of managing corporate risk in the KGHM Polska Miedź S.A. Group, while in the companies of the KGHM Polska Miedź S.A. Group, documents regulating the management of corporate risk are consistent with those of the Parent Entity.

The introduction of the aforementioned Policy and Procedure and approval of their updating is made at the level of the Management Board of KGHM Polska Miedź S.A. following recommendations by the Corporate Risk and Compliance Committee. The reporting of key types of corporate risk in the KGHM Polska Miedź S.A. Group is performed cyclically to the Management Board of KGHM Polska Miedź S.A. and to the Audit Committee of the Supervisory Board of KGHM Polska Miedź S.A.

In 2022, the process continued of implementing a comprehensive business continuity management system, which also enables a detailed breakdown of the scope of actions undertaken as regards managing corporate risk in terms of the risk of a catastrophic impact and the small probability of their occurrence. This is expressed in the Operational continuity management policy of KGHM Polska Miedź S.A. along with the Compliance Management Procedure and Methodology in KGHM Polska Miedź S.A.

The corporate risk management process adopted in the KGHM Polska Miedź S.A. Group is inspired by the solutions adopted by the ISO 31000 standard, best practice in risk management and the specific nature of the Group, and is comprised of the following steps:

Enterprise risk management process in the KGHM Polska Miedź S.A. Group



STAGE 1**Defining the context**

The first step in the process is comprised of three actions: defining the external context, the internal context and the risk management context.

The external context is the environment in which the KGHM Polska Miedź S.A. Group advances its Strategy. Here the definition needs to update the understanding of the social, political, legal, regulatory, financial, economic and technological aspects of the environment which affect its activities. During this step also assessed, based on the results of scenario analysis, are the most important factors for transitioning to a low-emission economy and the paths of climate change and weather models, which are processed in subsequent steps of the process.

During the process of defining the internal context, goals are analysed (strategic/business), changes in the organisational structure are planned and performed, new areas of activities, projects, etc.

The last part of this step is to define the risk management context, which comprises the setting or updating of goals, the scope, responsibilities and procedures and methods applied in the risk management process.

STEP 2**Identification and Evaluation**

In this step of the process risks which could impact the achievement of goals at the level of the KGHM Polska Miedź S.A. Group are identified and evaluated. The main task in this step is to prepare a complete list of threats which could facilitate, impede, accelerate or delay the achievement of goals. Each identified risk is assigned to a category and a sub-category in the form of a Risk Model, which provides the KGHM Polska Miedź S.A. Group with a consistent risk taxonomy.

Following its identification, each corporate risk is evaluated using a Risk Assessment Matrix, containing a scaled breakdown of assessments by impact, vulnerability and probability. A risk may have various effects, and therefore in order to ensure the broadest recognition of potential impact and the limitation of subjective evaluation, the following Impact evaluation measures have been defined:

- **finance** – impact of the effects of a given risk in its financial aspect by applying value ranges.
- **strategy** – evaluation of the risk's impact on the ability to achieve strategic goals.
- **reputation and stakeholders** – impact of the risk on the Company's reputation, trust in the brand, investor relations, relations with stakeholders, also including on the effectiveness of actions related to building a responsible business and sustainable development;
- **health and safety** – direct impact on health and safety and human life.
- **natural environment** – impact of the materialisation of risk on the natural environment, the functioning of the ecosystem and the time required to restore the disturbed balance.
- **regulations and laws** – evaluation of the compliance of events with existing laws, with the need to participate in proceedings before bodies of public administration of a supervisory and regulatory nature as well as potential sanctions as a result of such proceedings.
- **operational continuity** – evaluation of the impact of risk on interruptions to activities resulting in significant/irreversible effects and loss of access to information important from the point of view of conducted activities.

The results of the identification and evaluation of risk are presented in a graphic form, i.e. Risk Maps. These provide a profile of the given risk and support the process of identifying the key risk.

STEP 3**Analysis and Response**

The goal of this step is to deepen knowledge and to understand the specific nature of the types of key risks identified in the previous step. Cause and effect analyses and a more substantive description of the means of dealing with risk are aimed at facilitating decision making on whether to maintain or eventually change current actions.

A directional decision is called a Response to risk. A change in the way an action is taken requires the determination of Corrective Actions, meaning organisational, process, systemic and other changes which are aimed at reducing the level of the key risk.

During this step KRIs – Key Risk Indicators – are also defined, being a set of business process parameters or environmental parameters which reflect changes to a given risk profile.

STEP 4**Monitoring and Communication**

The goal of this step is to ensure that the adopted Risk Response Plan is effective (ad hoc and periodic reports), new risks are identified (updating of the Risk Registry), changes in the internal and external environments and their impact on activities are identified, and appropriate actions are taken in response to incidents (updating of information on Incidents).

Effective, well-planned and appropriately performed monitoring of risk enables flexible and prompt reaction to changes occurring in the external and internal environments (e.g. risk escalation, changes in actions related to risk response, or risk evaluation parameters, etc.).

Achievement of this step provides the assurance that risk management in the KGHM Polska Miedź S.A. Group fulfils the expectations of the Management Board of KGHM Polska Miedź S.A., the Audit Committee of the Supervisory Board of KGHM Polska Miedź S.A. and other stakeholders by supplying reliable information about risk, continuous improvement and adaptation of the quality and effectiveness of Risk Response to the demands of the external and internal context.

Organizational structure of risk management in KGHM Polska Miedź S.A.

Supervisory Board (Audit Committee)

Performs annual assessment of the effectiveness of the risk management process and monitors the level of risk factors and ways to address them.

Management Board

Has ultimate responsibility for the risk management system and supervision of its individual elements.

1rd line of defence

Management

Managers are responsible for identifying, assessing and analysing risk and for the implementation, within their daily duties, of responses to risk. Managers are tasked with ongoing supervision over the application of appropriate responses to risk within the realised tasks, to ensure the expected level of risk is not exceeded.

2nd line of defence

Risk Committees

Support the effectiveness of the risk management process.

Corporate Risk and Compliance Committee

Manages corporate risk and continuously monitors key risk

Market Risk Committee

Manages risk of changes in metals prices (e.g.: copper and silver) as well as exchange and interest rates

Credit Risk Committee

Manages risk of failure of customers to meet their obligations

Financial Liquidity Committee

Manages risk of loss of liquidity, understood as the ability to pay financial liabilities on time and to carry out required purchases as well as the ability to rapidly obtain financing for operations

Corporate Risk Management Policy
Compliance Management Policy
Operational Continuity Management Policy

Market Risk Management Policy

Credit Risk Management Policy

Liquidity Management Policy

Department of Corporate Risk Management and Compliance

Executive Director for Financial Management

3rd line of defence

Audit

The Internal Audit Plan is based on assessing risk and subordinated to business goals, the current level of risk factors and the degree of efficiency of their management are assessed.

Internal Audit Rules

Executive Director for Audit

Reports to the Management Board

Reports to the Vice President of the Management Board (Finance)

Reports to the President of the Management Board

Corporate risk

A comprehensive approach to risk management is consistent across the KGHM Polska Miedź S.A. Group and it was designed in such a way as to support the building of a resistant corporate structure. KGHM Polska Miedź S.A. also took steps to include issues related to climate change in the risk taxonomy in accordance with the Recommendations of TCFD (Task Force on Climate-Related Financial Disclosures). As a result of the above work, KGHM distinguishes a category of climate risk, the importance of which is equivalent to the other risk categories for the Company. A tool used in identifying risk in the KGHM Polska Miedź S.A. Group is the Risk Model. The Risk Model, whose structure is based on the sources of risk, is divided into the following 6 categories: Technological, Value Chain, Market, External,

Internal and Climate. Several dozen sub-categories have been identified and defined for each of these categories, covering particular areas of the operations or management.

Corporate Risk Management Policy

The Corporate Risk Management Policy in the KGHM Polska Miedź S.A. Group is a document describing the approach, defining the basic principles and establishing the corporate risk management process in the KGHM Polska Miedź S.A. Group.

The holistic approach to risk management is consistent with the growth strategy, continuous aspiration for operational excellence and with the principles of sustainable and responsible business. It has been designed to support the Company in building a resilient corporate structure.



Risk management goals:

- Ensuring the development and protection of shareholder value by establishing a consistent approach to identifying, evaluating and analyzing risks, and implementing responses to key risks,
- Protecting the life and health of employees, natural environment, and brand reputation,
- Supporting the achievement of business goals by implementing early warning tools for opportunities and threats,
- Providing strong support for decision-making at all levels of the organisation,
- Building an organisation that is aware of the risks it takes and strives for continuous improvement.

Risk categories in the Risk Model of KGHM Polska Miedź S.A. and their definitions

Technology

This category is associated with changes in competitiveness resulting from the application of industrial technology, IT, innovation management, protecting and/or managing intellectual property as well as the impact of investment projects involving productivity and technology quality, or changes in the quality and efficiency of IT infrastructure affecting business units, support functions and infrastructure.

(Parent Entity)

Risk of failure to adhere to the efficient working time parameter and of failure to fully utilise the capacity of metallurgical installations to process own concentrate.

Value chain

This category is associated with changes in the operational efficiency of logistics and warehousing in the production process and in providing services, in managing sales, in managing waste and restoration as well as being correlated with the process of managing the supply chain, the availability of utilities and materials in the production process, changes in the evaluation and management of mineral deposit resources, or the advancement of research and exploration projects.

(KGHM Group)

Risk related to an ineffective process of monitoring and providing early warning to management staff on deviations from the budget and financial plans as well as with respect to adopting inappropriate economic parameters related to production, investments, macroeconomics and finance, for forecasts of company results.

(KGHM INTERNATIONAL Group)

Risk related to the precision of estimated costs of decommissioning certain mines.

(KGHM INTERNATIONAL Group)

Risk related to the exhaustion of deposits and/or the insufficient recognition of their parameters and characteristics, both in exploration projects (estimation of input data for deposit evaluation models) as well as in current operations.

(Parent Entity)

Risk of the inability to store mine tailings or restrictions thereof.

(KGHM Group)

Risk related to the lack of availability of required energy sources.

(KGHM Group)

Risk related to infrastructure breakdowns which disrupt the core production operations, related to natural hazards as well as internal factors related to the applied technology.

(KGHM Group)

Risk related to the cost efficiency of the production process, mining projects, processing of copper-bearing materials, reflecting the risk of a substantial rise in prices of materials, services, electricity, gas and water and restoration costs.

(KGHM Group)

The risk of interruptions to the continuity of sales and services (including due to the COVID-19 pandemic and/or the war in Ukraine)

Market

This category is associated with changes in the value of assets, the level of liabilities or profit and loss resulting in a change in the sensitivity to exchange rates, currencies, liquidity, inflation rates, customer insolvency, commodities prices, energy and property rights. This category also involves changes in the impact of demand and supply on the products of the KGHM Polska Miedź S.A. Group, the selection of appropriate tools to advance the marketing strategy, changes in expected rates of return on equity investments or the efficiency of transferring risk to the insurer.

(KGHM Group)

Market risk related to volatility in metals prices and risk of changes in exchange rates and interest rates.

(KGHM Group)

Credit risk related to trade receivables.

(KGHM Group)

Liquidity risk.

External risk

This category is associated with the conditions involved in conducting activities resulting from changes in economic conditions, changes in laws and regulations (compliance), political decisions, changes in the natural environment or climate (transitional risk) as well as catastrophic natural events and force majeure. This category also comprises changes in market share or margins due to changes in the competitive environment or substitutes, the risk of the result of decisions in the courts or arbitration proceedings, the risk of unfavourable administrative decisions, changes in obligations, the designation of tax liabilities or their payment deadlines.

(KGHM Group)

Risk of restrictions to production due to seismic tremors and associated roof collapses or destressings of the rock mass, and the occurrence of uncontrolled rock bursts.

(Parent Entity)

Risk of restrictions to production or to the advancement of development work due to geodynamic gas-related events and the occurrence of naturally-occurring gases.

(Parent Entity)

Risk of production restrictions due to unfavourable climatic conditions in the mines.

(Parent Entity)

Risk of loss of mine functionality due to underground water hazards.

(KGHM Group)

Risk of exceeding the permissible emissions limits set forth in permits.

(Parent Entity)

Risk of restrictions to the ability to sell sulphuric acid (due to loss of market/customers and/or a drop in demand as well as due to the war in Ukraine).

(KGHM Group)

Risk related to interruptions in the supply of strategic materials and components affecting the continuity of production by the Core Business (including due to the COVID-19 pandemic and/or the war in Ukraine).

(KGHM Group)

Risk of failure to adhere to established principles and standards of behaviour with respect to counteracting corruption, business ethics and with respect to the procurement processes as well as the risk of incurring losses from actions which are harmful to KGHM.

(KGHM Group)

Risk of loss of compliance with requirements (general laws in force, internal corporate regulations and voluntarily-adopted legal obligations and standards).

Internal risk

This category is associated with changes in an entity's activities affected by changes in its structure, organisation, procedures, processes or business model, as well as the risk of changes in corporate image, its products or services, the effectiveness of principles of proceedings related with ethics and anticorruption, a company's interests, or efforts to ensure against loss of trust, and the integrity, availability and authenticity of informational assets.

(KGHM Group)

The risk of serious accidents or industrial illnesses caused by improper work organisation, the failure to follow procedures or the use of improper protective measures.

(KGHM Group)

The risk of lack of acceptance by the public, local governments or other stakeholders for the conduct of development and exploration work.

(KGHM Group)

The risk of not being able to secure appropriate staff to advance the Group's business goals (including the lack of sufficient human resources to maintain the continuity of the Core Business operations due to the COVID-19 pandemic).

(KGHM Group)

Risk that the confidentiality, integrity or availability of informational assets which have been collected, stored or processed on IT resources may be compromised, as well as cybernetic threats.

The risk of exceeding project/program budgets and schedules, deviating from defined scopes and failing to meet defined quality parameters as a result of the improper management of portfolios and projects. Risk related to the operational management and development of strategic projects, reflecting the question of incurred costs, permits and infrastructural requirements.

Climate

This category is associated with climate-related risk (climate risk) and its impact on the KGHM Polska Miedź S.A. Group's business activities, comprising physical risk (violent and chronic) and temporary risk (regulatory, reputational, market and technological).

(KGHM Group)

Climate risk related to the negative impact of climate change on the activities of the KGHM Group.

(KGHM Group)

Climate risk related to the transition to a low-emissions economy and resistance to climate change.

A detailed description of the various categories of risk and ways to mitigate them can be found in the [Management Report on the Activity of the Company and the Group for 2022](#).

Risks associated with the COVID-19 pandemic and the war in Ukraine

Preventive actions in the Group

In KGHM Polska Miedź S.A., as well as in all international mines of the KGHM Polska Miedź S.A. Group as well as Sierra Gorda S.C.M., thanks to the implementation of a variety of preventative measures there were no production stoppages which would have been directly attributable to the pandemic and/or the war in Ukraine. As a result, the Group's production of copper, silver and molybdenum in 2022 was in line with the targets set in the budget.

KGHM Polska Miedź S.A. for years has applied procedures to monitor receivables. The punctuality of payments by customers is reported daily, while potentially recorded interruptions in cash flow from clients are immediately explained. In terms of sales, most customers are not currently experiencing a strong negative impact from prior waves of the epidemic on their operations, thanks to which the trade receivables towards the Parent Entity are paid on time, while deliveries to customers are proceeding without major problems.

The strategy of diversification of suppliers and the use of alternative solutions which are effectively applied by the KGHM Polska Miedź S.A. Group at the present moment mitigate the risk interruptions to the supply chain for raw and other materials.

The Group is fully capable of meeting its financial obligations. The financial resources held by the Group and available borrowings guarantee its continued financial liquidity. The basing of the financing structure of the Group at the level of the Parent Entity on long-term and diversified sources of financing, provided the Company and the Group with long-term financial stability by maintaining a stable schedule of debt maturity dates and by optimising its cost.

Due to the centralisation of the process of obtaining external financing for the needs of the entire Group, in order to transfer liquidity within the Group, a debt instrument in the form of owners loans is used to support the investment process, and the Group uses local and international cash pooling to service its daily operations.

At present the Parent Entity is not aware of any significant risk of a breach in the financial conditions (so-called covenants) contained in external financing agreements related to the COVID-19 pandemic and/or the war in Ukraine. The Group continues to advance its investment projects in accordance with established schedules and is not aware of any increase in risk related to their continuation as a result of the coronavirus pandemic and/or the war in Ukraine.



During the reporting period there were no interruptions in the continuity of the Group's operations caused by infections of this virus amongst the employees. There continues to be a lack of any substantial heightened level of absenteeism amongst employees of the Parent Entity's core business or domestic and international production assets related to the pandemic.

The process is continuing in the Company of implementing a comprehensive business continuity management system, which also enables a detailed breakdown of the scope of actions undertaken as regards managing corporate risk in terms of the risk of a catastrophic impact and the small probability of its occurrence.

Taking into consideration the risk of a new mutation of the SARS-CoV-2 virus and the subsequent wave of the COVID-19 pandemic observed in China, there still remains uncertainty regarding the potential development of the epidemic situation in the world, in particular in terms of the consequences of its impact on the economic and social situation in Poland and globally. Since the start of the COVID-19 pandemic, China had maintained a rigorous „zero covid“ policy, but in the fourth quarter of 2022 the decision was made to remove most of

the restrictions. The expected economic recovery in the country and the world given the current improvement in the epidemiological situation was slowed by Russian's aggression against Ukraine, whose impact on food security and high energy prices and producer inflation, as well as problems with access to artificial fertilizers. From the point of view of the stability and continuity of energy carriers supply chains, of importance will be geopolitical directions as regards issues related to energy and the climate, especially in the context of European countries gaining independence from Russian natural gas and coal deliveries as well as the impact of the plan adopted by EU member countries to reduce natural gas consumption during the winter months. The Parent Entity continually monitors the international economic situation to assess its potential negative impact on the KGHM Polska Miedź S.A. Group and to undertake pre-emptive actions to mitigate this impact.



The most significant risk categories related to the COVID-19 pandemic and/or the war in Ukraine, affecting the Company's and the Group's operations, are:

- increased absenteeism amongst employees of the core production line as a result of subsequent waves of the SARS CoV-2 virus;
- further increases in the prices of fuels and energy carriers;
- interruptions in the supply chain and materials availability (e.g. steel), fuels and energy on international markets;
- interruptions and logistical restrictions in international transport;
- restrictions in certain sales markets, a drop in demand and optimisation of inventories of raw materials and finished products amongst customers;
- a potential global economic slowdown or recession;
- potential exceptional legal changes;
- volatility in copper and silver prices on the metals markets;
- volatility in molybdenum prices;
- volatility in the USD/PLN exchange rate;
- volatility in electrolytic copper production costs, including in particular due to the minerals extraction tax, changes in the value of purchased copper-bearing materials consumed and volatility in prices of energy carriers and electricity;
- higher prices of materials and services due to observed high inflation;
- the effects of the implemented hedging policy, and
- the general uncertainty on financial markets and the impact of the economic crisis connected with the COVID-19 pandemic and the ongoing conflict in Ukraine.

From the point of view of the Company, the impact of the COVID-19 pandemic and/or the war in Ukraine is their impact on market risk connected with volatility in metals prices and stock exchange indices during the reported period. The Company's share price at the end of 2022 rose by 45% compared to prices at the end of the third quarter of 2022 and fell by 9% compared to the end of 2021, and at the close of trading on 30 December 2022 amounted by PLN 126.75. During these same periods the WIG index rose by 14% and fell by 17%, while the WIG20 index rose by 30% and fell by 21%. As a result of these changes in share prices, the Company's capitalisation decreased from PLN 27.88 billion at the end of 2021 to PLN 25.35 billion at the end of 2022.

After a stable first half of 2022, when the average copper price amounted to 9,761 USD/t, the situation on the metals markets demonstrated a falling trend. The average copper price in the third quarter of 2022 fell by 18.6% compared to the average copper price in the second quarter of 2022. Since November 2022 there has been a rising trend on metals markets and in the fourth quarter of 2022 the average copper price rose by 3.3% compared to the average copper price in the third quarter. The average price of copper in 2022 amounted to 8,797 USD/t, an amount expected in the budget.

Uncertainty as to the potential continuation of rises in prices of fuels and energy carriers may continue to be the main factor generating further increases in the costs of core activities.

Individual deviations can be observed in the availability of raw and other materials, although at the present time the KGHM Polska Miedź S.A. Group is still not experiencing a significant negative impact from such variability on its operations. Taking into consideration the continuity of supplies of energy carriers (natural gas, coal, coke) the KGHM Polska Miedź S.A. Group at the present time is not experiencing a significant negative impact from the suspension of deliveries of Russian natural gas, coal and coke, and is fully capable of maintaining the continuity of the Core Production Business and all production processes.

The increased number of infections by the omicron variant of the SARS-CoV-2 virus recorded at the start of 2022, and in subsequent months the war in Ukraine, led to a temporary drop in the number of reservations and visits by customers to the spa entities. Nevertheless, the situation, starting from the turn of April and May 2022, began to systematically improve and stabilise. Starting from 16 May 2022 the state of epidemic was rescinded, and was replaced by the introduction of a state of epidemiological threat, which remains in force until rescinded. In the fourth quarter of 2022 there was no direct negative impact of COVID-19 recorded on the functioning of the market where the companies conduct their business. At the same time the companies do not anticipate in their financial targets for 2023 and for subsequent years further restrictions in the conduct of their activities or the temporary suspension of activities in their curative facilities.

Spa companies, which are engaged in curative activities and are financed from public funds, take advantage of protections resulting from the act on specific solutions



serving to protect the recipients of gaseous fuels due to the situation on the natural gas market. The protection foreseen by the act will function to the end of 2023.

The financial obligations of the spa companies towards lenders and lessors in the fourth quarter of 2022 were paid on time, while the improvement in results, despite higher than expected costs of electricity, natural gas and debt servicing, had a positive impact on meeting the terms of the investment loan agreement with the bank Pekao S.A.

As a result of receiving funds from 2.0 Shield for Large Enterprises from the Polish Development Fund (Polski Fundusz Rozwoju S.A.) for periods subject to the closure of activities, in August 2022 the spa companies Uzdrowisko Połczyn Grupa PGU S.A. and Uzdrowiska Kłodzkie S.A. Grupa PGU settled the support received and obtained remission of the loans. Other companies which received subsidies under the PFR's Financial Shield program for the SME sector, are awaiting a decision by the PFR regarding the settlement of the support.

Impact on the activities of the Parent Entity and other Group companies

The epidemic situation caused by COVID-19 did not have a significant impact on the operations of the Company and the other companies of the Group. As at the date of publication of this report the Management Board of the Parent Entity estimates the risk of loss of going concern caused by COVID-19 as low.

The geopolitical situation related to the direct aggression of Russia against Ukraine and the implemented system of sanctions at the present time is not restricting the operations of KGHM Polska Miedź S.A. or other Group companies, while the risk of interruptions to the continuity of the activities of the Company and the KGHM Polska Miedź S.A. Group in this regard continue to be estimated as low.

Despite the high level of inflation observed in the global economy, leading to a tightening of monetary policy, demand for the Company's key products did not substantially deteriorate in the fourth quarter of 2022r. Metals prices experienced a rising trend, being the result among others of depreciation of the USD. Additionally, the easing by Chinese authorities of the „zero COVID”

policy raised hope of increased metals consumption by China in 2023, which also had a positive impact on the rise in metals prices at the end of 2022.

In 2023 the main sources of risk for economic development remain the high level of inflation and Russian aggression against Ukraine, which consequently may bring an economic slowdown in sectors which are critical for metals consumption (such as construction). Today it is not possible to estimate the impact of these factors on possible profit, and the situation is under constant monitoring while at the same time taking possible mitigating actions.

With respect to the availability of capital and the level of debt, KGHM does not hold bank loans drawn from institutions threatened with sanctions.

From the point of view of exchange differences (the revaluation of balance sheet items), a weakening of the PLN may mean foreign exchange gains (unrealised) due to the fact that the amount of the loans granted by KGHM in USD is higher than the amount of borrowings in USD.

In terms of the other companies of the KGHM Polska Miedź S.A. Group, the situation in Ukraine in 2022 did not have a substantial impact on the operating results generated by these entities.



Political risk in Chile

Due to the ongoing work on the new Constitution in Chile, there is visible increased exposure to political risk which could in future have an impact on operations there. In September 2022 the citizens of Chile voted in a decisive majority against the new draft constitution. The rejected draft constitution assumed among others that more pressure would be placed on the question of protecting the natural environment, indigenous peoples and their habitats, increasing the country's regionalisation (tax autonomy, political autonomy for individual regions etc.), as well as the anticipated possible nationalisation of the mining industry. Despite this, work on the new constitution has continued. At the same time work is underway in Chile to introduce a new tax royalty for the mining sector. The projected changes from October 2022, which are lighter than those initially proposed,

involve both an ad valorem tax on sales, as well as a tax calculated based on operating margin. As regards the aforementioned changes, the company Sierra Gorda SCM is however temporarily protected under a DL600 investment agreement. The Parent Entity continually monitors the political situation in Chile and the related impact on the mining industry, to maintain an update assessment of its potential impact on the KGHM Polska Miedź S.A. Group. Depending on the direction of changes and the decisions taken by the Chilean social authorities, various scenarios are being analysed which will require the taking of appropriate adaptive actions. Taking into consideration the complicated legislative process in Chile, as well as the variable support for the proposed solutions, it may turn out that the draft constitution will not be accepted by Chilean lawmakers within a specific timeframe or form.

Market, credit and liquidity risks

The goal of market, credit and liquidity risk management in the KGHM Polska Miedź S.A. Group is to restrict the undesired impact of financial factors on cash flow and results in the short and medium terms and to enhance the Group's value over the long term. The management of risk includes both the elements of risk identification and measurement as well as its restriction to acceptable levels. The process of risk management is supported by an appropriate policy, organisational structure and procedures. In the Parent Entity these issues are covered in the following documents:



- Market Risk Management Policy and the Rules of the Market Risk Committee,
- Credit Risk Management Policy and the Rules of the Credit Risk Committee, and
- Financial Liquidity Management Policy and the Rules of the Financial Liquidity Committee.

The „Market Risk Management Policy in the KGHM Polska Miedź S.A. Group” covers selected mining companies in the Group (KGHM Polska Miedź S.A., KGHM INTERNATIONAL LTD., FNX Mining Company Inc., Robinson Nevada Mining Company, KGHM AJAX MINING Inc.).

Financial liquidity management is carried out in accordance with the „Financial Liquidity Management Policy in the KGHM Group” which regulates financial liquidity management in the Group and is carried out by individual Group companies, while its organisation and coordination as well as the supervision thereof is performed in the Parent Entity.

Credit risk management in the Parent Entity is carried out in accordance with the Management Board-approved “Credit Risk Management Policy”. The Parent Entity serves as an advisor to the Group's companies with respect to managing credit risk. The “Credit Risk Management Policy in the KGHM Polska Miedź S.A. Group” applies to selected Group companies and its goal is to introduce a comprehensive, joint approach and the most important elements of the credit risk management process.

Market risk management

Market risk is understood as the possible negative impact on the Group's results arising from changes in the market prices of commodities, exchange rates and interest rates, as well as from changes in the value of debt securities and share prices of listed companies.

In terms of market risk management (in particular the risk of changes in metals prices and exchange rates) of greatest significance and impact on the results of the Group are the scale and nature of the activities of the Parent Entity and the mining companies of KGHM INTERNATIONAL LTD.

The Parent Entity actively manages market risk, undertaking actions and decisions in this regard within the context of the global exposure throughout the KGHM Polska Miedź S.A. Group.

The Management Board is responsible for market risk management in the Parent Entity and for adherence to policy in this regard. The main body involved in performing market risk management is the Market Risk Committee, which makes recommendations to the Management Board in this area.

Credit risk management

Credit risk is defined as the risk that counterparties will not be able to meet their contractual liabilities.

The Management Board is responsible for credit risk management in the Parent Entity and for compliance with

policy in this regard. The main body involved in actions in this area is the Credit Risk Committee.

Management of financial liquidity risk

The management of capital in the Group aims at securing funds for development and at securing relevant liquidity.

Risk categories

Market risk

Commodity risk, currency risk	Interest rate risk	Price risk related to the change in share prices of listed companies	Result on derivatives and hedging transactions
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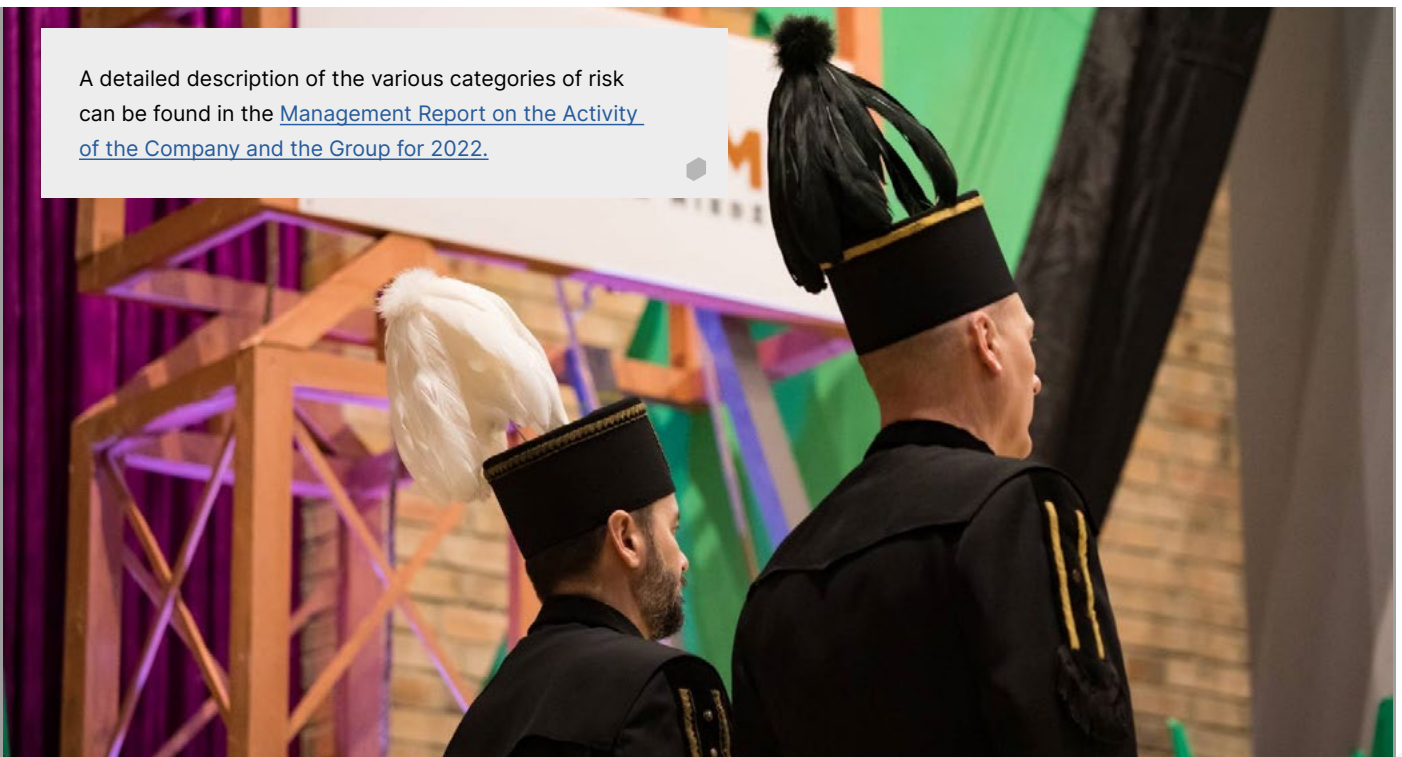
Credit risk

related to trade receivables	related to cash and cash equivalents and bank deposits	related to transactions in derivatives	related to loans granted
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Financial liquidity

Financial liquidity management

A detailed description of the various categories of risk can be found in the [Management Report on the Activity of the Company and the Group for 2022](#).



Management of sustainable development and ESG risks

GRI: 3-3 material topic: Sustainability and ESG Risk Management, 2-22, 2-23

In the Strategy of the KGHM Polska Miedź S.A. Group until 2030 with an outlook to 2040, an additional, fifth element – “Energy” – was added, ultimately creating the Strategy based on “5Es”, including five pillars based on five updated development directions:

- Pillar I – Core business
- Pillar II – New activities
- Pillar III – Supporting activities
- Pillar IV – Health
- Pillar V – Prosociality

The current Strategy has not changed the Company’s existing approach to its business activity. KGHM Polska Miedź S.A. continues to maintain its responsible attitude and forward-looking approach to the future of an enterprise operating in compliance with the principles of sustainable development, which are taken into account at the level of the Company’s business strategy and in the ESG analysis of individual strategic initiatives.

Sustainable Development Areas of KGHM Polska Miedź S.A.



BEST PRACTICE

Sustainable Development Council

The Sustainable Development Council (hereinafter: the Council) was appointed pursuant to the resolution of the Management Board of KGHM to implement the Strategy of KGHM Polska Miedź S.A., given the dynamic changes in the mining and processing industry caused by macroeconomic, technological and legislative challenges, the evolution of global economic development directions and growth based on sustainable development and safety ideas.

The Council is comprised of individuals representing the areas that are critically important for the idea of sustainable development, i.e., among others, ecology, environment, community, security, investor relations, finance, resource management, regulatory analysis and broadly defined supply chain management. The key premise for the activities of the Council is our business development vision of operating according to the accepted standards and canons shaping the future functioning of raw material companies across the world as well as the need for internal information integrity and coherence in the Company's operations.

The main goal of the Council is to identify needs, set directions, issue opinions and coordinate activities associated with the implementation of the rules and regulations guiding the sustainable development concept in the entire KGHM Group. Furthermore, the Council serves as a kind of open forum for sharing knowledge and promoting activities furthering the idea of sustainable development and a forum for aggregating and promoting mineral resource industry standards and solutions accepted in Poland and globally in this field.

The Council's other activities include:

- issuing opinions on information materials in the field of sustainable development, in particular in areas with impact on the environment (including climate change) and society, included in documents published outside the Company;
- consulting on and supervising the preparation of documents that are important for pursuing sustainable development goals;
- analysing legislative changes related to sustainable development and their impact on the KGHM Group;
- identifying potential elements of improvements in the entire value chain of KGHM Polska Miedź S.A. based on the sustainable development concept.

During the Council's meetings, the following topics were discussed in 2022:

- the requirements imposed on listed companies in the context of respecting human rights, including the guidelines of the Copper Mark program which KGHM Polska Miedź S.A. joined in 2020. The Copper Mark initiative demonstrates the contribution of the copper industry to the implementation of the Global Sustainable Development Goals;
- the Management Board issued its positive opinion and adopted, within the scope of its competence, the "Human Rights Policy in KGHM Polska Miedź S.A." The document was finally adopted by Resolution No. 150/XI/2022 of the Management Board of KGHM Polska Miedź S.A. of 27 April 2022 and introduced for application in the Company.

Contribution to the Sustainable Development Goals (SDGs)

KGHM pursues far more of the sustainable development goals (SDGs) presented in the 2030 Agenda for Sustainable Development adopted by the UN in 2015 than

just those considered typical for companies in the sector of its operations. The goals pursued by KGHM Polska Miedź S.A. are presented in the following diagram:

UN sustainable development goals for the years 2015-2030 pursued by KGHM Polska Miedź S.A.



Since December 2017, KGHM Polska Miedź S.A. is a signatory of the charter called “the Partnership for the realisation of Sustainable Development Goals”. In its declaration, the Company indicated selected goals of the Agenda 2030, which it aimed to support. In the following years, actions were taken in KGHM Polska Miedź S.A. consequently that resulted in an evolution and extension of the portfolio of supported goals. Today, after over five years since joining the Partnership, the Company has almost doubled the number of supported goals.

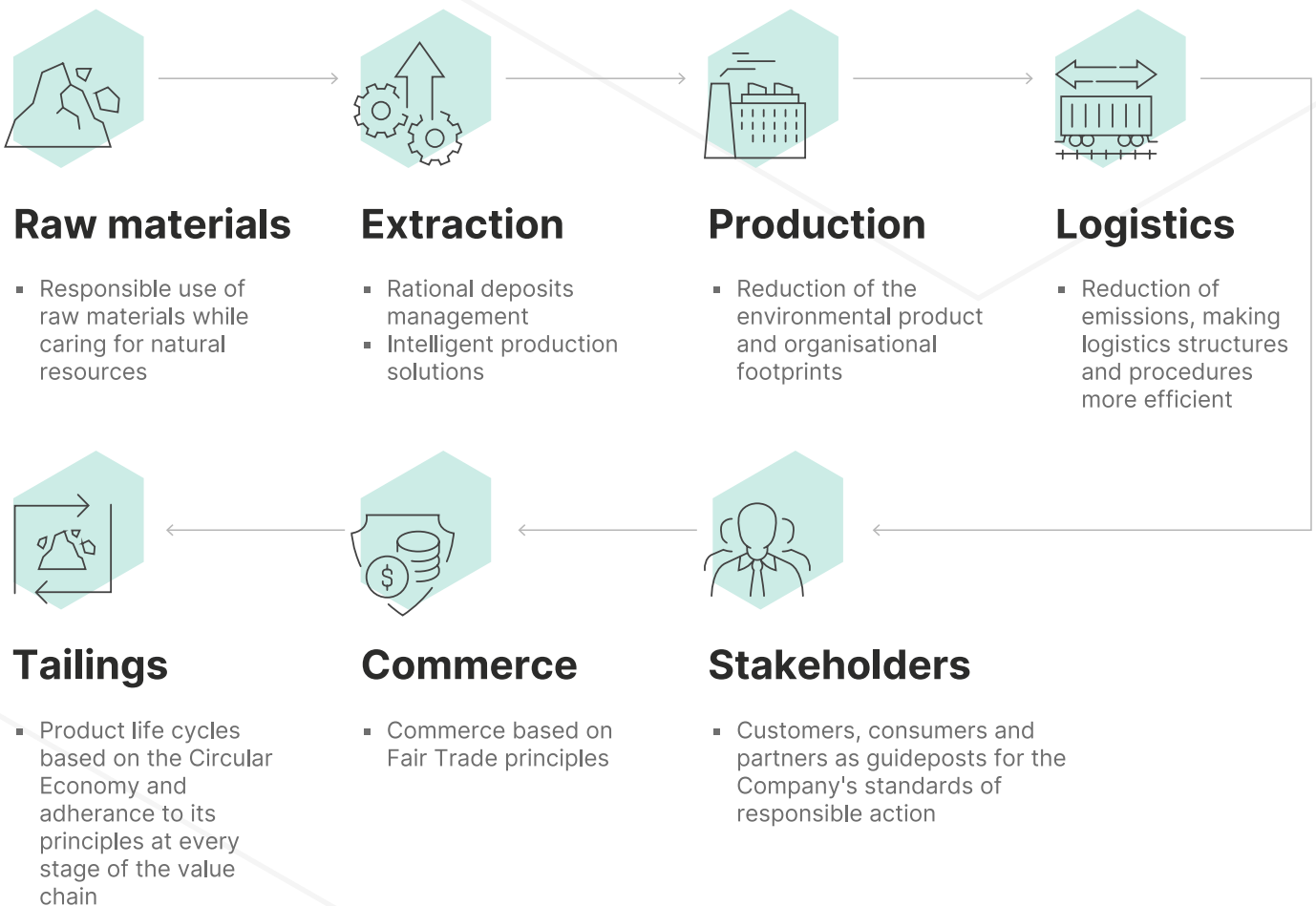
The positive aspects of KGHM’s operations drive economic growth across the region, through ensuring attractive and stable jobs and development of cooperating companies, increasing the well-being of its communities (SDG 8), efforts to broaden access to health care (SDG 3), decent work and education (SDG4), development of employees, benefits and training. KGHM addresses its activities to employees and their families, but it also cares for all residents of the region, contributing to the equality of opportunities in many aspects of life (SDG 10, 11).

The draft Directive on due diligence in the area of sustainable development, currently in the pipeline of the European Union, imposes an obligation on companies to identify risks in the area of human rights. In order to meet the measures in this area, in April 2022 the Company adopted the KGHM Human Rights Policy. The adoption of the document is an expression of care and the confirmation that human rights represent an area of particular importance for KGHM. The document defines the potential risks in this area while identifying persons responsible as well as possible forms of prevention and mitigation of effects of such measures. The KGHM Human Rights Policy was also audited in 2022 in terms of maintaining the Copper Mark certification by the Company, with a positive result. The KGHM Human Rights Policy covers issues such as labour rights, social dialogue or occupational health and safety standards – both at KGHM and throughout the value chain (SDGs 5, 10).

Because of the broad international scope of its operations, cultural differences and the specific nature of the industries in which it operates, the Group has long conducted a variety of human rights protection activities, such as: counteracting discrimination, not using forced labour (including child labour and slavery), respecting women's rights and equal pay principles, caring for the natural environment and conducting its activities with respect for the rights of the First Nations – in accordance with the applicable normative acts. Work is currently pending to ensure consistency and comprehensiveness of these activities.

Other objectives pursued by the Company include responsible consumption and innovative production (SDG 12). KGHM is striving to ensure that the entire core production line is optimized, safe, innovative and sustainable, constantly seeking methods for its continuous improvement, also through innovation, research and development activities (SDG 9). The Company is trying to focus its activities also on: efficient resource management (while striving to eliminate waste in accordance with the Circular Economy (CE) idea), reclamation of land and maintenance of biodiversity in post-mining areas (SDG 15).

The activities undertaken by KGHM Polska Miedź S.A. reflect the sustainable value chain, as presented in the chart below:





On 16 November 2021, the Management Board of KGHM Polska Miedź S.A. adopted a resolution approving for application the “Climate Policy of KGHM Polska Miedź S.A.” It directly supports the implementation of UN Sustainable Development Goals in the following areas:

- SDG 7 – to ensure access to stable, sustainable and modern energy for everyone at an affordable price;
- SDG 12 – to provide sustainable patterns of consumption and production;
- SDG 13 – to take urgent action to combat climate change and its impacts.

Every year KGHM implements solutions to manifest its efforts to operate in line with the idea of a circular economy. One of the ways of using raw material constituting waste within the circular economy activities is the production of road building aggregates from copper slag.

The Strategy of the KGHM Polska Miedź S.A. Group assumes that a stable level of copper production will be maintained in Poland and internationally, also based on increased processing of third party materials and recycled copper. Given the limited sources of copper ore, the acquisition of raw material by recycling copper scrap has become an important element of the Group’s activities. It is the ambition of KGHM to increase the recycling of scrap metal to reuse it in accordance with the Circular Economy concept.

One of the new development directions within 5E is the “Energy” area. The priority in this area is to acquire energy from its own sources and renewable sources.

The Company carries out a range of projects in the scope of preparation for the construction of its own photovoltaic farms as well as the acquisition of companies with photovoltaic farm projects or with operating installations. Moreover, the opportunities of acquiring new RES projects from the market in the scope of offshore wind energy and onshore wind farm development are identified.

KGHM’s flagship project should not be omitted related to nuclear power development, i.e. the construction of small modular nuclear reactors (SMRs). In addition, at the end of February 2022, KGHM became one of the initiators of the newly founded Lower Silesian Hydrogen Valley Association.

The Company is also involved in a number of research and development projects aimed at developing the design of battery-powered mining vehicles and machines adapted to operate in the extremely difficult environmental conditions of KGHM Polska Miedź S.A.’s underground mines. In KGHM’s mines, the first tests of underground electric machines and a vehicle for transporting people and materials have been launched.

In order to minimize the negative environmental impact of metallurgical technologies and maintain fully operational equipment protecting the environment, the Company has successfully adapted the units to the BAT Conclusions for the non-ferrous metals industry, including limitation of arsenic emissions. The metallurgical emission reduction parameters achieved as a result of investment projects are much better than the levels required by the law.



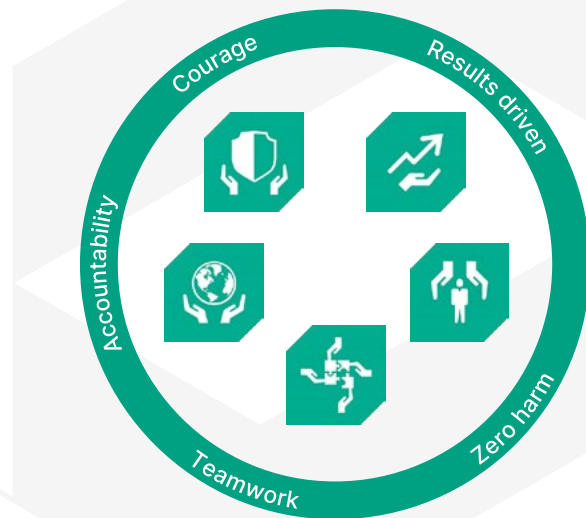
Ethics

Ethical foundations

GRI: 3-3 material topic: Ethics and transparency, 3-3 material topic: Observance of human rights, 3-3 material topic: Customer satisfaction, 2-25, 2-26, 406-1

Values of KGHM Polska Miedź S.A.

KGHM's values bind all employees, regardless of their position in the organisation or nationality, and are a guidepost for all decisions and actions taken. KGHM operates on the basis of deeply rooted values and principles which its employees follow in their daily work. Zero harm, teamwork, results driven, accountability and courage – these values connect all of KGHM's employees, whether they work in mines, processing plants or smelters, in Poland or in other parts of the world. Values of KGHM Polska Miedź S.A.



Zero harm

Zero harm is the top priority of the Company's value hierarchy:

- The life and health of our employees is our priority.
- Respect for the natural environment, in particular the resources we mine in a responsible manner.
- The Company cares for the local communities within which it operates and maintains a dialogue with.
- KGHM Polska Miedź S.A. puts emphasis on the continuity and stability of its operations.

Results driven

Attainment of results while focusing on KGHM's long-term success.

- Ambitious targets and ongoing development.
- Taking initiative and making extra efforts for the benefit of KGHM.
- Solid work using the right tools.

Accountability

All Company Employees are jointly responsible for the actions taken for the benefit of our stakeholders:

- Acting in a transparent and socially responsible manner, abiding by the standards of the Code of Ethics.
- Accountability for our decisions, obligations and constant, stable development.
- Building long-term relationships with our business and social partners.

Courage

The Company addresses new challenges:

- Employees are brave and continually face new challenges.
- Courageous decisions are made and new, innovative solutions are constantly sought for.

Teamwork

Teamwork is the basis for the Company's success:

- In KGHM, teamwork is performed.
- Respect for the views of others in a discussion.
- Using the talents and experience of employees.
- Diversity, including a multi-cultural environment, are valued in the Company.

Ethical standards in the KGHM Polska Miedź S.A. Group

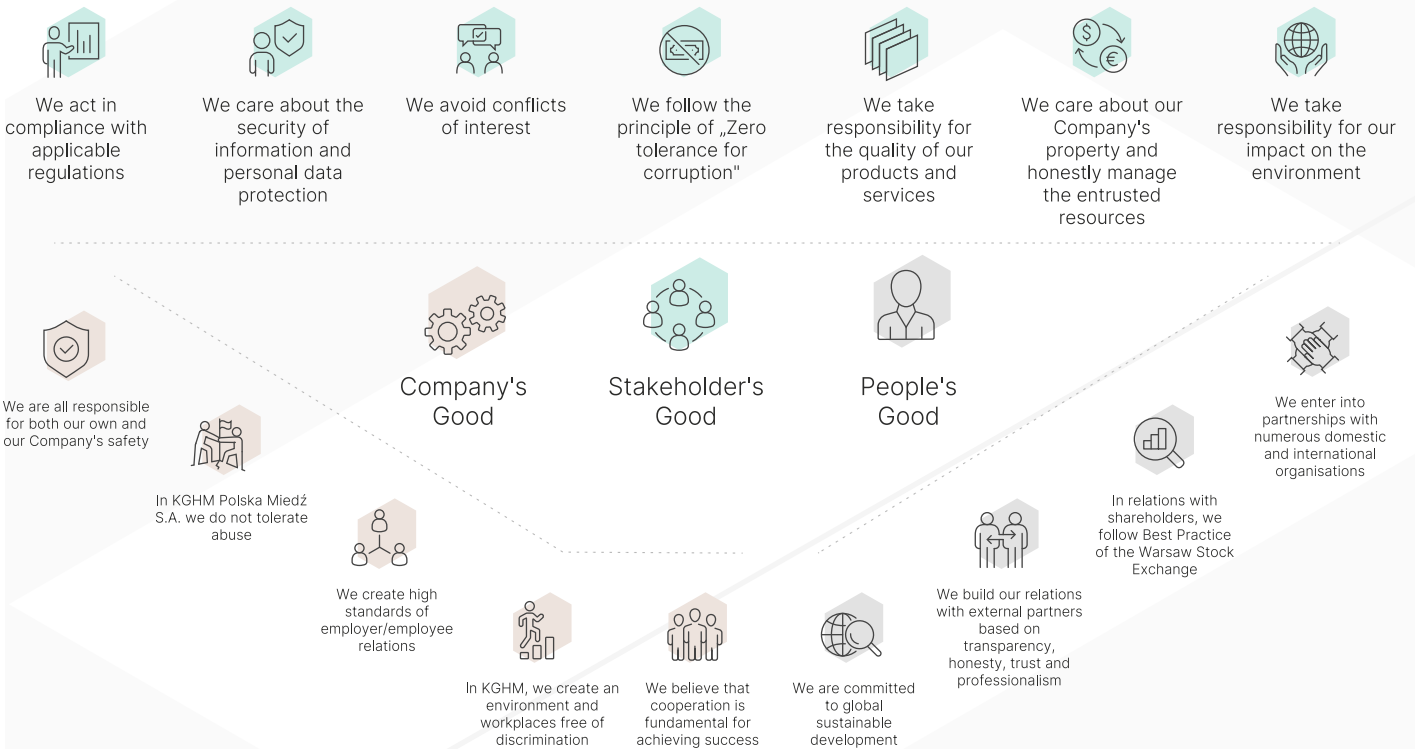
The main tool for building the corporate culture of the Group is the Code of Ethics of the KGHM Polska Miedź S.A. Group, which helps define priorities and establish a set

of principles applicable to all employees in their daily work. It defines Key Ethical Standards which are implemented through the principles of ethical conduct.

Ethical standards of KGHM Polska Miedź S.A.



BREAKDOWN OF PRINCIPLES OF ETHICAL CONDUCT



In order to implement the principles and values contained in the Code of Ethics effectively, other **relevant policies and procedures** have been introduced in the whole Group. Their implementation meets global corporate governance standards and the growing expectations of stakeholders – primarily customers and financial institutions.

BEST PRACTICE

Organisation of the security and loss prevention system

In order to ensure the correct implementation of the adopted Security Policy and Anticorruption Policy in the KGHM Polska Miedź S.A. Group, security and loss prevention units were established in the Divisions along with seven selected domestic companies whose work is regulated by the Operating Instructions implemented in 2020. Ethics and Anticorruption Representatives have been appointed in all entities of the KGHM Polska Miedź S.A. Group, domestic and international; their work is supervised and coordinated by the Ethics and Anticorruption Representative in the KGHM Group. The appointed units are obliged to report periodically in the area of safety and loss prevention to the and Head Office of KGHM Polska Miedź S.A.

Reporting irregularities and protection of whistleblowers

In order to allow for effective detection of irregularities, confidential channels are in place for reporting of irregularities by Whistleblowers, both within the company, as well as from outside of its organisation. Persons who report irregularities, and who do so in good faith and non-anonymously (Whistleblowers) are protected under the KGHM Group Procedure for Disclosing Improprieties and Protecting Whistleblowers. Anonymous reports are also accepted and followed up. The channels launched allow reporting without disclosing one's personal details.

Reports are made:

- centrally, to the Ethics and Anticorruption Procedures Unit
- locally, in each of the entities from the KGHM Group, to Ethics and Anticorruption Representatives (available in each Group entity).

All the reports are subject to central registration at KGHM Polska Miedź S.A., where they are verified and sent to relevant units dealing with substantive issues to be reviewed there. The process is monitored by the Ethics and Anticorruption Representative in the KGHM Group.

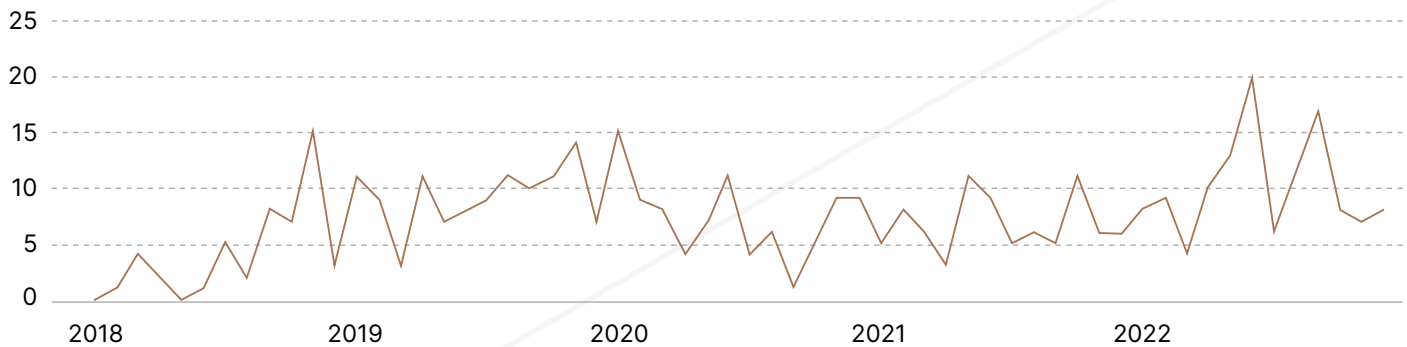
BEST PRACTICE

KGHM Ethics Line

As of 2019, a Whistleblower Platform has been made available on the corporate website – the “KGHM Ethics Line” available for both employees and third parties, including contractors and customers, in four languages – Polish, English, Spanish and Russian. The Platform supports anonymous reporting of irregularities and is an alternative channel for other forms of contact – telephone lines, e-mail boxes and mailing addresses. According to the applicable internal regulations, all reports are subject to verification and investigation. In 2022, an investment project was carried out concerning the development of an IT tool to support handling and reviewing reports from Whistleblowers. The work is scheduled to end and the production version of the tool to be made available in the first quarter of 2023.

The aforementioned Ethics and Anticorruption Representatives conduct periodic training and awareness campaigns and consultations for employees. Moreover, mediation teams operate in some entities which enable resolving disputes and disagreements between employees. It is also possible to raise concerns with a supervisor, which employees are informed about, among others, through announcements published on the intranet and mandatory e-learning training.

Number of reports of breaches of ethical principles in the KGHM Polska Miedź S.A. Group in the period 2018-2022



Procedure followed in the event of a breach of ethical principles in the KGHM Polska Miedź S.A. Group



Have you witnessed a breach of ethical principles?



Report it to your superior or use the confidential channels.



Our employees will undertake the appropriate actions and maintain full discretion.

Anticorruption

GRI: 3-3 material topic: Ethics and transparency, 205-1, 205-2, 205-3

In order to comply with the key anticorruption rules in the KGHM Polska Miedź S.A. Group and in the companies of the KGHM Polska Miedź S.A. Group located in Poland and abroad, in 2020, the Management Board of KGHM Polska Miedź S.A. adopted a resolution to implement the Anticorruption Management System in the Divisions and Head Office of KGHM Polska Miedź S.A. and in the Subsidiaries in accordance with the PN-ISO 37001:2017 standard. In connection with the implementation of the ISO 37001:2017 standard, in 2021 the KGHM Polska Miedź S.A. Group adopted the new Anticorruption Policy. The implementation team prepared, including updating of the existing and development of new anticorruption regulations consistent with the requirements of the standard.

The basis for the Anticorruption Management System is Corruption Risk Management, which is based on identification and assessment of corruption risks in individual processes pursued by Group entities. The accepted procedures regulate the corruption risk management process in the Group, which includes management of corruption risk related to Supervised Organisations and Business Partners. They define detailed standards of handling corruption activities, including conflict of interest, giving and accepting business gifts, contacts with public officials or events that may constitute corrupt offers. They also define the liability for violating the Anticorruption Policy and anticorruption regulations.

Substantive procedures of the anticorruption management system

KGHM/ZSZ/SZDA/P-10 Corruption risk management	<p>Celem procedury jest zapewnienie, aby realizacja wszystkich procesów biznesowych w Grupie The aim of the procedure is to ensure that the performance of all the business processes in the KGHM Group complies with the adopted Anticorruption Policy and to ensure that Corruption Risk Management is a continuous process which guarantees an adequate level of monitoring and improvement of the efficacy of the adopted and applied means of supervision. The Procedure defines the framework for Corruption Risk Management. In 2022, the procedure was amended as its scope was extended to include the rules of due diligence of candidates and personnel in KGHM Polska Miedź S.A.</p>
KGHM/ZSZ/SZDA/P-11 Handling actions of corruptive nature	<p>The aim of the procedure is to ensure compliance of activities and processes performed by persons working for or on behalf of entities from the KGHM Group with the adopted Anticorruption Policy. The regulations are applicable to all employees and representatives of the entities from the KGHM Group.</p>
KGHM/ZSZ/SZDA/P-12 Corruption risk management referring supervised organisations and business partners	<p>The aim of the procedure is to ensure that within the Corruption Risk Management with reference to obtained risk assessment results, means of supervision will be applied to give an effective response to threats facing the Supervised Organisations and Business Partners.</p> <p>The procedure defines how to ensure performance of the Anticorruption Policy in the Supervised Organisations and which regulations must be implemented and applied by these organisations. It also defines Rules of Risk Management connected with Business Partners.</p> <p>Significant elements of the procedure include:</p> <p>The AMS is implemented in an integrated manner, in connection with which the system documentation of the Integrated Management System has been also updated. The system is monitored and improved by a team established for this purpose in 2022 and chaired by the Representative of the Management Board for the Integrated Management System.</p>

Business gifts

Employees are prohibited from offering or accepting any material benefits in relation to the performance of professional duties. The only exception is giving and accepting business gifts in line with the local norms and cultural customs, provided that the giving and accepting of gifts cannot lead to a situation in which such behaviour could be considered as an attempt to exert pressure or persuade the recipient to act against their duties. Detailed rules pertaining to giving and accepting customary business gifts have been defined in the Procedure of Handling Actions of Corruptive Nature.

Conflicts of interest

Employees are required to avoid any actions or decisions in a situation of a conflict of interests. If a conflict of interest or such a possibility arises, employees are obliged to disclose it by submitting a relevant statement. In the event that an employee files a statement on the potential conflict of interest, the Ethics and Anticorruption Representative of the Group entity issues an opinion indicating potential risks and possible preventive barriers, which is communicated to the employee's supervisor.

Reviewing of business partners

Business transactions in the procurement, sales and investment processes, including an option of a third party audit, in order to ensure that such transactions meet the highest standards of ethical and transparent business operations are subject to special control (due diligence of business partners). The reviewing of business partners, including in terms of corruption risk and possible conflicts of interest, is conducted in accordance with the "Procedure of review in procurement, sales and investment proceedings" implemented in 2019 and pursued by the Security Department at KGHM Polska Miedź S.A. An amendment to the aforementioned procedure was developed in 2022, which was positively reviewed by the KGHM Group Council. Introduction of the amendment by Management Board decision is scheduled in the first quarter of 2023.

Działania edukacyjne i komunikacyjne

199

Ethics and anticorruption and conflict of interest training meetings implemented in 2022

1,171

Total number of employees trained on ethics and anticorruption and conflict of interest in 2022



Every year, educational and information campaigns and competitions are organized, and publications are prepared for employees concerning ethics and corruption prevention.

Since 2018, regular security and loss prevention training has been organized, including the topics of corruption prevention and conflicts of interest, for employees of all KGHM entities. The training covers all newly hired employees in KGHM entities. All materials and instructions are readily available to Employees on the corporate Intranet site via a dedicated tab devoted to ethics and corruption prevention.

Regular meetings and training sessions are also organized for the Ethics and Anticorruption Representatives (40 persons). In 2022, 9 such training sessions were held in the KGHM Polska Miedź S.A. Group in the scope of implementation of the AMS compliant with PN-ISO 37001.

In February 2022, due to the implementation of the Anticorruption Management System and introduction of new regulations, the e-learning courses on ethics, prevention of irregularities in the company (in particular corruption, abuse, discrimination) and accepting reports from Whistleblowers, which had been in force until then, were suspended. In 2022, activities aimed at creating a new online course, scheduled to be launched in the second quarter of 2023, were carried out.

Values of selected GRI Standards illustrating activities relating to corruption prevention in KGHM Polska Miedź S.A. and in the KGHM Polska Miedź S.A. Group in 2022

GRI indicator	Issue	KGHM Polska Miedź S.A.	KGHM Polska Miedź S.A. Group
GRI 205-1	Number of plants assessed for corruption risks	11	128
GRI 205-2	Number of members of supervisory bodies informed about anticorruption policies and procedures	10	105
	Management Board – number of persons informed about anticorruption policies and procedures	5	64
	Senior management – number of persons informed about anticorruption policies and procedures	29	157
	Management staff – number of persons informed about anticorruption policies and procedures	683	1,311
	White-collar workers – number of persons informed about anticorruption policies and procedures	4,426	8,287
	Blue-collar workers – number of persons informed about anticorruption policies and procedures	13,235	20,702
	Number of members of supervisory bodies trained in the scope of corruption prevention	0	65
	Management Board – number of persons trained in corruption prevention	0	46
	Senior management – number of persons trained in corruption prevention	29	124
	Management staff – number of persons trained in corruption prevention	683	1,172
	White-collar workers – number of persons trained in corruption prevention	4,426	6,624
	Blue-collar workers – number of persons trained in corruption prevention	13,235	18,300
	Number of business partners (customers/ counterparties) informed about anticorruption policies and procedures	2,334	16,925
GRI 205-3	Number of corruption cases resulting in dismissal or disciplinary punishment	0	218
	Number of corruption cases concluded with the refusal to renew contracts with business partners due to breach of corruption rules	1	1
	Number of corruption cases concluded with court proceedings regarding corrupt practices	0	0

Code of Conduct

In keeping with current business practice, including in the mineral resource industry, our business partners, suppliers, customers and Stakeholders expect companies to have clearly declared ethical regulations.

In 2018, the Management Board of KGHM Polska Miedź S.A. adopted the KGHM Polska Miedź S.A. Code of Conduct. By doing this, the Company declared its commitment to sustainable development and respect for principles of ethics and transparency and best industry practices of socially and environmentally responsible enterprises relying on the KGHM Group Code of Ethics. Both documents regulate standards of conduct observed by the Company. The Codes are an integral, mutually interconnected whole, based on consistent assumptions and values followed by the Company.

The Code of Conduct is a powerfully practical document. Its purpose is to be a guide and support for the employees, showing where to look for answers and who to approach if in doubt about decisions taken in everyday situations. The Code of Conduct provides an easy to understand presentation of the Company's values for all employees, regardless of their position.

The idea of adopting and pursuing the Code of Conduct and the Code of Ethics was presented in 2018 and is continuously repeated to KGHM Polska Miedź S.A. employees via the company's internal portal (Intranet: "KGHM to My" at extranet.kghm.com). The Codes are distributed in the printed version during training sessions held by the Ethics and Anticorruption Representatives in all Divisions and Companies of the KGHM Polska Miedź S.A. Group. The Code of Conduct and the Code of Ethics are published for the general audience on www.kghm.com, in the Investors/Corporate Governance/Code of Ethics and ESG Code of Conduct tab: kghm.com/en/investors/esg.



Respect for human rights

In KGHM we pledge to protect, promote and implement human rights wherever we carry out our activities and towards all entities on which we have a direct or indirect impact.

Human rights policy in KGHM S.A.

GRI: 2-24, 2-25, 2-26,

3-3 material topic: Observance of human rights

In KGHM we pledge to protect, promote and implement human rights wherever we carry out our activities and towards all entities on which we have a direct or indirect impact.

On 27 April 2022, the Management Board of KGHM Polska Miedź S.A. adopted for application the "Human Rights Policy in KGHM Polska Miedź S.A." The Policy is publicly available (inter alia on the Company's website) and known by employees and other persons working for the Company. We pledge to conduct our business in a manner consistent with the International Charter of Human Rights, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the UN Declaration on the Rights of Indigenous Peoples and the OECD Due Diligence Guidance on Conflict-Affected and High-Risk Areas. We declare that respect for human rights by other entities with which we cooperate is an important factor to be taken into account when establishing mutual business relations.

We are guided by the principle of protecting the dignity of work, including in matters relating to fair pay, the right to rest and equal access to training. In the Company, we do not accept any form of violation of personal dignity and gender equality, including: discrimination, harassment, abuse and other actions that violate the rules of social coexistence. We combat all forms of modern slavery, forced labour and torture. The Company rigorously respects the prohibition on the employment of minors. Whilst protecting all rights relating to personal dignity, we also respect, protect and promote family and parental values (the right to live with family).

KGHM's Human Rights Policy is compliant with the implemented Corporate Risk Management Policy and Procedure and contains the identified risks regarding potential human rights violations in the Company's operations along with their mitigation, including measures to reduce or mitigate potential risks.

Key human rights in the Company's operations:



The right to benefit from just and favourable working conditions



The right to privacy



The right to working conditions that meet health and safety requirements

Employees' rights

The Company's Management Board accepts ongoing dialogue with employees as an obligatory norm, including in terms of the implementation of human rights protection, fully respecting activities protecting the rights of persons performing work, in particular such activities as: organising speeches, associations, or the possibility to form and join trade unions in the Company. The employees of KGHM Polska Miedź S.A. are associated in several dozen trade unions. Trade unions, while fulfilling their tasks, also have the right to report and investigate violations in the area of human rights protection with the Company's management.

At the same time, the commitment of the Company's Management expressed in this Policy is fully realised by promoting the same attitude among the Company's employees.

Occupational health and safety, due to the nature of the Company's activities, constitutes a priority of the adopted Human Rights Policy. In every Division of the Company there is a Social Labour Inspector who has the right to intervene in the event of risks or violations. There are also departmental Labour Inspectors in the divisions with an extensive organisational structure. Reported issues in the area of occupational health and safety are also resolved by the Occupational Health and Safety Committee, which consists of representatives of the employer, the Social Labour Inspector of the company, the occupational physician and trade union representatives.

Social dialogue and human rights

We continue our dialogue with local governments and communities located in areas where KGHM's activities may have an impact. This dialogue also concerns the protection of human rights. We prioritize the reduction of all risks to the community resulting from the Company's activities (including the reduction of the risk of compromising the right to health through consistent implementation of the Climate Policy and the Environmental Policy). We actively support the development of local communities and respect their culture by respecting the rights of indigenous peoples (which is of great importance in the case of the international companies of the Group over which KGHM Polska Miedź S.A. exercises ownership supervision).

Communication of the Human Rights Policy to personnel and external stakeholders

All employees of the Company have been familiarised with the adopted Human Rights Policy of KGHM. Over 7,000 members of the KGHM staff underwent online training (internal e-learning platform) on human rights and the adopted Human Rights Policy, as well as the tools for its observance in KGHM.

Moreover, numerous communication activities have been carried out, both addressed to employees (workshops, webinars, publications in internal media, so that each employee who does not have the access to a computer at work can also learn more as regards the implemented Policy) and external stakeholders (publications in nationwide media, participation in initiatives promoting human rights in business).



Counteracting discrimination

We do not tolerate any forms of discrimination, particularly due to gender, race, age, ethnicity, religion, disability, beliefs, sexual orientation, social status, marital status, impairment, membership in political parties and trade unions or employment status. We apply objective and fair employee assessment criteria based on the primacy of knowledge, professional competencies, social skills and the quality of work provided. Our remuneration and incentive criteria are clear.

At KGHM, we manage diversity to create an organisational culture based on mutual respect, equal treatment, access to development opportunities and use of employee potential. Our approach to managing diversity is defined in the "KGHM Declaration of Diversity".

Preventing abuse

The entire KGHM Polska Miedź S.A. Group implemented an Anti-Abuse Procedure, enabling the effective prevention of personal abuse in the workplace. The procedure describes a catalogue of actions designed to prevent abuse, actions to be taken if abuse does occur, and defines obligations of the employer and employees in this respect. The Procedure applies to all employees of the KGHM Polska Miedź S.A. Group, regardless of the type of contract or position held. Every employee who believes they have experienced or have witnessed behaviour displaying features of abuse, has the right to lodge a report. Such a report is lodged in a process defined in the Procedure for Disclosing Improprieties and Protecting Whistleblowers, using dedicated channels, subject to the stipulation that in this case it is necessary to disclose personal details of the reporting employee, the employee(s) who may be subjected to abuse and the employee(s) committing actions or behaviour displaying the features of abuse. The case is examined by the Ethics Committee of the relevant entity of the KGHM Group. Employees are familiarized with the content of the procedure at the time of hiring and periodically, as part of classroom and e-learning training courses.

Ethics Commissions

A tool supporting the Employer in counteracting abuse, discrimination and violation of employee rights and social co-existence standards is the Ethics Commissions

appointed in KGHM Polska Miedź S.A. Group entities examining suspected non-compliance with ethical standards applicable in the KGHM Group. In this respect, no cases of discrimination on various grounds were reported during the reporting period. The work to support and raise ethical and corporate governance standards will continue in 2023.

Personal Data Protection Policy (in KGHM Polska Miedź S.A.)

KGHM Polska Miedź S.A. has a Personal Data Protection Policy in place. The Policy lays down the rules of processing and securing personal data pursuant to Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (GDPR).





The duty to protect personal data processed by KGHM Polska Miedź S.A. and to apply the Policy covers all persons with access to personal data, regardless of their position, place of work and type of employment relationship.

The Policy is consistent with other internal regulations regarding security of information and IT systems applicable in KGHM Polska Miedź S.A.

In 2022, work was undertaken to update the Policy. These activities were aimed at systemically updating the formal content of the documents in the context of the development of KGHM Polska Miedź S.A., the evolving interpretation of regulations and the developed standards of approach to personal data protection in the context of market practices. In addition, their purpose was to make the procedures and practices actually used by KGHM Polska Miedź S.A. more flexible and to facilitate the application of principles and the performance of duties related to personal data protection.

At KGHM Polska Miedź S.A., there is an expert DPO Team, whose purpose is to support the fulfilment of the obligations imposed in the area of personal data protection.

In 2022, activities were carried out to raise KGHM employees' awareness of personal data protection, including, among other things, continued e-learning training on GDPR. In addition, a number of employee information activities were carried out, for example, publishing articles, newsletters, and a podcast on data protection rules.

GRI: 3-3 material topic: Ethics and transparency, 2-27

As a socially responsible company, KGHM Polska Miedź S.A. applies due diligence procedures and attaches importance:

- to adhering to ethical norms and responsible business activities expressed in, among other things, prohibition of corruption, prevention of conflicts of interest, protection of the environment and responsibility for the product and its quality, anti-money laundering and financing of terrorism;
- to respecting human rights, worker and labour standards, including those related to occupational health and safety, among others;
- to complying in terms of, among other things, meeting its obligations to pay public tributes, not entering into business relationships with entities covered by or originating from sanctioned territories, and aiming to counter illegal and unethical sourcing from conflict and high-risk territories.

KGHM Polska Miedź S.A. wants to cooperate with business partners who share the same values and expects customers and suppliers to commit to the above principles by signing the so-called Customer Cards and Supplier Cards.

Internal audit rules (for ethics) in KGHM Polska Miedź S.A.

The Internal Audit Department follows the international internal audit standards. The standards cover 14 areas, with ethics being one of them. When performing internal audit tasks, the risks of potential fraud, conflict of interests or other activities which are not compliant with the Code of Ethics and other internal regulations are analysed. Any areas with increased risk of unethical behaviour are consistently identified and taken into account in the development of the annual audit plan.



Compliance Management Policy in the KGHM Polska Miedź S.A. Group

The Compliance Management Policy in the KGHM Polska Miedź S.A. Group sets forth the framework of the compliance management system and the approach encompassing the whole organisation, based on recognised international standards and best industry practices. The solution selected to build the compliance system has been adapted to the unique nature of the Group's operations and is an important business tool used to prevent occurrences that might result in sanctions being imposed on the Group. It enables the systematic identification, assessment and analysis of the risk of non-compliance or possible non-compliance with generally applicable law, internal corporate regulations and voluntarily adopted legal obligations and standards, including ethical standards, in order to design and implement actions to ensure compliance.

In order to have a consistent approach to ensuring compliance, defined as adherence to requirements arising from external (laws in force) and internal regulations or voluntarily-adopted legal obligations and standards, since 2020 a Compliance Management Policy for the KGHM Polska Miedź S.A. Group, adopted by the KGHM Polska Miedź S.A. Management Board, together with a Compliance Management Procedure and Methodology in KGHM Polska Miedź S.A., have been in place. Having a consistent compliance system in the KGHM Polska Miedź S.A. Group is an element of effective corporate governance management by among others more efficient reaction to and preparedness for regulatory changes, protecting reputation and building an ethical culture in the organisation as well as increasing awareness and a sense of accountability for compliance amongst employees. In 2022, work was conducted to improve the effectiveness of the compliance system, among others to implement complementary IT solutions indispensable for the process and building effective tools for prioritizing applicable legal requirements. The work supporting and raising standards of the compliance function will be continued in 2023.

Competition Law Policy in the KGHM Polska Miedź S.A. Group

The Competition Law Policy establishes an operational framework for a system that enables the maintenance of conformity with the competition law and is applicable in all the countries in which the KGHM Polska Miedź S.A. Group operates. Therefore, the Group undertakes an obligation to compete on the markets in a legal and ethical manner, as well as to prevent, counteract and detect violations in accordance with the applicable legal regulations.

In order to improve the standards of compliance with the competition law, in 2020 the Management Board of KGHM Polska Miedź S.A. adopted instructions to prevent violations under competition law, which expand on and detail the Competition Law Policy in the KGHM Polska Miedź S.A. Group. In December 2022, training was conducted for Local Competition Law Representatives in the KGHM Polska Miedź S.A. Group. The work supporting and raising the standards of compliance with the competition law will continue in 2023.



A measurable effect of the implementation of the procedures and provisions adopted in the various Policies is the relatively low number of violations of laws and regulations. The GRI 2-27 indicator for this scope reflects the information reported by individual companies and the results of surveys conducted among the top management of Group companies, members of the Management Board and Supervisory Board of KGHM Polska Miedź S.A., as well as among representatives of key business areas at the Head Office of KGHM Polska Miedź S.A. The questionnaires were conducted as part of a survey of minimum guarantees for the purpose of assessing taxonomy compliance and pertained to: human rights, labour law, corruption and bribery, consumer protection, competition law, personal data protection, tax matters, environmental protection and energy law. The results of the questionnaire with respect to the Parent Entity, including members of the Management Board and Supervisory Board, indicate that there were no significant violations within the scope covered by the questionnaires.

Values of selected GRI Standards illustrating compliance with laws and regulations in the KGHM Polska Miedź S.A. Group in 2022

GRI indicator	Issue	Result
GRI 2-27	Significant instances of non-compliance with laws and regulations	2
	Fines	8
	Non-monetary sanctions	0
	Number of fines for instances of non-compliance with laws and regulations that were paid during the reporting period, and a breakdown by time of the event	7
	Monetary value of fines for instances of non-compliance with laws and regulations that were paid during the reporting period, and a breakdown by time of the event [PLN]	31.314.1 PLN

Sustainable and ethical supply chain

Relying on the guidelines concerning the sustainable supply chain, the following policies and procedures apply in the KGHM Polska Miedź S.A. Group, which introduce global, harmonised standards adapted to legal regulations applicable in all jurisdictions where the KGHM Polska Miedź S.A. Group operates. At the same time, the information contained in this section is based on the guidelines of the GRI 2 (Global Reporting Initiative) reporting standard.

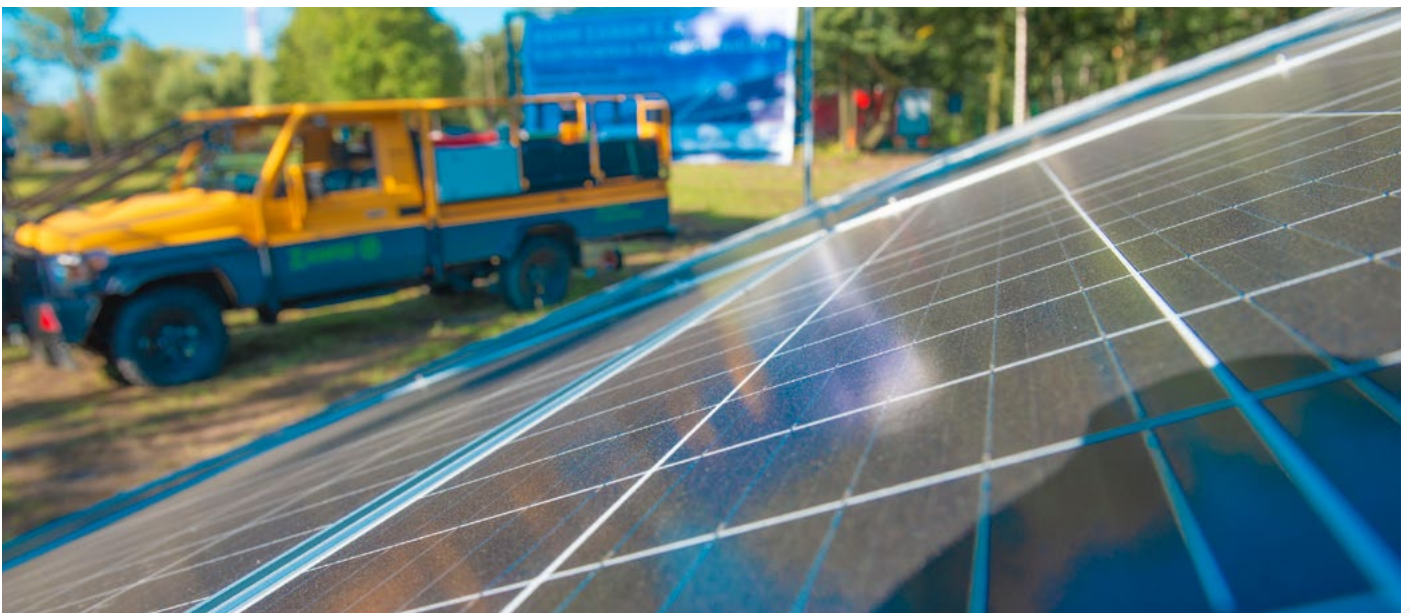
Relationships with suppliers

GRI: 2-6, 3-3 material topics:
Responsible supply chain, 308-1

Individual documents in this area are addressed to specific stakeholder groups as part of establishing business relationships. Certain assumptions, requirements and obligations are addressed to external recipients on the basis of executive documents developed as part of individual processes addressed to them, while others are of an internal nature addressed to persons directly implementing processes within the organisation of KGHM Polska Miedź S.A.

The introduction of the policies and procedures indicated below is a manifestation of care for maintaining a sustainable supply chain in the entire activities of the KGHM Polska Miedź S.A. Group. The responsibility

for the performance of commitments and roles reflect the principles applicable in the organisation regarding the distribution of competence at various operational and management levels and supports the achievement of defined business objectives. All key risks associated with the performance of individual areas of the responsible supply chain are quantified in accordance with the corporate risk management principles effective in the KGHM Polska Miedź S.A. Group, and where required, measures are taken to reduce the probability and susceptibility of the organisation to the defined risks. The company publishes key documents on its website kghm.com/en/investors/esg/policies-and-codes, and those of an internal nature only are published in internal IT systems accessible to employees.



Values of selected GRI Standards illustrating the sustainable supply chain of KGHM Polska Miedź S.A. Group in 2022*

GRI indicator	Issue	Result
GRI 2-6	Supply chain – number of suppliers	10,407
	Supply chain – number of key suppliers	304
	Supply chain – number of key customers	35
GRI 308-1	Total number of new suppliers	3,418
	Number of new suppliers verified in terms of environmental criteria	1,515



Human rights and the value chain

We avoid working with companies that practice forced labour, slave labour, child labour, companies that fail to ensure safety conditions in the workplace and companies that fail to respond to other unethical activities. In KGHM Polska Miedź S.A., through the implementation of relevant documents (Procurement Policy, Contracting Policy, Responsible Supply Chain Policy, Anticorruption Policy), we verify entities with which we cooperate from the perspective of human rights protection.

To that end, we use special clauses in contracts or the so-called [Contractor's Charter](#), in which the contractor declares to respect human rights, in accordance with the standards adopted in this Policy.

In the event of violations of these rights, the Company maintains a consistent dialogue in accordance with its Human Rights Policy in order to mitigate and prevent future violations.

* WThe table above presents selected indicators illustrating the sustainable supply chain. The information for calculating the indicators was acquired from SAP (Parent Entity) records and reports of key Group companies. It should be borne in mind that one supplier may appear in the records of several different Group companies. The number of suppliers verified against the environmental criteria in the Parent Entity was identified on the basis of a Contractor Card, which contains the contractor's commitments to observe ethical, human rights, labour and compliance standards, including the commitment to apply environmental standards in order to mitigate the environmental impact, minimise pollution and improve environmental protection standards. The Card is signed by each Contractor commencing cooperation with KGHM Polska Miedź S.A. in the area of purchases covered by the Procurement Policy, and if any irregularities in this respect are found or in the case of a justified risk of serious abuse in the areas indicated, KGHM Polska Miedź S.A. suspends or terminates its cooperation with such contractor.

Responsible Supply Chain Policy in the KGHM Polska Miedź S.A. Group

The Responsible Supply Chain Policy is aimed at securing the selection of only responsible suppliers and ensuring that the products and services purchased by the KGHM Polska Miedź S.A. Group do not contribute to the financing of terrorism and are manufactured or provided in compliance with basic human rights, labour standards, environmental protection and anticorruption principles. KGHM Polska Miedź S.A. is fully aware that the selection of responsible suppliers is crucial for conducting activities oriented towards sustainable development. At the same time, the KGHM Polska Miedź S.A. Group has undertaken to adhere to the aforementioned standards and declared its commitment to activities of international organisations for corporate social responsibility and the promotion of sustainable development.

The "KGHM Polska Miedź S.A. Group Responsible Supply Chain Policy" was updated in 2022 to reflect the adopted risk-based approach, including the description of the internal responsible supply chain management system, which enables the identification of high-risk business relationships based on criteria consistent with The OECD

Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, as well as the LBMA Responsible Gold Guidance and LBMA Responsible Silver Guidance.

In 2022, a reassessment of the state of compliance with the Copper Mark standard was carried out by KGHM Polska Miedź S.A., confirming that KGHM Polska Miedź S.A. had carried out improvement activities in respect of the responsible supply chains of copper and lead. The fulfilment of the requirements enabled the validity of the certificates awarded to the Legnica Copper Smelter and Refinery and the Głogów Copper Smelter and Refinery to continue until 2024. Obtaining the Copper Mark was indispensable for KGHM Polska Miedź S.A. to continue its free commercial exchange, in particular to ensure easier maintenance of its registration of cathodes on the London Metal Exchange (LME). Further work will be continued in 2023 in terms of the possibility of Copper Mark certification for the Cedynia Copper Wire Rod Plant as well, and further improvement in the areas of the responsible supply chain defined by the standard.

Procurement policy of the KGHM Polska Miedź S.A. Group

KGHM Polska Miedź S.A. is guided by high ethical standards across the procurement process. The main message is to guarantee the professionalism and honesty of the persons responsible for the procurement processes and to prevent potential conflicts of interest, as well as to treat suppliers equally in a way that does not restrict the principles of fair competition.

The purpose of the Procurement Policy of KGHM Polska Miedź S.A. is to implement harmonised standards and to establish general principles for procurement processes in the KGHM Polska Miedź S.A. Group. The overall objective of pursuing a sustainable supply chain is achieved through the following values:

- coherence of the activities of entities in the KGHM Polska Miedź S.A. Group, both in relation to entities outside the KGHM Polska Miedź S.A. Group and within the Group,
- transparency of procurement processes both within the KGHM Polska Miedź S.A. Group and in relation to external counterparties,
- financial stability of activities of KGHM Polska Miedź S.A. Group entities,
- effective management and control of purchasing processes,
- work efficiency and exploitation of own potential,
- increasing the competitiveness of tendering procedures,

- increasing the quality and cost-effectiveness of procurement, while reducing the costs of global supply chain processes,
- building relations with business partners and strengthening the brand image of KGHM Polska Miedź S.A. as an honest and reliable counterparty,
- defining surveillance measures to reduce the risk of irregularities in the procurement process.
- The KGHM Polska Miedź S.A. Procurement Policy also sets out the following specific objectives of the procurement process:
 - ensure transparency of the decision-making process,
 - monitor all procurement transactions by introducing a uniform management system for procurement processes,
 - ensure effectiveness of cost optimisation, mainly by standardisation of the range of products, optimisation of technical specifications, diversification of the market.

The uniform Procurement Policy is in effect in all the Divisions of KGHM Polska Miedź S.A. and all the major Group production assets. The basic assumptions defined in the above document are put into practice with the use of IT tools.



Procedure on counteracting money laundering and prevention of fraud and extortion in trading transactions regarding the sale of products and the procurement of ore and copper-bearing materials in KGHM Polska Miedź S.A.

KGHM Polska Miedź S.A. uses a diverse range of external counterparty verification in the procurement, sales and investment processes, which are regulated by a number of consistent and uniform internal policies and procedures. The Procedure on counteracting money laundering and prevention of fraud and extortion in trading transactions regarding the sale of products and the procurement of ore and copper-bearing materials in KGHM Polska Miedź S.A.

(the Procedure) addresses the verification measures taken by the Company when it enters into trading transactions.

To protect its image and the Company's security, KGHM Polska Miedź S.A. takes measures to prevent the Company from being used by third parties for unlawful purposes, such as money laundering, financing of terrorism, or VAT extortion.

The security measures undertaken in this respect consist, among others, of:

- Client identification and verification of its identity based on the data provided by the Client, publicly available information and/or reports of credit bureaus;
- undertaking, with due diligence, actions to determine the ownership as well as organisational structures or the Client's links to other entities, in order to identify the Beneficial Owner of the transaction and verify its identity, using publicly available information and/or reports of credit bureaus;

- obtaining information on the Client's objective and intended character of the business relationship, using publicly available information;
- monitoring of the business relationship with the Client, including completed transactions, in order to check if they are consistent with the Company's knowledge of the Client and its business profile, and – if possible – examining the source of funds.

Control of procurement processes

The procurement process control instruction has been issued as Appendix no. 1 to the Internal Control Procedure of the Security and Loss Prevention Section of the KGHM Polska Miedź S.A. Group.

The tasks of the Supply Chain Security Department include the control and monitoring of the procurement processes with increased risk of abuse in terms of their compliance with the Procurement Policy in force at KGHM Polska Miedź S.A. The procurement procedure may be subject to the control process on the basis of reports of potential irregularities received (including by whistleblowers), due to their significant value or specific nature, as well as where, as a result of monitoring, it has been determined that they may be exposed to actions contrary to the interest of the KGHM Polska Miedź S.A. Group, actions of a corrupt nature or actions that exclude transparency in the selection of a supplier may occur. In order to carry out the assigned tasks, the Supply Chain Security Department continuously analyses and monitors the process of purchasing projects, uses personal sources of information, supporting activities with business intelligence activities and market analysis. In 2022, control activities were carried out by employees of the Supply Chain Security Department at the Head

Office of KGHM Polska Miedź S.A., proxies in the Divisions of KGHM Polska Miedź S.A. and selected Companies of the KGHM Polska Miedź S.A. Group. During the year, control activities were also extended to the Companies that are part of KGHM INTERNATIONAL LTD.

Due to the scale of procurement carried out in the KGHM Polska Miedź S.A. Group, during the year approx. 10 thousand procurement projects are carried out on average, conducted simultaneously by several entities of the KGHM Polska Miedź S.A. Group, while their monitoring is possible only with the support of an adequately designed IT system. To this end, improvement activities are carried out as part of a project enabling acquisition of information on events indicating the likelihood of irregularities from the procurement system. Continuous monitoring of such incidents enables the selection of procurement projects with an increased risk for review.

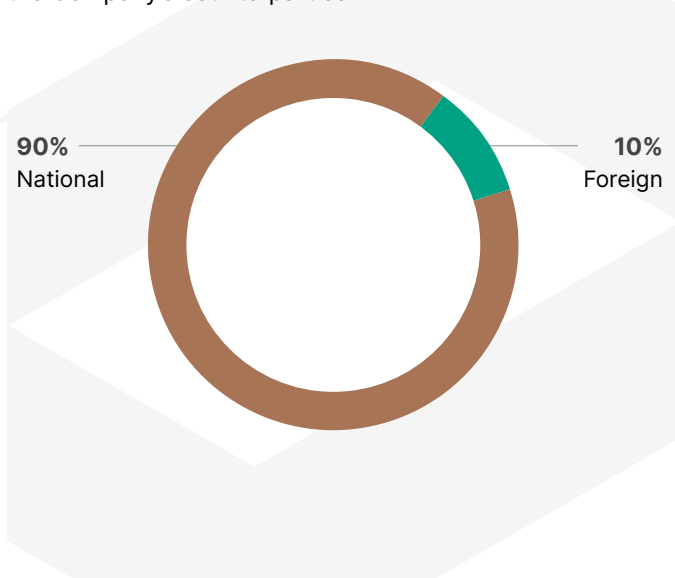
Where irregularities are found, the audit activities conclude with recommendations aimed at implementing corrective measures. If significant irregularities of a fraudulent or corrupt nature are identified, the case is referred to the Internal Control Department at KGHM Polska Miedź S.A. for in-depth verification.

Information on sources of supply of materials used in production, in goods and services

GRI: 3-3 material topic: Economic impacts

In the area covered by the Procurement Policy in the Group, KGHM Polska Miedź S.A. cooperated with 4,468 suppliers in 2022 (the number of bidders participating actively in our proceedings), of which 3,202 suppliers were selected to perform deliveries.

The percentage of non-Polish counterparties is relatively small. The number of foreign suppliers in 2022, in respect to the aforementioned information, amounted respectively to 499 and 300, which makes up about 10% of all the Company's counterparties.



KGHM Polska Miedź S.A. cooperates with all types of counterparties, i.e. intermediaries, wholesalers, distributors and direct suppliers. Moreover, within the Group, KGHM Polska Miedź S.A. uses Logistic Operator services – specialized companies performing procurement functions (Mercus Logistyka sp. z o.o., KGHM Metraco S.A., Energetyka sp. z o.o.).

In 2022, there were no significant changes in sources of procurement of materials for production, commodities and services for KGHM Polska Miedź S.A. There was no dependence on one or more suppliers.

Purchases from local counterparties represented 7.5% of the value of purchases by KGHM Polska Miedź S.A. in 2022.

KGHM Polska Miedź S.A. also reinforces its position as a reliable and ethical business partner by caring for the company's image in social issues. In the area of procurement to which the aforementioned Policy applies, the Company also strives to ensure that the contractors cooperating with it satisfy the requirements of business ethics and are socially responsible counterparties.

Information about suppliers / customers whose share exceeds 10% of total revenues

The only entity whose turnover with the Parent Entity exceeded 10% of the sales revenues of KGHM Polska Miedź S.A. in 2022 was KGHM Metraco S.A. (pre-tax value of purchases: PLN 7,249 million).

The copper smelters and refineries of KGHM Polska Miedź S.A. produce electrolytic copper from their own concentrates as well as from purchased copper-bearing material (concentrates, copper scrap and blister copper). In 2022, the production of electrolytic copper from purchased copper-bearing material amounted to 204.5 thousand tonnes, and represented 35% of total electrolytic copper production.

For the most part, this production came from copper scrap (131.0 thousand tonnes of copper; 22% of total electrolytic copper production), which is supplied to KGHM's metallurgical plants by KGHM Metraco S.A. – a 100%-owned subsidiary of KGHM Polska Miedź S.A.

KGHM Metraco S.A., due to its specialisation and familiarity with the scrap market, as well as to its equity relationship with KGHM Polska Miedź S.A., supplies scrap to the metallurgical plants of KGHM based on exclusivity and as a result revenues of this company from sales to KGHM Polska Miedź S.A. are significant and represent 25% of KGHM Polska Miedź S.A.'s sales revenue and 21% of sales revenue of the Group.



— 05

Our impact on the environment

Importance of copper for energy transition

GRI: 3-3 material topic: Impact on the economy

In 2011, under work to determine demand for non-ferrous metals, the Minerals Education Coalition calculated¹ that during their lifetime, each person consumes more than 460 tonnes of copper.

The European non-ferrous metals industry, which addresses this demand, is a complex ecosystem of mining, smelting, processing, refining and recycling operations spread across the continent. It consists of more than 900 plants producing and processing base, precious and specialty metals, which employ half a million people. The industry's annual turnover is estimated at EUR 120 billion.

It is the output of the European non-ferrous metals industry that makes energy transition and the vision of a climate-neutral Europe possible. In 2020, this raw material was classified as a rare resource in the European Union.

The methodology developed by the [Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs²](#) specifies that the economic weight of copper in the energy transition process was determined as very high.

The copper mined and produced by KGHM plays a key role in technical solutions used in renewable energy – solar, wind, water and tidal energy, as well as geothermal and biomass energy. A single 3 MW wind turbine contains as much as 4.7 tonnes of copper and the construction of a 1 MW solar power plant requires from 3.1 to 4.5 tonnes of copper.

After silver, which is expensive and found in much smaller quantities, copper has the highest electrical conductivity of any metal. As a result, devices containing copper (such as motors) are much more efficient than equivalents made from other metals, with energy consumption typically 20-30% lower if copper is used.

Copper has an even greater advantage in the production of cables. It has approximately 60% more current-carrying capacity than aluminium cables of the same size. It also reduces energy losses in the transmission itself (since movement of electrons in copper is much easier – even more so with the purity produced by KGHM Polska

Miedź S.A.) Also, the thermal conductivity of copper is more than half times higher than that of aluminium. Another important characteristic of copper is its low reactivity with water and positive aseptic effects in the presence of Cu⁺ (min. 65%). As a result, copper cables are more reliable and easier to use in the construction industry, electrical engineering, power generation and heavy marine industries; they are also easy to transport, handle, assemble and store outdoors (Cu does not corrode through passivation). This is complemented by the high specific weight of copper, which makes it much easier to lay underwater connections for offshore wind energy.

Copper is also essential for the development of electromobility. It is a key component in batteries, steering systems and in the charging infrastructure. Electric cars contain on average nearly four times more copper than their internal combustion engine counterparts (83 kg compared to 23 kg).

Overall, the technologies facilitating a 75% reduction of EU greenhouse gas emissions will require 22 million tonnes of copper by 2050. This amount is roughly the same as the current level of global metallurgical production of copper (which is slightly over 21 million tonnes) and more than ten times greater than the current production capacity of the European Union. An analysis by the International Energy Agency (IEA) indicates moreover that advancement of the Paris Accords on the reduction of greenhouse

¹ <https://mineralseducationcoalition.org/>

² <https://op.europa.eu/en/publication-detail/-/publication/2d43b7e2-66ac-11e7-b2f2-01aa75ed71a1/language-en/format-PDF/source-32064602>

gases by 2030 will alone lead in the next several years to increased demand for copper by more than 40%.

Clearly, the scale of demand is enormous and this situation will not be changed by the expected increase in the production capacity of mines (estimated on average at 4.9% annually) or by the continuing increase in the share of scrap metal in copper production (which becomes increasingly difficult due to the shrinking secondary resources and increasing longevity of products).

In this situation, Europe should focus on supporting its own capacities and creating mechanisms supporting the development of copper production on the Old Continent. This will make it possible not only to reduce the continent's record dependence on imports from

other regions of the world, but will also contribute to the reduction of emissions, since the carbon footprint of domestic production is much lower than that of Asian competitors.

Compared to the 1990 levels, the European copper industry has reduced unit energy consumption by 60%, while emissions from copper production in Europe currently represent just 0.4% of all EU greenhouse gas emissions.

Our efforts to counteract climate change, as well as the significance of copper in the energy transition, are attested to by being awarded a place in the Carbon Clean 200TM ranking. KGHM Polska Miedź S.A. was the only company from Poland to be so honoured amongst 6 thousand entities from around the world.



³ [Estimate based on, among others, the EU's "High-RES" scenario to 2050 and the EU Energy Roadmap 2050](#)

Managing our impact on the environment

Environmental impact of operations

GRI: 3-3 material topic: Climate change prevention, 305-1, 305-2, 305-3

The ambition of KGHM Polska Miedź S.A. in the climate change area is to deepen communication with all key stakeholders. This approach was manifested in the adoption of the Climate Policy of KGHM Polska Miedź S.A., a strategic document addressed to both external and internal stakeholders. It aims to define the scope of the necessary process and organisational changes.

The main objectives of the Climate Policy of KGHM Polska Miedź S.A. are:

- to achieve climate neutrality of the Parent Entity of the KGHM Group by 2050 in terms of Scope 1 greenhouse gas emissions (direct emissions mainly related to the company's production activities) and Scope 2 emissions (indirect emissions related to the use of electric and thermal energy purchased on the market, while reducing such purchases as much as possible).
- the intermediate goal is to achieve total Scope 1 and 2 emissions by 30% by 2030 as compared to the 2020 emissions.

These objectives and the means of achieving them are shown in the figure below:

Greenhouse gas emissions reduction goals in KGHM Polska Miedź S.A. and main decarbonisation directions

Main directions of decarbonization

Reduction of indirect emissions Scope 2:

- Development of own emission-free and low-carbon sources
- Improving energy efficiency in production branches and streamlining technological processes
- Purchase of energy from RES via PPA contracts¹

Gradual reduction of direct emissions Scope 1:

- Hydrogen doping in technological processes
- First implementations in the field of electromobility

Main directions of decarbonization

The total reduction of indirect emissions Scope 2:

- Electricity and heat exclusively from emission-free and low-emission sources (own sources)

Maximum reduction of direct emissions:

- Hydrogen technologies
- Use of CCU and CCS technologies²
- Electromobility
- Implementation of advanced technologies within the production line

The potential offset of other emissions

2030 30% emission reduction → 2050 climate neutrality

¹PPA - Power Purchase Agreement, an agreement for the supply of electricity between two parties

²CCS/CCU - Carbon Capture, Storage and Utilization Technologies, technologies for capturing, storing and utilizing carbon dioxide

In 2022, total Scope 1 and 2 greenhouse gas emissions reached approximately 3.2 million tonnes of eCO₂ (tonnes of carbon dioxide equivalent) in KGHM Polska Miedź S.A. of which approximately 40% are Scope 1 emissions and 60% are Scope 2 emissions. Scope 1 emissions are direct emissions primarily related to the Company’s production activities – in particular, emissions from smelting processes, emissions related to the use of motor fuels by mining vehicles and machinery in mines, and emissions related to the generation of energy from our own sources

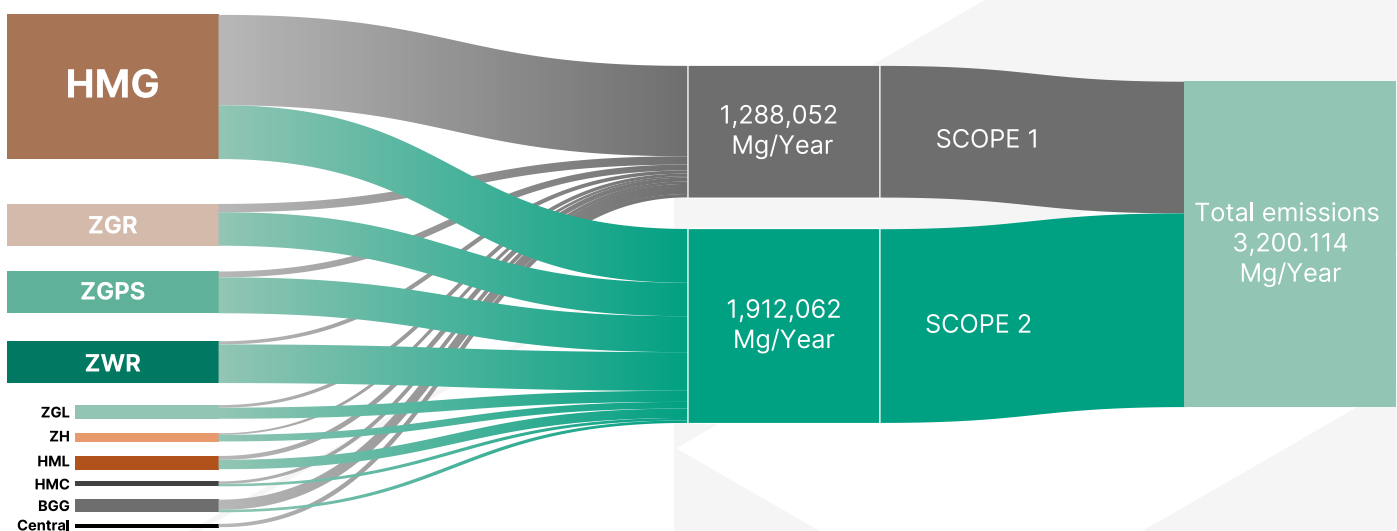
using natural gas. Scope 2 emissions are indirect emissions associated with the use of electricity and heat purchased on the market.

Comparing the emissions for 2022 to the base year, an 8.9% decrease in Scope 1 emissions and an 18.2% increase in Scope 2 emissions can be observed. The total emissions in Scopes 1 and 2 increased by 5.6% (2.9% yoy). The increase in Scope 2 emissions results from an increase in electrolytic copper consumption.

Greenhouse gas emissions in KGHM Polska Miedź S.A. in 2020-2022 [t eCO₂]

	2022	2021	2020 (base year)	Change	Change (%)	Change Y/Y	Change Y/Y (%)
Scope 1	1288052	1457899	1413129	-125077	-8.9%	-169847	-11.7%
Scope 2	1912062	1651717	1617217	+294845	+18.2%	+260345	+15.8%
Total emissions (Scope 1 + 2)	3200114	3109616	3030346	+169768	+5.6%	+90498	+2.9%

Direct and indirect emissions from KGHM PM S.A. divisions in 2022 [t eCO₂]



Greenhouse gas emissions in the KGHM Polska Miedź S.A. Group

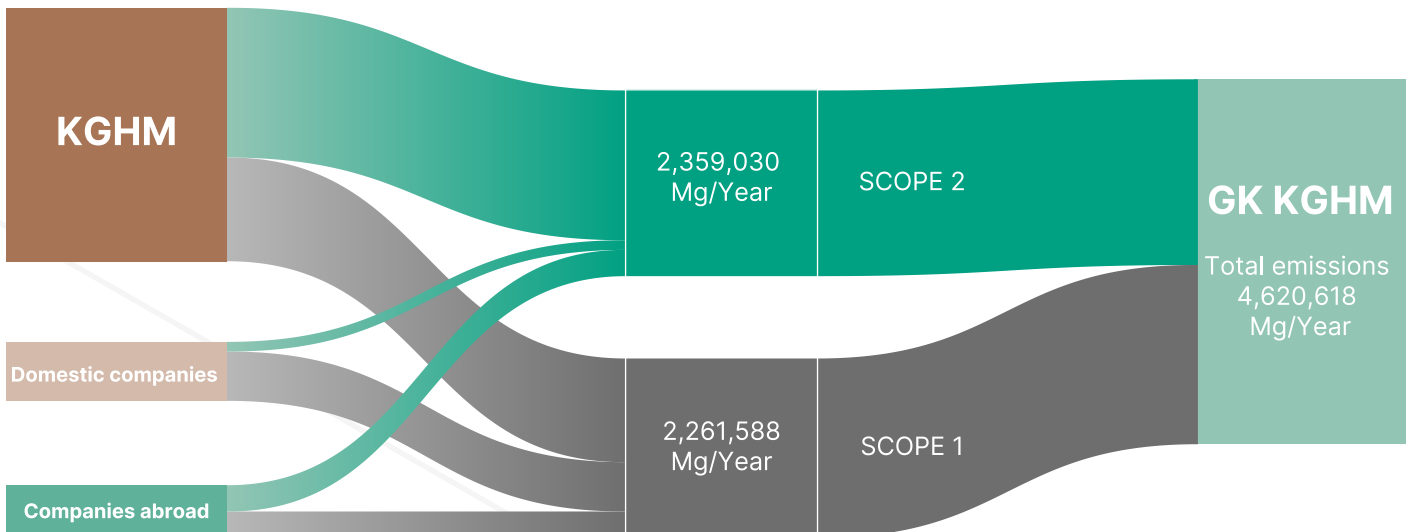
In 2022, Scope 1 and 2 greenhouse gas emissions in the KGHM Polska Miedź S.A. Group amounted to a total of 4.62 million tonnes of eCO₂, of which approximately 69% were attributable to the Parent Entity.

In 2022, the emissions were corrected for international companies and consequently for the entire Group, when the ownership structure of the Sierra Gorda mine was taken into account. When the 2022 Scope 1 and 2 emissions of the Group are compared to 2021, a 3.1% decline is noted.

Greenhouse gas emissions in the KGHM Polska Miedź S.A. Group [t eCO₂]

	KGHM Polska Miedź S.A.		Companies in Poland		International companies		Group	
	2021	2022	2021	2022	2021	2022	2021	2022
TOTAL EMISSIONS (Scope 1 + 2)	3,109,616	3,200,114	862,797	742,119	794,136	678,385	4,766,550	4,620,618
Change yoy		90,498 2.9		-120,678 -14.0		-115,751 -14.6		-145,932 -3.1
SCOPE 1 – Direct emissions	1,457,899	1,288,052	623,757	636,416	358,611	337,120	2,440,267	2,261,588
SCOPE 2 – Indirect emissions	1,651,717	1,912,062	239,040	105,703	435,525	341,265	2,326,283	2,359,030
Including indirect equivalent emission related to heat consumption:	0		4,917	2,957	0	0	4,917	2,957
Including indirect equivalent emission related to electricity consumption:	1,651,717	1,912,062	234,123	102,746	435,525	341,265	2,321,366	2,356,073

Direct and indirect emissions from KGHM PM S.A. Group in 2022 [t eCO₂]



Scope 3 greenhouse gas emissions

According to the GHG Protocol A Corporate Accounting and Reporting Standard, Scope 3 includes other indirect emissions that occur along the value chain, such as from

the production of raw materials or intermediate products, waste management, transportation of raw materials and products, business travel by employees or use of products by end users.

The GHG Protocol distinguishes more than a dozen categories of GHG emissions within Scope 3, i.e. those arising in the company value chain:

Scope 3 – upstream

- Purchased raw materials and services (emissions related to the extraction and production of raw materials and services)
- Capital goods (issues related to the production of capital goods)
- Energy and fuel-related emissions not included in Scope 1 and 2
- Upstream – transport and distribution (transport and distribution of products purchased by the reporting company during the reporting period between the supplier and the reporting company by vehicles or equipment not owned or controlled by the reporting company)
- Waste generated as a result of operations (disposal and treatment of waste during the reporting period in facilities that are not owned and controlled by the reporting company)
- Business travel (business-related transport of employees during the reporting period by vehicles that are not owned or managed by the reporting company)
- Employees' commuting (transportation of employees between their homes and their workplaces during the reporting year by vehicles not owned or operated by the reporting company)
- Upstream – leased assets (issues related to the operation of assets leased by the reporting company (lessee) during the reporting year and not covered by scope 1 and 2).

Scope 3 – downstream

- Downstream – transport and distribution
- Processing of products sold (Processing of intermediate products sold in the reporting year to customers (e.g. manufacturers) – this calculation would require close cooperation with customers in collecting information on their emissions in Scope 1 and 2.
- Use of products sold
- End-of-life treatment of products sold
- Downstream – leased assets (handling of assets owned by the reporting company (lessor) and leased to others during the reporting year, not included in Scope 1 and 2)
- Franchises
- Investments (investment activities (including equity and long-term investments and project financing) during the reporting year, not covered by Scope 1 or 2).

A calculation of Scope 3 emissions for KGHM Polska Miedź S.A. and the entire KGHM Group was performed in 2022.

following emission categories are included in the Scope 3 emissions balance:

upstream activities:

- goods and services purchased,
- investment goods,
- activities related to the use of fuels and energy not included in Scopes 1 or 2 of the balance,
- transport and distribution of input streams,
- business trips,
- employees' commuting to and from work,

downstream activities:

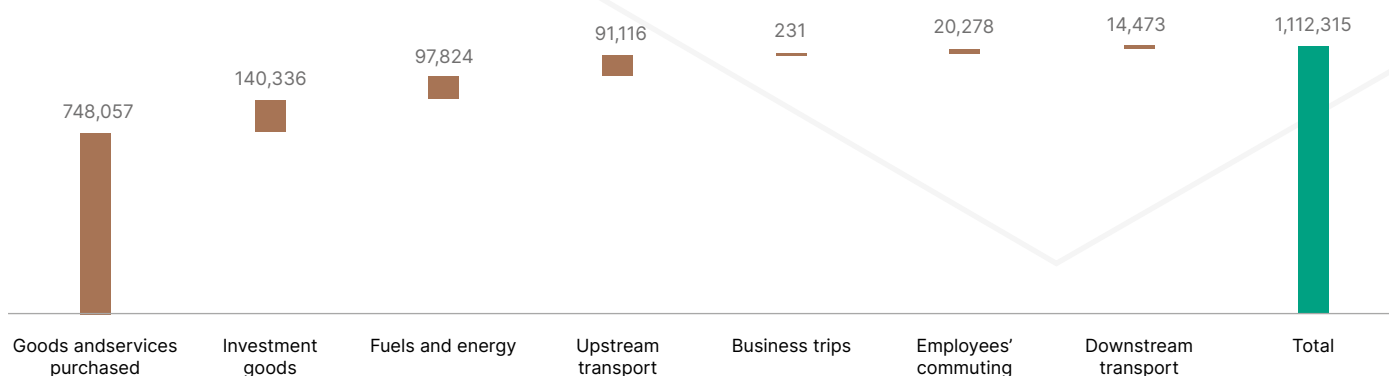
- transport of output streams.

Emissions for the category of waste generated in production processes, related to their transport and treatment, have been included as emissions related to purchased services, including waste collection and transport.

Emissions associated with both the lease of assets from external companies and the lease of assets to external companies, due to their limited extent, are insignificant in the balance of greenhouse gases under analysis.

The franchise category for output streams does not apply to companies of the KGHM Polska Miedź S.A. Group.

Scope 3 greenhouse gas emissions by KGHM Polska Miedź S.A. in 2022 [t eCO₂]



Scope 3 greenhouse gas emissions in the KGHM Polska Miedź S.A. Group in 2022 [t eCO₂]

	KGHM Polska Miedź S.A.	Polish companies	International companies	Group
SCOPE 3 – Total	1,112,315	339,205	397,473	1,848,993
Goods and services purchased	748,057	107,160	275,255	1,130,472
Investment goods	140,336	108,778	31,073	280,187
Fuel and energy not included in Scope 1 and 2	97,824	82,570	76,334	256,728
Transport and distribution – upstream	91,116	23,307	8,101	122,524
Business trips	231	144	-	375
Commuting to work	20,278	17,246	6,710	44,234
Transport of output streams – downstream	14,473			14,473



In Regulatory filing 5/2023 of 8 March 2023, the Management Board of KGHM Polska Miedź S.A. announced the adoption of a resolution on the adoption of the updated content of the "Climate Policy of KGHM Polska Miedź S.A.". The deadline for the preparation of the full Decarbonisation Program of the KGHM Group, and consequently the deadline for setting climate targets for the KGHM Group, was postponed from mid-2023 to the end of 2024. The decision to postpone the deadline was taken due to the unstable situation in the energy markets, the unpredictable global economic situation and the overall impact of Russia's aggression against Ukraine on the international situation.

Environmental Policy

GRI: 3-3 imaterial topic: Climate change prevention,
material topic: Impact on the economy
material topic: Development and innovation

Own indicator: Innovation improving energy efficiency
or limiting environmental impact

Preventing and minimizing the environmental and climate impact and rational management of natural resources is of fundamental importance for KGHM Polska Miedź S.A. ("Company") in respect to sustainable development, satisfaction of stakeholder expectations and accountability to future generations.

The activities of KGHM Polska Miedź S.A., including exploration and mining, processing and metallurgy, are accompanied by technical and organizational activities based on best available techniques, which mitigate our impact on the environment and climate.

Compliance with high environmental standards is critically important for maintaining the Company's position on the competitive market of copper producers.

In its Strategy, KGHM has placed special emphasis on the sustainability of production, protection of the environment and climate, as well as adoption of Circular Economy concepts, which include increasing the share of materials originating from the secondary market.

By improving the Environmental Management Systems (EMS), which have been in place for many years and are certified in the Metallurgical Divisions, Ore Enrichment Plants and the Tailings Plant, and are based on the PN-EN ISO 14001 standard, on 12 July 2023 the Company adopted

the 2nd Edition of the Environmental Policy of KGHM Polska Miedź S.A. approved by the President of the Management Board. Since 2021, the Company has continued the process of implementing an Environmental Management System at the Head Office and in the Mining Divisions also in accordance with the ISO 14001 standard to ensure that the EMS functions in the entire Company.

Completion of the implementation process in these entities is scheduled at the end of 2023, which will be confirmed by performing a group certification by an external certification body.

When implementing the approved Environmental Management Policy, the senior management of the Company undertakes to:

- ensure continuous prevention and mitigation of adverse impact on the environment and climate, through improvement and technological development of processes,
- modernise and replace machinery and prevent pollution and breakdowns,
- ensure rational use of natural resources, such as land, water, forests,
- reduce the volume of produced waste and continuously develop waste management techniques,
- reduce emissions of pollutants to air, water and soil,
- reduce greenhouse gas emissions, considering the necessary economic aspects, in accordance with the Climate Policy

- recultivate land that has been adversely affected by our activities, in accordance with land reclamation plans
- apply new solutions and innovations responsibly, taking into account their environmental and climate impact in their design and implementation,
- satisfy accepted and justified requirements and expectations of the stakeholders,
- comply with the requirements of applicable law while respecting the ethical principles in force in the KGHM Group,
- respect legally designated protected areas and ensure that any new operations or changes to existing operations are carried out lawfully within the scope of our operating licence,
- do not operate in World Heritage Sites and, where our operations are adjacent to World Heritage Sites, ensure that our activities do not compromise the safety and value of these sites,
- assess and manage threats and impacts to biodiversity and ecosystem services by implementing a hierarchy of mitigation measures,
- conduct an open and respectful dialogue with the local community and relevant authorities for the benefit of the environment and the climate,
- manage chemical substances responsibly in compliance with the EU REACH and CLP regulations. raise professional qualifications and awareness of employees in respect to the environment and climate,
- foster environmentally-friendly attitudes among staff, contractors and the local community. report transparently to all stakeholders on our actual environmental and climate impacts and progress.

The principles adopted in the Environmental Policy of KGHM Polska Miedź S.A. are complied with by all employees of the Company, as well as other persons and entities performing tasks needed for its operation.



Energy management

The Company aims to engage in rational energy management, which includes measures to prevent climate change and support decarbonisation, while maintaining the security of energy supply to facilities and installations within the Company's production process.

The implementation of international standard of energy utility management in accordance with the ISO 50001 standard began with the adoption of the KGHM Polska Miedź S.A. Energy Policy by the President of the Management Board on 28 November 2016. Currently the second edition of the policy, approved on 28 February 2019, is in effect.

The ambition of KGHM Polska Miedź S.A. is to continually grow the share of renewable energy, including its own energy sources. Currently KGHM Polska Miedź S.A. has

two Gas-Steam Combined Cycle Units located in Polkowice and in Głogów with the capacity of 39.55 MWe each and a Surface-based Central Air Conditioning Station located next to shaft R-XI in Grodowiec and at the GG-1 shaft in Kwielice. They are equipped with natural gas powered engines with the total capacity of 8.8 MWe. The Company is in the process of advancing further investments to increase electricity generation, with nitrogen-rich natural gas used as fuel. By 2030, two more Stations will be built with the total capacity of 17.6 MWe.



Small Modular Reactors (SMR)

One of the important projects which will bring the Company closer to achieving energy independence is the implementation of small nuclear power reactor technology (SMR – Small Modular Reactor). KGHM plans to build a small modular light water nuclear unit with a capacity of up to 500 MW by 2030. In 2021, KGHM Polska Miedź S.A. established a Nuclear Energy Department and in February 2022 a contract was signed with NuScale Power, LLC ("NuScale") to commence work on implementing the SMR technology in Poland. NuScale's design of the reactor is based on the well-known concept of small high-pressure light water reactors, whereas its modular, integrated form enables the structure to be simplified and construction costs reduced. At present, NuScale's technology is

undergoing formal assessment for compliance with the Polish nuclear safety and radiological protection requirements by the President of the National Atomic Energy Agency as part of the so-called General Opinion procedure. The General Opinion procedure was initiated by the Company in July 2022 and the outcome will be known in the second half of 2023. Another important step in the implementation of the SMR project by KGHM was the receipt of the so-called principal decision by the Company on 12 July 2023. The principal decision is the first administrative decision in the system of permits and authorisations for an investment project involving construction of a nuclear power plant in Poland that an investor can apply for. The principal decision issued by the Minister of Climate and the Environment is an expression of the state's political acceptance of the Company's investment project and allows the Company to apply for further permits and authorisations for the project.



Low-loss wires

Since 2015, KGHM Polska Miedź S.A. has been participating in a CuBR co-funded project entitled: "Development of high-conductivity and high-strength load-bearing cores for low-loss overhead power cables based on Cu-Ag alloys". This project was completed in 2023 with considerable success. Together with KGHM Polska Miedź S.A., a scientific consortium led by AGH University of Science and Technology in Krakow was involved in the project. The project involved the design and manufacture of a high-strength, high-conductivity core of CuAg5 alloy wires (copper and silver are manufactured by KGHM Polska Miedź S.A.), a prototype cable called 41-CuAg/250-AL1, which contains an outer braid of aluminium wires in addition to the core, and is a substitute for conventional cables in terms of design and performance. A prototype of the CuAg5 alloy cable, manufactured by the consortium under industrial conditions, was subjected to utility verification tests in the final phase of the project in order to assess its mechanical and electrical properties and transport parameters. The cable was tested and monitored for one year under natural operating conditions on a selected section of the 110 kV overhead AC line (Polkowice – Rudna line, S-414) owned by TAURON Dystrybucja S.A.

The design of the new cable under operating conditions was successfully completed. Relevant calculations of transmission losses of the prototype conductor in comparison with the conventional AFL-6 240mm² type cable (based on the data from the tests of the new cable) showed the possibility of reducing energy transmission losses by more than 20%, which, taking into account the costs of energy generation, distribution and the final price for the consumer, results in significant savings.

What the project offers:

Very high commercialisation potential; the electricity grids in Poland consist of 13.5 thousand kms of 220, 400 and 700kV EHV and HV lines (transmission); 32 thousand kms of 110kV high voltage lines (distribution); 3-phase double track lines with a total length of 300 thousand kms. A large part of the current transmission and distribution system consists of worn-out conventional lines, and the demand for electricity is constantly increasing. The value of annual transmission losses in Poland is PLN 2 billion. The new cable can reduce these losses by more than 20%. Not only does the conductor have an excellent ability to carry an electrical charge, but the central conductor/conductors are used for current transmission in an Ag band structure. Such a cable is not subject to creep over time and its design enables very fast installation on and removal from overhead power lines.



Own RES assets

The Company is also developing its own renewable energy sources. Currently, photovoltaic power plant projects are being carried out in the areas owned by KGHM, i.e. at the Głogów Copper Smelter and

Refinery and at the Cedynia Copper Wire Rod Plant, next to the Tailings Plant and in the Obora Sandpit area. Other projects are also being prepared on KGHM's own land. The Company is also active on the M&A market and is engaged in several due diligence and valuation processes for RES assets that are available for purchase. KGHM has also taken steps leading to the implementation of an ambitious project of construction of offshore wind farms.

The Energy Policy contains the most important principles of energy management in KGHM Polska Miedź S.A. By observing these principles, the Company's management undertakes to:

- ensure resources necessary to achieve the planned energy objectives and outcomes;
- operate in accordance with the law and other energy requirements relating to energy use;
- create desirable attitudes, build awareness and continually improve the skills of the Company's employees and partners performing tasks for KGHM Polska Miedź S.A.;
- prevent waste in the area of energy consumption;
- cooperate with partners and suppliers in the procurement of material goods and services having regard to energy efficiency as an important selection criterion.

The principles adopted in the Energy Policy of KGHM Polska Miedź S.A. are complied with by all employees of the Company, as well as other persons and entities performing tasks needed for its operation. As a result of the Energy Policy, the Company pursues activities designed to manage the energy used by KGHM rationally and in compliance with the law, including:

- specification of procedures for the investment and procurement process,
- energy overhauls in KGHM Divisions and the Head Office, performed in accordance with the approved methodology,
- actions to achieve the approved energy objectives,
- implementation of the regulations: Legal and other requirements in the field of power generation and evaluation of their conformity for the purposes of the Energy Management System at KGHM Polska Miedź S.A.

GRI: 302-1

Energy consumption in the years 2021-2022 in KGHM Polska Miedź S.A. [GJ]

	2022	2021
+ Consumed non-renewable fuel	5,440,058	7,811,422
+ Consumed renewable fuel	0	0
+ Electricity, heating, cooling and steam purchased for consumption	11,225,471	10,403,786
+ Electricity produced in-house, heating, cooling and steam that are not consumed	2,888,368	3,883,984
- Sales of electricity, heating, cooling and steam	1,709,688	2,952,244
Total energy consumption within the organisation	17,844,209	19,146,948

Total energy consumption by KGHM Polska Miedź S.A. in the years 2021-2022

	2022	2021
Electricity consumption [kWh]	3,063,596,728	3,014,585,000
Consumption of thermal, cooling energy and steam [GJ]	3,084,890	3,435,264

In 2017, the Parent Entity and Energetyka Sp. z o.o. implemented an Energy Management System (EMS), in conformity with PN-EN ISO 50001:2012. The re-certification audit conducted in KGHM Polska Miedź S.A. and in Energetyka Sp. z o.o. in September 2020 confirmed that KGHM had adapted its Energy Management System to comply with the requirements of the new edition of the standard: PN-EN ISO 50001:2018. The second Supervision Audit in KGHM Polska Miedź S.A. and in Energetyka Sp. z o.o. conducted in June 2022 confirmed that the system is undergoing continual improvement, as are the energy results. Based on the findings of the UDT CERT Certification Unit's auditor team, it was concluded that the Energy Management System in KGHM Polska Miedź S.A. and in Energetyka Sp. z o.o. is fit to achieve the planned objectives, and its certificate has been renewed.

As a result of the EMS implementation, the costs of energy audits are avoided, which must be performed pursuant to the Energy Efficiency Act if no certified Energy Management System is in place. Another result of the EMS operation is the possibility to implement a comprehensive improvement of the energy management process and improve KGHM's energy result, which in 2021 generated energy savings of 10 GWh.

The EMS also reduces the costs of purchase and consumption of power utilities, including the cost of CO₂ emission allowances, as a result of lower greenhouse gas emissions. We intend to raise the skills of our human resources, achieve further savings in future years and, most importantly, improve occupational safety for all of KGHM Polska Miedź S.A.'s employees through the implementation of standards and improvement of procedures.

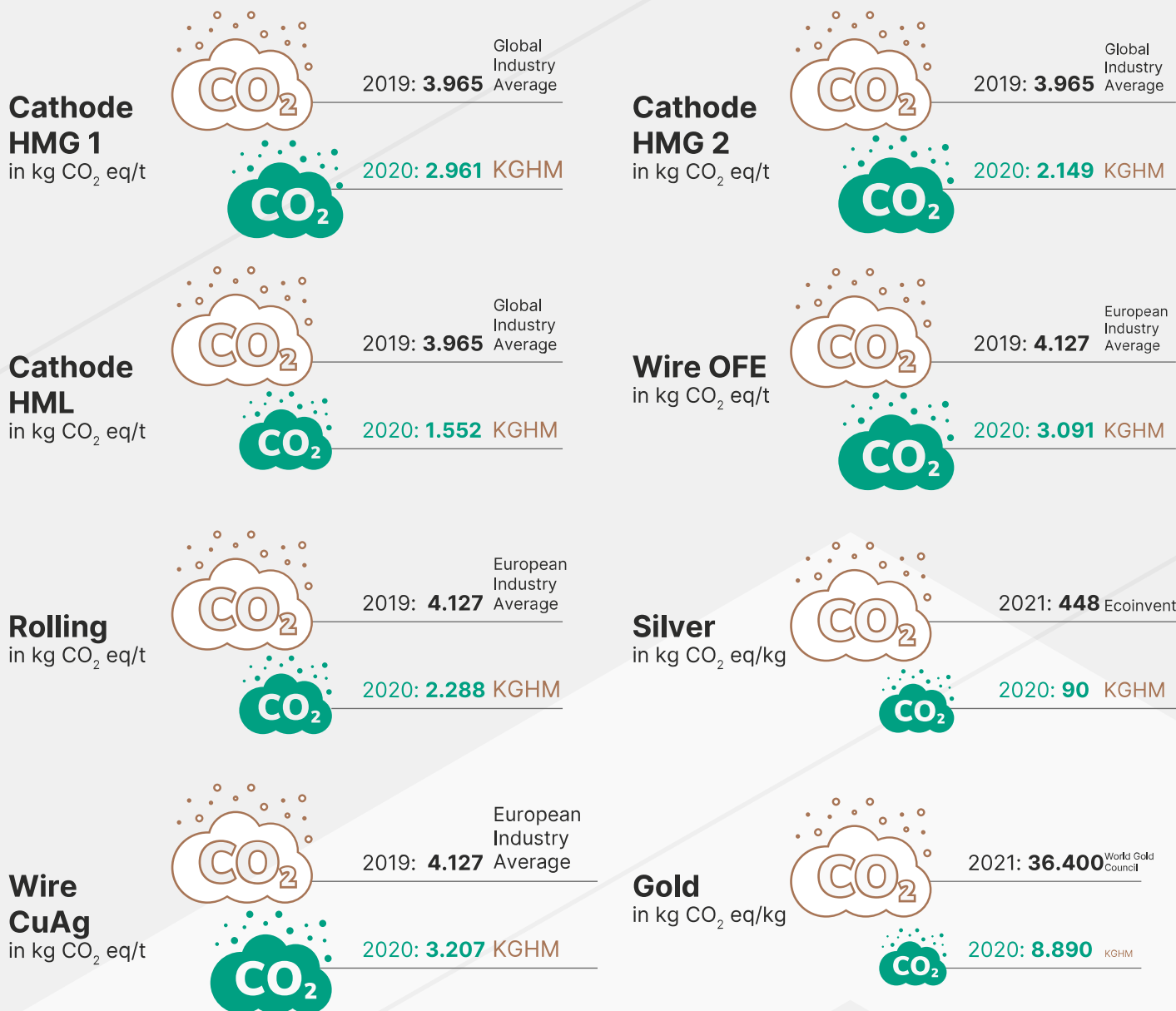
Environmental and carbon footprint of products

Copper, silver and gold are the foundation of the energy transition process. It is therefore crucial for sustainable development to find environmentally friendly ways of producing these essential metals. To meet these expectations, a decision was made in 2021 for the Institute of Mineral Raw Materials and Energy Management of the Polish Academy of Sciences to carry out an analysis of the environmental and carbon footprint of the main products manufactured at KGHM Polska Miedź S.A.

The analyses confirm that KGHM's smelters (the Legnica Copper Smelter and Refinery, the Głogów Copper Smelter and Refinery and the Cedynia Copper Wire Rod Plant) produce metals in a responsible manner and in accordance with the highest standards.

A life cycle analysis was performed in accordance with ISO 14040, ISO 14044, ISO 14067 standards; additionally, environmental product declarations (type II – so-called self-declarations) were prepared for selected products in accordance with PN-EN ISO 14021 standard, which were then independently verified.

Carbon footprint of KGHM Polska Miedź S.A. products



Management of water resources

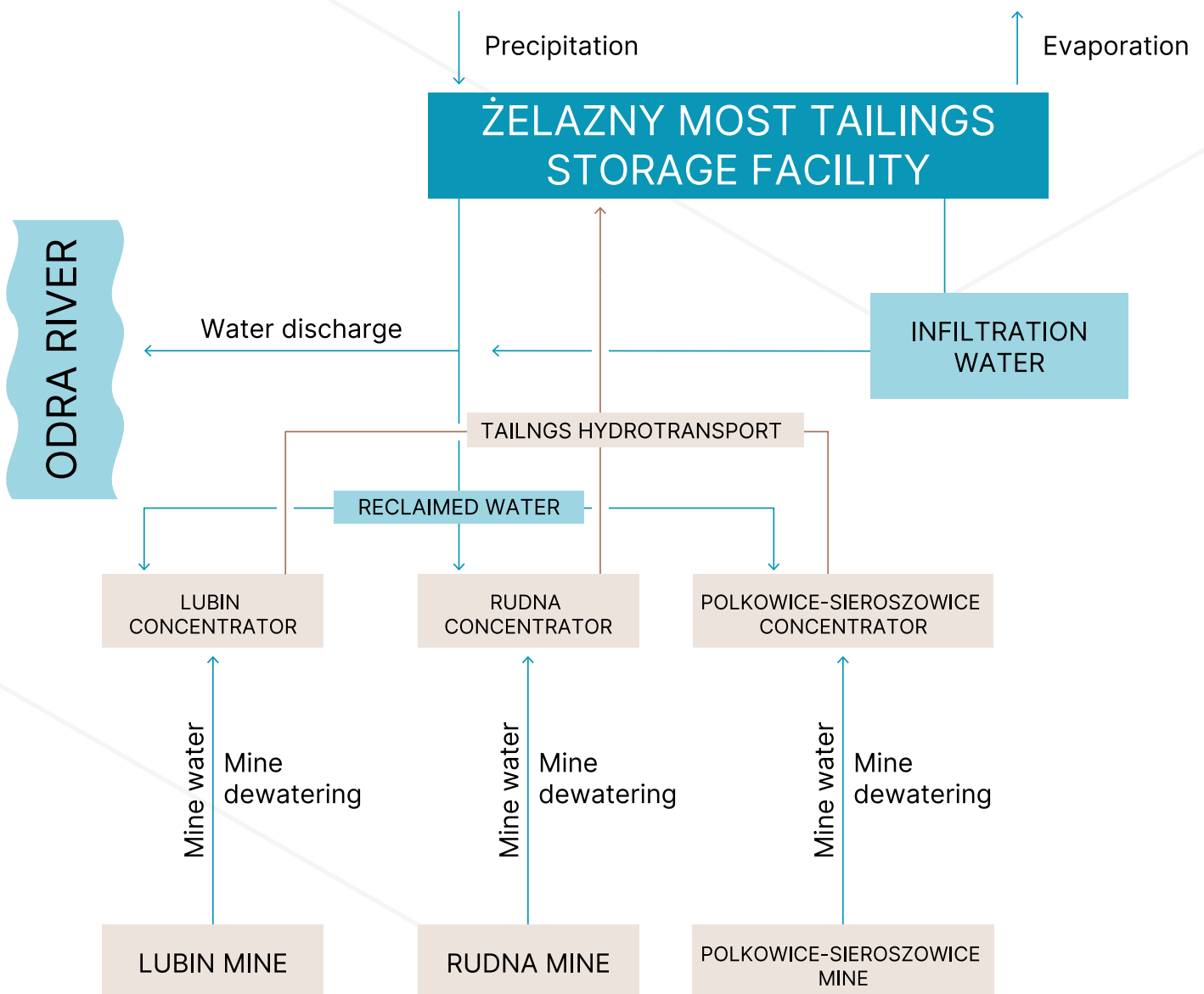
GRI: 3-3 material topic: Management of water resources, 303-1, 303-2, 303-3, 303-4, 303-5

Water is one of the most valuable natural resources, which plays a key role in maintaining the balance in ecosystems. The Company regularly monitors the quality of ground and surface water in the vicinity of its plants to ensure that its activities comply with strict environmental standards.

At the same time, water is required for the electrolytic copper production process. It is used, among others, for enrichment (flotation) of ore, hydrotransport of waste, and also in the core production line in the smelters.

These interdependencies are shown in the graph below:

Water in the ore enrichment process (flotation) in KGHM Polska Miedź S.A.



Three underground copper mines extract the ore at depths of 400-1350 m. These are the Lubin Mine Division, the Rudna Mine Division and the Polkowice-Sieroszowice Mine Division. Due to the constant inflow of water from the rock mass into the mines, saline mine water is pumped to the surface.

On the surface, retention reservoirs are located next to every mine and every ore enrichment plant. They collect rainwater, overflows of cooling water and extracted mine water. Water from the reservoirs is pumped into the flotation tailings ponds (in some cases mine water is pumped directly into flotation tailings ponds). As a result, neither mine water nor effluents are discharged directly into local rivers. At the ore enrichment plants (concentrators), all water is stored in closed systems and used for hydrotransporting flotation tailings to the Żelazny Most Tailings Storage Facility, where suspended solid particles are sedimented. Water from the Żelazny Most Tailings Storage Facility returns, through a system of decantation towers, to the ore enrichment plants.

Copper ore processing in ore enrichment plants and, in particular, grinding and flotation require the supply of significant quantities of process water. Water from mine drainage accounts for only part of this demand.

The remaining water is supplied by the Tailings Plant from the Żelazny Most Tailings Storage Facility through pipelines on the surface, which form a mine-process water circulation network.

In 2022, the average monthly consumption of process flowback water at the Concentrator Division was approximately 12,821,520 m³ of which:

- approx. 3,448,092 m³ in the Lubin Concentrator;
- approx. 2,602,711 m³ in the Polkowice Concentrator;
- approx. 6,770,717 m³ in the Rudna Concentrator.

In KGHM Polska Miedź S.A., approximately 150 million m³ of water per year is recycled to the ore enrichment process. Only water from mine drainage and recycled water from the Żelazny Most Tailings Storage Facility is used in the enrichment process. This enables surface and ground water, one of the most valuable natural resources, to be saved.

Since there is a constant inflow of mine water and rainwater into the system, excess water must be removed. The effluent/mine process water is discharged from KGHM Polska Miedź S.A.'s operations in compliance with the applicable law and the provisions of the water rights



permit, taking into account the hydrological conditions of the Odra River, which means that the volume of discharge is adjusted daily to the water level in the river and its chemical characteristics. The retention and dosing system operating at KGHM Polska Miedź S.A. allows the discharge of water into the Odra River to be fully controlled and supervised. As a result, we can stop the discharge of effluents when the water level in the receiver is low. In addition, we strictly adhere to the requirement to regulate the salt load in the effluent so that the sum of chlorides and sulphates in the river water after mixing with the effluent does not exceed 1,000 mg/l. A retention and dosing system also makes it possible to periodically stop the discharge of effluent. This possibility was used in July and August 2022, when a state of emergency was declared on the Odra River and certain restrictions were imposed on the use of its waters.

The Legnica Copper Smelter and Refinery and the Głogów Copper Smelter and Refinery consume significant amounts of water (approximately 11 million m³ per year), which is supplied by Energetyka Sp. z o.o. The company supplies

water drawn from the Kaczawa river to the Legnica Copper Smelter and Refinery and from the Odra river to the Głogów Copper Smelter and Refinery.

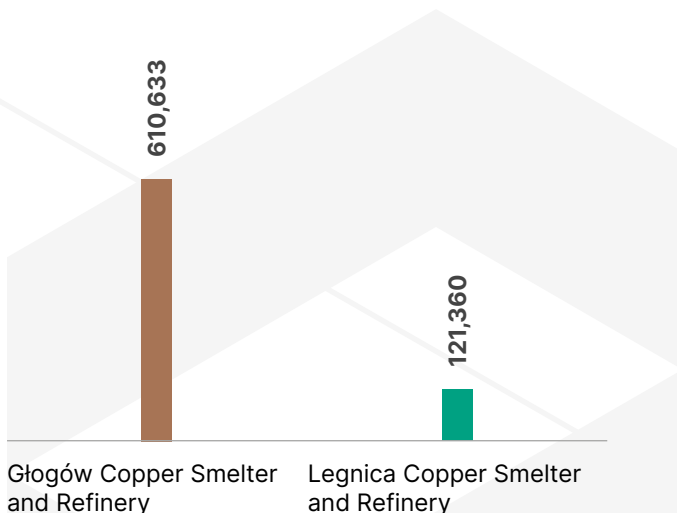
The water used in production processes is routed back to Energetyka for treatment. Industrial effluent treatment plants operating for the smelters specialise in the removal of heavy metals, including arsenic, mercury and cadmium compounds, which are particularly problematic.

The effluents treatment technology relies mainly on neutralisation processes supported by coagulants and flocculants. Because of the high quality of effluents, approximately 30% of the global stream is reused for production processes in the technological processes of the smelters. Approximately 8 million m³ of the remaining treated effluents is discharged to the Odra river (in the case of the Głogów Copper Smelter and Refinery) and to the Pawłówka stream, which feeds the Kaczawa river (in the case of the Legnica Copper Smelter and Refinery). The effectiveness of treatment of effluents transferred to Energetyka and the metal loads discharged to the environment are presented in the table below.

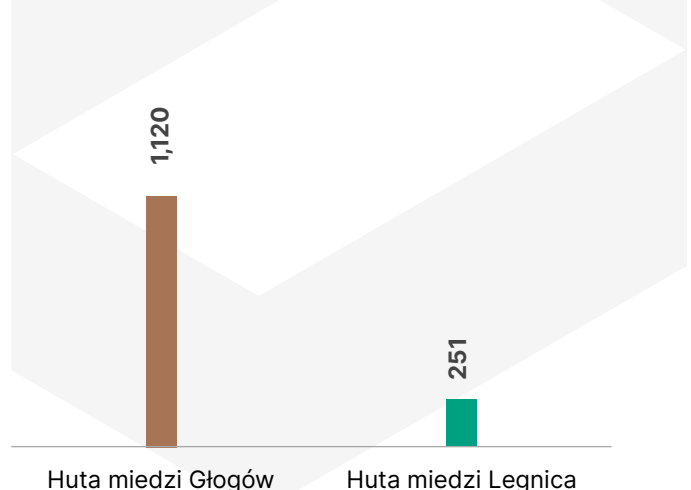
Effectiveness of effluent treatment

	Metal loads transferred for treatment	Effectiveness of wastewater treatment in Energetyka	Metal loads discharged to the environment
Głogów Copper Smelter and Refinery	610633 kg	99.82%	1120 kg
Legnica Copper Smelter and Refinery	121360 kg	99.79%	251 kg

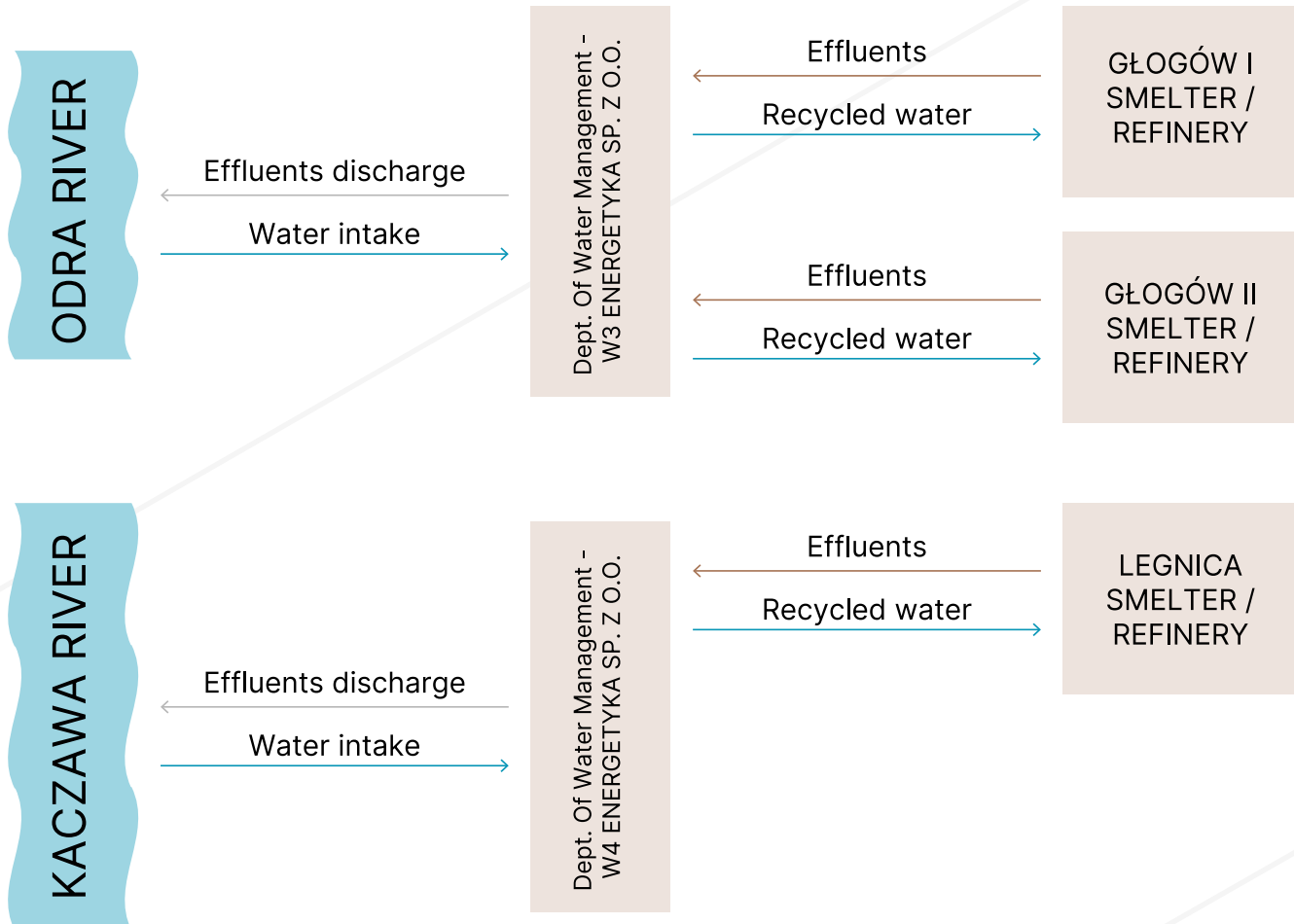
Metal load transferred for cleaning



Metal load discharged into the environment



Water in the electrolytic copper production process in KGHM Polska Miedź S.A.



The Cedynia Copper Wire Rod Plant division is supplied with water for human consumption and for technological purposes. The Orsk intake is a source of water for drinking purposes. Two wells – 1z and 2z – are currently in operation. The Chełm intake wells supply the plant with water for technological purposes.

The Cedynia Copper Wire Rod Plant has separate effluents systems capturing the following types of effluents:

- sanitary,
- rainwater-industrial,
- oily.

Wastewater from the area of the copper wire rod plant hall (including used process emulsions) is directed to the oily effluents tanks located in the vicinity of the Power Station building. The effluents collected in the tanks are processed entirely in a VACUDEST vacuum demulsifier.

The sanitary and rainwater-industrial effluents captured are directed to the effluents treatment plant, where they are treated in the sanitary effluents treatment line and the rainwater-industrial effluents treatment line. Treated sanitary and rainwater-industrial effluents are mixed and discharged via a common discharge collector into the Odra River. Since 2021, part of the stream of treated rainwater and effluents from filter flushing at the Water Treatment Plant has been returned for reuse in the cooling circuits. In 2022, the volume reached 8,433 m³.

3. Water management in the KGHM Polska Miedź S.A. Group [m³]

GRI: 303-3

Water withdrawal
2022
2021

		2022	2021
Water withdrawal by source	Surface water (total)	11,001,154	10,421,313
	Groundwater (total)	27,352,385	25,987,286
	Seawater (total)	0	0
	Water withdrawn as a result of operations, e.g. mine water (total)	35,745,659	30,851,894
	▪ Fresh water (≤1,000 mg/l of total dissolved substances)	337,449	170,262
	▪ Other water (>1,000 mg/l of total dissolved substances)	35,408,210	30,681,632
	Water from third parties (total)	3,821,445	462,936
	▪ Fresh water (≤1,000 mg/l of total dissolved substances)	3,819,317	456,485
	▪ Other water (>1,000 mg/l of total dissolved substances)	2,127	6,451
Total water withdrawal	Surface water (total) + groundwater (total) + seawater (total) + post-production water (total) + water from other sources (total)	77,920,643	67,721,429

GRI: 303-4

Water (effluents) discharge
2022
2021

		2022	2021
Water (effluents) discharge by destination	Surface water	46,881,676	45,241,415
	Ground and soil	9,125	15,341
	Sea	0	0
	Water provided to third parties	715,402	494,864
Całkowity zrzut ścieków (wody)	Surface water + groundwater + seawater + third party water (total)	47,606,203	45,751,620
Zrzut ścieków (wody) – wody słodkie i inne wody	▪ Fresh water (≤1,000 mg/l of total dissolved substances)	17,116,661	18,021,202
	▪ Other water (>1,000 mg/l of total dissolved substances)	30,486,161	27,730,418

GRI: 303-5

Water consumption
2022
2021

		2022	2021
Water consumption	Total water consumption	30,314,440	21,971,809

Water management in KGHM Polska Miedź S.A. [m³]

GRI: 303-3

Water withdrawal		2022	2021
Water withdrawal by source	Surface water (total)	0	0
	Groundwater (total)	193,343	176,815
	Seawater (total)	0	0
	Water withdrawn as a result of operations, e.g. mine water (total)	35,395,555	29,599,160
	▪ Fresh water (≤1,000 mg/l of total dissolved substances)	0	0
	▪ Other water (>1,000 mg/l of total dissolved substances)	35,395,555	29,599,160
	Water from third parties (total)	13,125,254	12,117,706
	▪ Fresh water (≤1,000 mg/l of total dissolved substances)	13,125,254	12,117,706
	▪ Other water (>1,000 mg/l of total dissolved substances)	0	0
Całkowity pobór wody	Surface water (total) + groundwater (total) + seawater (total) + post-production water (total) + water from other sources (total)	48,714,152	41,893,681

GRI: 303-4

Water (effluents) discharge		2022	2021
Water (effluents) discharge by destination	Surface water	30,559,952	27,815,093
	Ground and soil	0	0
	Sea	0	0
	Water provided to third parties	10,575,545	9,530,140
Total water (effluents) discharge	Surface water + groundwater + seawater + third party water (total)	41,135,497	37,345,232
Effluents (water) discharge – fresh and other water	▪ Fresh water (≤1,000 mg/l of total dissolved substances)	10,653,427	9,614,815
	▪ Other water (>1,000 mg/l of total dissolved substances)	30,482,070	27,730,418

GRI: 303-5

Water consumption		2022	2021
Water consumption	Total water consumption	7,578,655	4,548,449

Preserving biodiversity

GRI: 3-3 material topic: Preserving biodiversity, 304-1, 304-2, 304-3

The company is involved in activities to preserve biodiversity and to ensure responsible management of land and forests.

In cases where conservation is not possible, the company makes efforts to compensate for natural values lost. These activities are carried out on the basis of best practice and in accordance with applicable regulations, taking into account sustainability and minimising environmental impact.

KGHM Polska Miedź S.A. does not operate in, or in the direct vicinity of, areas of outstanding natural heritage (defined as national parks, nature reserves or Nature 2000 areas). Areas of high natural habitat or landscape value, covered by various forms of protection schemes, are located from a few to over a dozen kilometres away from the Company's operating sites, amongst which it is worth noting the following:



Nature 2000 Special Bird Protection Areas:

- "Łęgi Odrzańskie" PLB020008 (11 km – Tailings Division, 2 km – Cedynia Copper Wire Rod Plant, 7 km – Głogów Copper Smelter and Refinery).
- Nature 2000 Special Habitat Conservation Areas:
 - Kozioróg in Czerna PLH020100 (2.7 km – Głogów Copper Smelter and Refinery),
 - "Łęgi Odrzańskie" PLH020018 (11 km – Tailings Division, 2 km – Cedynia Copper Wire Rod Plant, 7 km – Głogów Copper Smelter and Refinery),
 - "Pątnów Legnicki" PLH020052 (9 km – Legnica Copper Smelter and Refinery),



Nature reserves:

- Buczyna Jakubowska (within the licensed area of the Polkowice-Sieroszowice Mine),
- Uroczysko Obiszów (within the licensed area of the Polkowice-Sieroszowice Mine),
- Żukowskie Śnieżyce (within the licensed area of the Rudna Mine),
- Skarpa storczyków (approx. 1 km – the Cedynia Copper Wire Rod Plant),
- Dalkowskie jary (6 km – Głogów Copper Smelter and Refinery).
- Nature and landscape conservation areas:
 - Grodowiec (within the licensed area of the Rudna Mine),
 - Guzicki Potok (within the licensed area of the Rudna Mine),
 - Trzebcz (within the licensed area of the Rudna Mine).



Ecological sites:

- Łęgi głogowskie (former protection zone of the Głogów Copper Smelter and Refinery),
- Glinki in Lasek Złotoryjski (1 km – Legnica Copper Smelter and Refinery),
- Lena (in the vicinity of areas managed by the Tailings Division).
- Animate and inanimate nature monuments (all divisions).

For all investment projects executed by KGHM Polska Miedź S.A. which require an environmental impact assessment, pursuant to the Act of 3 October 2008 on the availability of information about the environment and its protection, participation of the public in environmental protection and on environmental impact assessments (consolidated text: Journal of Laws of 2021, item 247), include detailed documents which describe the impact of the project on the natural environment. This work involves experts from many fields (including: ornithology, zoology, botany), who highlight potential risks and present recommendations for actions ensuring the maximum extent of mitigation of the impact of a given project.

Forested areas

Forests have been created in the areas of former protective zones currently managed by the metallurgical facilities. Near the Legnica Copper Smelter and Refinery, forested areas cover about 385 ha, and near the Głogów Copper Smelter and Refinery – 872 ha. At present, this area is a unique “ecological niche”, being a habitat to birds, small amphibians and lush vegetation. Moreover, the Tailings Division manages forests over an area of about 212 ha in the municipalities of: Lubin (approx. 58 ha), Polkowice (approx. 6 ha), Rudna (approx. 38 ha) and Warta Bolesławiecka (approx. 110 ha).



Afforestation

KGHM Polska Miedź S.A. actively supports afforestation efforts in the areas in which conducts its activities.

In 2022, 23,350 trees were planted at the Legnica Copper Smelter and Refinery, including:

- European beech: 11,550 trees
- English oak: 6,001 trees
- European hornbeam: 2,550 trees
- *Tilia cordata*: 1,589 trees
- Black alder: 1,660 trees

In 2022, the following were planted at the Głogów Copper Smelter and Refinery:

- • a total of 3,328 bushes and 90 trees were planted in industrial areas as part of the ongoing green areas revitalisation project,
- • 13,500 trees, including 11,500 English oak trees and 2,000 black alder trees, were planted at the ecological site on forest land. In addition, 650 old varieties of fruit trees were planted at the ecological site, mainly in the vicinity of Wróblin Głogowski.
- • A total of 123,810 trees and bushes were planted on forest land of the Głogów Copper Smelter and Refinery, including:
 - English oak: 73,500 trees
 - European beech: 7,000 trees
 - Scots pine: 10,000 trees
 - Black pine: 3,000 trees
 - Common spruce: 4,000 trees
 - European larch: 4,000 trees
 - Red oak: 1,000 trees
 - Silver birch: 5,000 trees
 - *Tilia cordata*: 6,700 trees
 - Sycamore maple: 2,000 trees
 - European hornbeam: 1,500 trees
 - Mountain ash: 2,000 trees
 - Biocenotic bushes: 3,500 pcs
 - Wild varieties of fruit trees: 610 trees

At the Tailings Plant, trees were planted in 2022 on forest and non-forest land. The trees were planted on forest land in the following forest districts:

- Lubin Forest District: 18.38 ha (101,090 beech seedlings); 31.09 ha (170,990 beech seedlings); 17.28 ha (120,670 seedlings, tree species: birch, sessile oak, English oak, hornbeam, pear tree, fir, Norway maple, lime, larch, alder, pine, spruce),
- Przemków Forest District: 25.7 ha (54,000 beech seedlings and 23,120 spruce seedlings).

The following were planted at the Żelazny Most Tailings Storage Facility:

- *Tilia cordata*: 115 trees
- common beech: 8 trees.



BEST PRACTICE

“Forest Carbon Farms” project

Since 2018, KGHM Polska Miedź S.A. has been participating in the so-called “Forest Carbon Farms” project, developed and conducted by the General Directorate of The State Forests with the idea of rebuilding forests and afforesting new areas in order to reduce the presence of carbon dioxide in the atmosphere through increased CO₂ absorption by forest complexes.

The Forest Carbon Farms project was implemented in 2017 by the State Forests. It is a pilot program, with its implementation scheduled until 2026 and sustainability assured for a period of thirty years. Currently, the Forest Carbon Farm project is carried out in twenty-three forest districts in thirteen regional directorates of the State Forests. The project is supervised by the General Directorate of The State Forests and is fully funded by the Forest Fund. The clearly defined objective of the pilot project is to increase existing forest carbon stocks and the carbon dioxide storage capacity of these ecosystems. Reducing CO₂ emissions from soils and mitigating the risk of uncontrolled emissions of this gas due to disasters is also important.

Peregrine falcon

In 2008, the Głogów Copper Smelter and Refinery recorded an unsuccessful nesting attempt of a peregrine falcon. To allow falcons to breed safely, a decision was taken to mount a breeding box on one of the smelter’s stacks. In autumn 2008, the breeding box was mounted on the stack of the Głogów II Copper Smelter and Refinery, the so-called “little clover”. The felicitous nature of this location was confirmed on 31 March 2009, when 3 peregrine falcon eggs were found in the mounted nest. Three nestlings hatched after a month. They were ringed in mid-May, and left their home for good in August.

In 2011, the Company took actions to allow the falcon family to be watched on-line. Since 2012, the life of the Głogów falcons can be viewed online on the “Sokół” Association website. Every year, the names for the birds are chosen in a contest held on the “Sokół” Association website. KGHM is a co-organizer of the contest and funds awards for the winners. In 2022, another three falcons hatched. Two male and one female. Since the breeding box was mounted in the Głogów II Copper Smelter and Refinery, 43 falcons have successfully hatched, and 42 of them have been leg-banded.

Ecological site – “Łęgi Głogowskie”

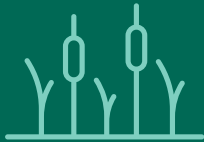
On 28 October 2005, at the request of the Głogów Copper Smelter and Refinery staff, the Lower Silesia Voivode formally established the “Łęgi Głogowskie” ecological site, to protect the important natural features of, among others, the old Odra riverbed, vegetation clusters, from water plants and reedbeds to rich deciduous forests with a multitude of protected flora and fauna species. The site covers a terrace area of 605.6 ha between the Odra River’s embankments, and stretches over land to which KGHM Polska Miedź S.A. holds a legal title.

Every year, the Głogów Copper Smelter and Refinery undertakes treatment measures to maintain the area, restore habitats and protect the species living in the “Łęgi Głogowskie” ecological site. In 2022, these measures included: mowing meadows in a way that leaves patches of late-ripening vegetation (Cnidion dubii communities – celery meadows) and mowing reed rushes in meadow habitats, removing self-seeding trees and shrubs growing expansively into valuable tree and meadow habitats, planting shrubs of native species compatible with the forest habitat type in places where plantations of foreign trees have been removed, setting up shelters for birds, hanging day shelters for bats and nesting boxes for birds, constructing clay and wooden structures, i.e. substitute habitats for insects nesting in clay, cleaning works – systematic removal of illegal waste by third parties.

“Copper Bees”

In 2022, KGHM Polska Miedź S.A., together with the Polish Spa Group [Polska Grupa Uzdrowisk], carried out the “Copper Bees” project related to the protection of bees. As part of the project, additional apiaries were created at facilities belonging to the Polish Spa Group and KGHM Polska Miedź S.A., in which southern European bees started to live. 10 beehives were located at the Staropolanka water bottling plant in Uzdrowisko Kłodzkie, 3 beehives at the mud mine in Uzdrowisko Połczyn Zdrój and 3 beehives at the LVI mine shaft at the Lubin Mining Plant. Each hive housed around 70,000 bees. The beehives were painted by young inhabitants of the Copper Basin during beekeeping workshops organised by KGHM.

Protecting biodiversity at KGHM INTERNATIONAL LTD.



The Carlota mine oversees 1.21 ha of marshlands. One of the marshes keeps water year round, which is rare in the desert climate of the southwestern United States.



Moreover, Carlota has grown and takes care of about 100 specimens of hedgehog cactuses, which initially grew in the windows of its office building and are currently overgrowing the buttress wall of the pit. The care provided to the plants has ensured their survival rate comparable to the natural one.



Throughout 2022, Carlota employees have been looking after the endangered hedgehog cactus species by watering them during the dry months, collecting seeds and looking after the site where the plants are growing.



The Victoria Project, as required by the Canadian Endangered Species Act, protects the whooping cottontail (*Antrostomus vociferus*) habitat, among other things by limiting plant development activities outside its existing boundaries during the nesting season and by providing endangered species training to all new employees. The Victoria Project also protects turtles based on its Turtle Protection and Mitigation Plan.



KGHM Polska Miedź S.A. sites adjacent to protected areas and areas of high biodiversity value in the years 2021-2022

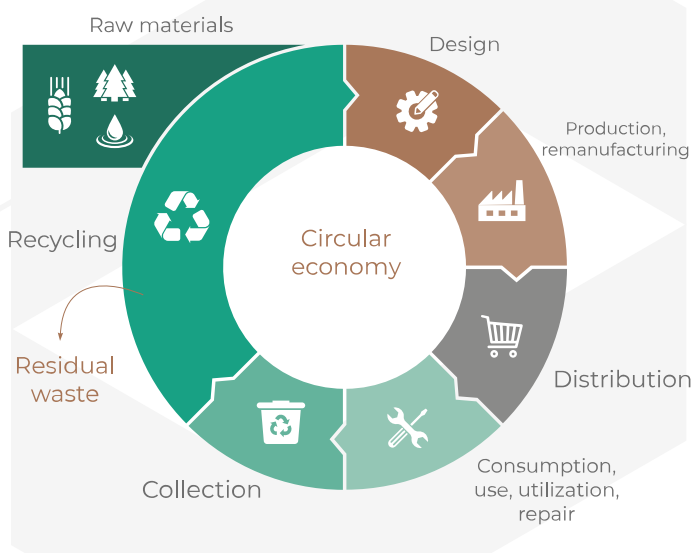
	2022	2021
Sites of the Organisation adjacent to protected areas and areas of high biodiversity value	15	15

Circular economy

GRI: GRI 3-3 material topic: Striving towards a circular economy, 306-1, 306-2, 306-3

The KGHM Polska Miedź S.A. Group implements the roadmap published on 24 September 2019 for the development of the Circular Economy in Poland. The concept is composed of a broad range of measures presented in the diagram below:

Circular Economy concept



Key elements of building the Circular Economy in KGHM Polska Miedź S.A. include:

- seeking and implementing solutions that allow utilisation of waste storage sites as secondary deposits,
- innovation, strengthening of cooperation between the Company and academic sector, and consequently implementation of innovative solutions related to a circular economy,
- participating in the growth of the market for secondary metallic raw materials and increasing the share of such materials in production,
- minimising the volume of post-production waste to residual waste levels.

Waste is generated as a side effect of almost every industrial activity. The copper industry also generates huge amounts of post-industrial waste, since it requires multi-stage processing of ores to obtain useful final products.

The waste produced in KGHM Polska Miedź S.A. is managed in accordance with the principles set out in the Act on Waste of 14 December 2012 (Journal of Laws of 2013, Item 21, as amended), according to which all activities should be planned, designed and carried out in a way that prevents the generation of waste or minimizes the amount of waste generated. Waste, whose generation cannot be avoided, is first subject to recovery and, if that is impossible for technological, economic or environmental reasons, it is disposed of. Waste is stored only if other means of disposal are not available.

The largest stream of waste is flotation tailings, which represent approximately 94% of the mining output, or approx. 28 million tonnes annually. This waste is created in the flotation process, in which the main volume of waste rock extracted together with the ore is removed. The next stage of the core production line creating the second largest volume of waste is the pyrometallurgical process, which produces approx. 1.1 million tonnes of smelter slag. The third largest stream of waste from the Company's activity is sludge from the Energetyka Sp. z o.o. effluents treatment plant: approx. 100,000 t/year. Other large waste streams include dust and sludge from flue gas dust removal systems – up to 50,000 t/year. The amount of waste generated in technological processes makes waste management one of the key issues associated with copper production, with impacts that are not just environmental, but also economic, technical and organisational.

Żelazny Most Tailings Storage Facility (TSF)

The Tailings Division in Rudna, within the structure of KGHM Polska Miedź S.A., operates the Żelazny Most Tailings Storage Facility (TSF) together with the Southern Quarter. The Żelazny Most Tailings Storage Facility is located in the Dolnośląskie Voivodship (in the territory of three municipalities: Rudna, Polkowice and Grębocice), in a valley between the Dalkowskie Hills in the upper catchment area of the Rudna River, which form a natural boundary on the west and south. Together with the Southern Quarter, it covers an area of approximately 2,100 hectares.

The Żelazny Most TSF together with the Southern Quarter is qualified as a project that may always have a significant impact on the environment, listed in § 2(1)(48) of Regulation of the Council of Ministers of 10 September 2019 on projects that may have a significant impact on the environment (Journal of Laws of 2019, item 1839).

The facility is used for management of waste from the flotation enrichment of copper ores.

In 2022, the facility received 28,717,443.565 tonnes of code 01 03 81 waste, of which:

- 18,379,946.565 tonnes were recovered through the R5 process (for the construction of the facility dams – 6,893,953.565 tonnes and sealing of its bottom – 11,485,993 tonnes)
- 10,337,397.00 tonnes were disposed of in the D5 landfill process.

In 2022, the execution of three phases of the Southern Quarter construction was completed and the Tailings Segregation and Compacting Station (using the hydro-cyclone technology) was commissioned. The area of the Southern Quarter is designed exclusively for depositing of thickened waste coming mainly from the Tailings Segregation and Compacting Station (TSCS), which is part of the expansion and reconstruction of the Żelazny Most Tailings Storage Facility.

The supernatant water collected at the Żelazny Most TSF is returned to the Ore Enrichment Plants and used in the flotation process, while the excess water is discharged

into the Odra River on the basis of a water service permit granted by the decision of the Regional Director of the Water Management Board in Wrocław State Water Management, dated 5 May 2021.

The system of drainage of excess water from the facility consists of, among others, intake towers founded within the Main Facility (on the basin), from which water is discharged through inflow lines to two pumping stations located on the eastern side (Kalinówka Pumping Station) and on the western side (Tarnówek Pumping Station) of the facility.

The condition of the environment around the Żelazny Most TSF is systematically monitored. The monitoring includes:

- a precipitation survey at a meteorological station representative of the TSF location,
- testing of indicator substances and parameters in surface, effluent and groundwater from the list set out in the water qualification regulations,
- measurement of groundwater levels in observation wells,
- control of the TSF surface settlement based on established survey benchmarks,
- measurement of effluent water volume.
- ambient air,
- soil and plants,
- health status of livestock,
- health of children up to the age of 18,
- seismic monitoring.

Due to the need to discharge effluents from the Żelazny Most TSF into the Odra River, discharge water monitoring is conducted in the scope of:

- the volume of effluents discharged
- the quality of effluents discharged
- the quality of the Odra River water.

In 2022, 30,482,070 m³ of supernatant water was discharged from the Żelazny Most TSF into the Odra River.

Waste recovery

The directions and methods of recovery of waste generated by the Company's installations depend on its material properties and the environmental impact of the process.

In the material recovery of waste, waste is used in whole or partially in mining technologies, as:

- a structural or building material,
- material for land reclamation purposes and for filling in post-mining voids,
- raw material for the production of abrasives.

Metal-bearing waste is subject to processes to recover and recycle the metals and metal compounds it contains.

The following post-processing waste produced by the Company is recovered as structural and building materials:

- shaft slag from the Legnica Copper Smelter and Refinery and poured slag from the Głogów Copper Smelter and Refinery. In 2022, 496.1 thousand tonnes of poured slag, 128.5 thousand tonnes of granulated slag for batching and 184.2 thousand tonnes of shaft slag were used for the production of aggregate.

- coarse-grained copper ore flotation tailings are used to build the embankments of the Żelazny Most Tailings Storage Facility and the Southern Quarter (in 2022: 6.89 million tonnes);
- fine-grained flotation tailings are used to seal the bottom of the Żelazny Most Tailings Storage Facility (in 2022: 11.48 million tonnes);
- granulated slag from the Głogów Copper Smelter and Refinery is used at the Żelazny Most TSF for the construction of drainage layers in the waste mass and piers and embankments at the marina (in 2022: 37.4 thousand tonnes).

In the mines of KGHM Polska Miedź S.A., hydraulic backfill is used to fill mined voids (goafs). The main material used for this purpose is sand, but also granulated slag from the Głogów Copper Smelter and Refinery (in 2022, the Rudna Mine used nearly 6.1 thousand tonnes of slag for this purpose). Also, granulated slag of the appropriate fraction after drying is an excellent material for the production of abrasive materials used for blast cleaning of metal or concrete surfaces. In 2022, the Głogów Copper Smelter and Refinery supplied 110.65 thousand tonnes of slag for the production of abrasives.

The process of aggregate production based on the material supplied by KGHM's smelters also permits a reduction of dust and gas emissions that would be released during the traditional process of aggregate creation. Over the past 10 years, KGHM Metraco S.A., a subsidiary of KGHM Polska Miedź S.A., has utilised approx. 10 million tonnes of slag, which means that it was not necessary to obtain this amount of raw material from natural deposits, and at the same time such a huge waste volume did not have to be stored. The aggregate produced by the KGHM Group was used for the execution of projects such as the construction of the S3, S5, S6 express roads, or the S11 express road, which is currently being built.

The waste generated during copper production is a valuable metal-bearing raw material and therefore large volumes are either fully utilized or stored with a view to recovery in the future.





Hybrid Smelter in Legnica

A high quality copper scrap processing unit was built within the core production line of the Legnica Copper Smelter and Refinery, which is the first stage for the Hybrid Smelter being designed in Legnica. Ultimately, it will be supplemented with the Scrap Trading Base, where the feedstock will be prepared for remelting at the Legnica Copper Smelter and Refinery and the Głogów Copper Smelter and Refinery. As part of the first stage of the project, the copper scrap processing technology with the use of a Revolving Casting-Refining (RCR) furnace was applied. In 2022, the total anode copper production at Legnica Copper Smelter and Refinery was 168.55 thousand tonnes, of which 60.13 thousand tonnes, was the production from the RCR furnace. In 2022, nearly 100 thousand tonnes of scrap was processed at the Legnica Copper Smelter and Refinery (including 24.28 thousand tonnes in the RCR furnace), which was recycled for use, not representing waste that would require disposal by landfilling.

By-product – diluted sulphuric acid

Sulphuric acids produced at the Legnica Copper Smelter and Refinery, and the Głogów Copper Smelter and Refinery were recognised by administrative decisions as a by-product to be used at the Polkowice Concentrator Division in the enrichment process as an agent for decarbonisation of one of the process' intermediate products.

The decarbonisation plant was commissioned in October 2022. It allows all dilute acids generated at KGHM Polska Miedź S.A. to be managed in an environmentally friendly manner.

By-product – granulated slag from electric furnaces

Granulated slag is produced at the Głogów Copper Smelter and Refinery and has also been recognised by administrative decisions as a by-product that can be used for the construction of the Tailings Storage Facility in the compaction and construction process:

- of the loading embankments of the Źelazny Most Tailings Storage Facility
- for the construction of jetties and embankments on the jetty within the Źelazny Most Tailings Storage Facility
- for the construction of drainage layers (ring drains) in the waste mass at the Źelazny Most Tailings Storage Facility
- granules for the construction of linear drains for land drainage, road embankments, jetties/dykes, static embankments and embankment sidefill
- for road bases (as a frost-proof layer) and hard surfacing of unpaved roads
- for the construction of static embankments
- to complete the protective layer

Waste management in KGHM Polska Miedź S.A. and in the KGHM Polska Miedź S.A. Group in 2022 [t]

Kghm polska miedz s.A. – Waste generated

2022

GRI: 306-3

Waste generated by group and treatment method			
Group „01” – waste resulting from exploration, mining, physical and chemical processing of ores and other minerals	waste for recovery		18,379,947
	waste for disposal		10,337,397
Group „10” – waste from thermal processes	waste for recovery		1,129,846
	waste for disposal		26,893
Other waste	waste for recovery		75,738
	waste for disposal		15,392
Total waste generated	Group „1” (total) + Group „10” (total) + Other waste (total)		29,965,213

Kghm polska miedz s.A. Group – waste generated

2022

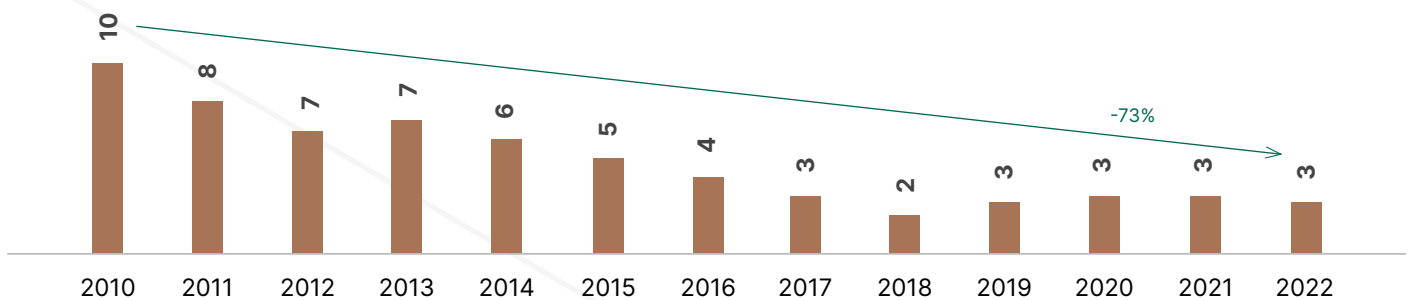
GRI: 306-3

Waste generated by group and treatment method			
Group „01” – waste resulting from exploration, mining, physical and chemical processing of ores and other minerals	waste for recovery		18,395,218
	waste for disposal		103,632,558
Group „10” – waste from thermal processes	waste for recovery		1,190,284
	waste for disposal		26,896
Group „19” – waste from installations and devices used for waste management, from effluents treatment plants and from the treatment of drinking water and water for industrial purposes	waste for recovery		89,576
	waste for disposal		73,372
Other waste	waste for recovery		172,992
	waste for disposal		417,432
Total waste generated	Group „1” (total) + Group „10” (total) + Group „19” (total) + Other waste (total)		123,998,328

Protection of the air

KGHM Polska Miedź S.A. conducts its core business being aware of its responsibility for the environment, including for air quality. Many years of investments in this area are reflected in the reduction of air emissions that are critical for the Company’s operations, which is shown on the chart and descriptions below.

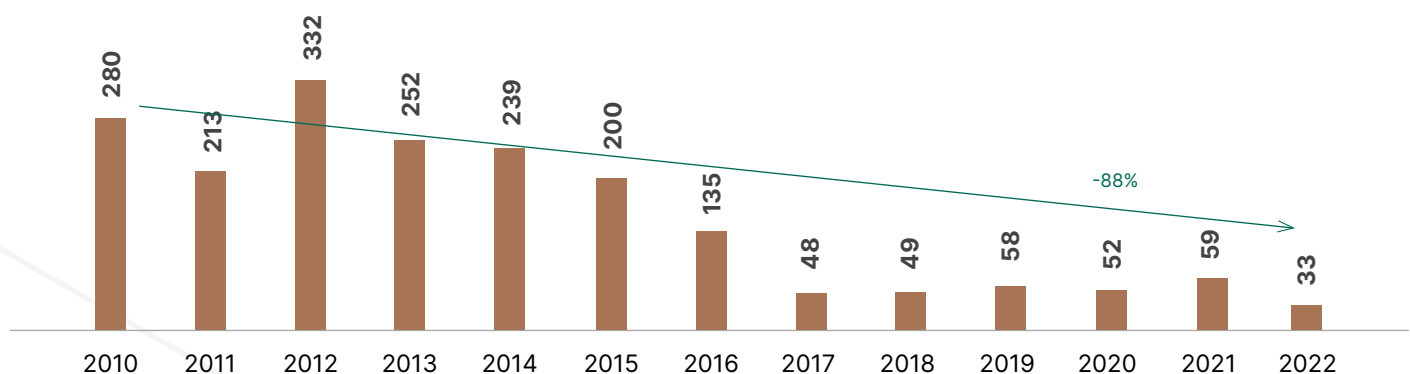
Dust emissions from mining production of KGHM Polska Miedź S.A. in 2022 [g/t of ore]



Dust emissions from mining production continue to decrease in spite of the growing output. This is made possible by a proper organisation of the mining process and replacement of mining machinery and equipment (with low-emission or electric machinery). Dust emissions

from the ore enrichment process were effectively reduced in the 1980s. The current projects are aimed at sealing the process even further and reducing fugitive emissions. All these efforts led to a 73% decrease of dust emissions from mining production in 2022 as compared to 2010.

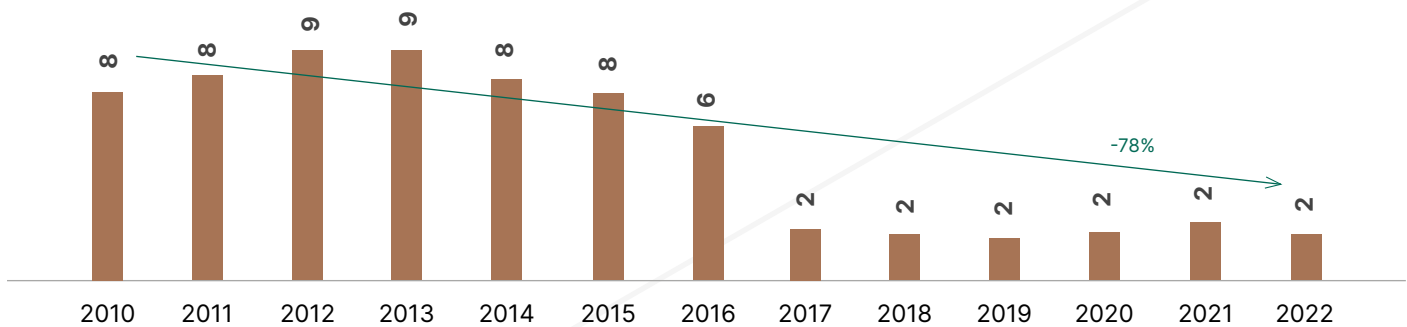
Dust emissions from metallurgical production of KGHM Polska Miedź S.A. in 2022 [g/t of electrolytic copper]



Dust generated during the metallurgical production of copper may contain metals and metal compounds. The consistent application of the Best Available Techniques (BAT) allowed KGHM Polska Miedź S.A. to reduce its dust emissions from electrolytic copper production by 88%. The main focus for reducing emissions to the environment,

which started in the 1990s, was on the use of modern treatment technology for most organized emissions. The current projects are aimed at improving dust suppression techniques, further sealing of the processes and reducing fugitive emissions.

Emission of SO₂ of KGHM Polska Miedź S.A. in 2022 [kg/t of electrolytic copper]



Besides copper, sulphur is one of the main ingredients of copper concentrates. The gaseous sulphur dioxide produced during the smelting of concentrates is converted to sulphuric acid in installations. KGHM is a pioneer in

reduction of sulphur dioxide emissions: emission per tonne of copper produced has been reduced by about 78% compared with 2010.

BATAs Program

In June 2016, the European Commission issued an executive decision establishing BAT (Best Available Technology) guidelines for the non-ferrous metals industry. To address this need, KGHM launched the BATAs Program ("Program to adapt the technological installations of KGHM Polska Miedź S.A. to the requirements of BAT Conclusions for the non-ferrous metals industry and to restrict emissions of arsenic"). New facilities were built and existing ones were modernised in the metallurgical plants. The Program was launched in 2017 and its completion is planned in 2023. The reduction of dust and gas emissions, including arsenic compounds, will be achieved through the installation of modern filters and further sealing of technological processes. Under the Program, by the end of 2022:

At the Głogów Copper Smelter and Refinery:

- an installation feeding milled de-lead slag into the flash furnace at the Głogów II Copper Smelter and Refinery was built,
- a warehouse and storage area for lead-bearing materials at the Głogów II Copper Smelter and Refinery was built,
- a gas desulphurization installation from the Kaldo furnace at the Precious Metals Unit at the Głogów Copper Smelter and Refinery was built,
- bypass gas pipelines for flash furnaces at the Głogów Copper Smelter and Refinery were constructed – the installations will ensure treatment of gases in

the Sulphuric Acid Plant installations in case of a failure of the flash furnaces,

- an installation for removal of dust from gases from flash furnace slag and copper outfall at the Głogów II Copper Smelter and Refinery was built,
- a desulphurization and dust removal installation for technological gases from converters at the Głogów II Copper Smelter and Refinery was modernized.
- the installation to remove mercury – and arsenic-containing dust from gases from the raw lead production furnace was upgraded,

At the Legnica Copper Smelter and Refinery:

- the dust removal system for the bag filter of shaft furnace 1 and for cassette filters of shaft furnaces 2 and 3 was modernized,
- stage 2 of the wet dust removal on the drying plant's dust removal installation was built in order to reduce arsenic and mercury emissions,
- installations to eliminate arsenic from gases above the TM-16 casting machines were designed and constructed,
- a desulphurization and dust removal installation for gases from the granulation process was developed,
- the installation to remove arsenic and mercury from gases at the Solinox installation was commissioned for the start-up.

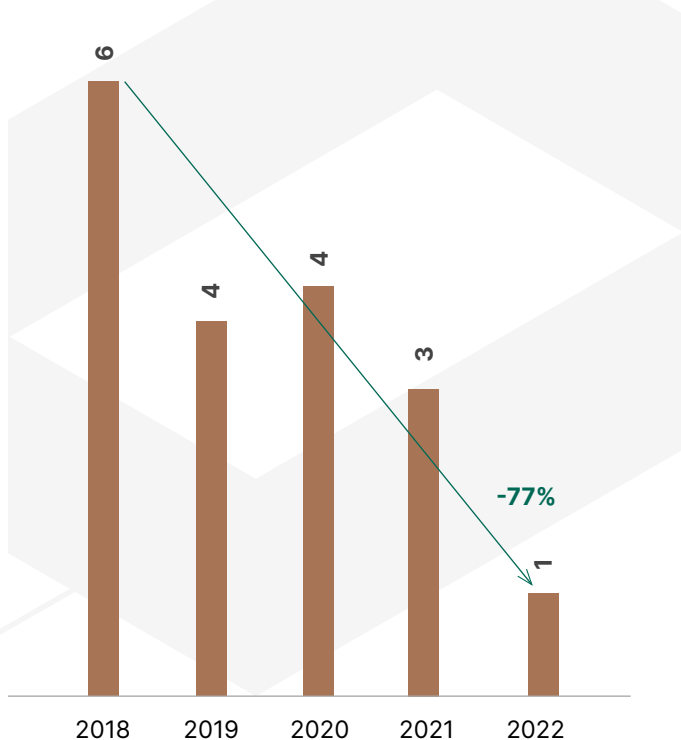
Results of investment projects completed by 2022 in KGHM Polska Miedź S.A. in the area of unit adaptation to meet the requirements of the BAT Conclusions for the non-ferrous metals industry

Name of task/initiative	Expected adaptation to BAT associated emission levels (BAT-AEL)	Task completion date Parameters achieved (in guaranteed parameter tests)	Change in hourly arsenic in dust emissions
HML – Modernisation of the Psz.1 bag filter dedusting system and PSZ2 and Psz3 cassette filters in the Shaft Furnaces	BAT 39: Dust – 2-5 (mg/Nm ³) As – 0.05 (mg/Nm ³)	December 2019 Dust – below 1 (mg/Nm ³) As – below 0.05 (mg/Nm ³) average 0.02 (mg/Nm ³)	Dust – decrease by 97% As – decrease by 84%
HML – Construction of 2nd-stage wet dedusting system on the dryer dedusting units to reduce As and Hg emissions down to the BAT Conclusion levels	BAT 38: Dust – 3-5 (mg/Nm ³) As – 0.05 (mg/Nm ³) BAT 11: Hg – 0.01-0.05 (mg/Nm ³)	December 2020 Dust – below 1 (mg/Nm ³) As – below 0.02 (mg/Nm ³) average 0.01 (mg/Nm ³) Hg – below 0.004 (mg/Nm ³) average 0.002 (mg/Nm ³)	As – decrease by 84%
HML – Design and construction of installation to eliminate arsenic from gases above the TM-16 casting machines	BAT 44: Dust – below 15 (mg/Nm ³)	December 2020 Dust – below 2 (mg/Nm ³) average 1.6 (mg/Nm ³)	Dust – decrease by 68 % As – decrease by 75%
HMG – P-1 Sealing of conveyor belt tightening stations for carrying copper concentrate and ore blending warehouse	BAT 8 and BAT 25: Specify the required means of adaptation to prevent fugitive emissions from preliminary processing of natural, primary and secondary materials and their transport, or to reduce such emissions	October 2019 Sealed conveyor systems were applied for transport and handling of dust generating concentrates, as well as fluxes and fine materials; mounting of roofs over conveyors for handling non-dust emitting solids (compliance with BAT8a, BAT8b, BAT25)	
PG Installation of milled de-lead slag feeding into flash furnace	BAT 54: Specifies methods to reduce the amount of copper production primary and secondary waste BAT 90: Specifies the required adaptation method to prevent fugitive emissions from pre-treatment of raw materials, primary and secondary materials or to reduce the emissions (for lead production)	December 2020 The installation enables air-sealed transport of the waste material, i.e. de-lead slag, to flash furnace for metal recovery (compliance with BAT54). A pneumatic transport system applied for dust-generating materials (compliance with BAT90a).	
P-31 Building a warehouse and storage area for lead-bearing materials	BAT 90 Specifies the required adaptation method to prevent fugitive emissions from pre-treatment of raw materials, primary and secondary materials or to reduce the emissions (for lead production)	March 2021 An enclosed feed preparation building was built and the Feed Preparation Yard was equipped with water showers and an enclosed leachate collection system to reduce dust from feed preparation operations for the Lead Production Facility	
P-30 Building a gas desulphurization installation from the Kaldofurnace at the Precious Metals Plant	BAT 140 Dust – 2-5 (mg/Nm ³) BAT 142 SO ₂ – 50-480 (mg/Nm ³)	May 2021 Dust – average of 0.6 (mg/Nm ³) SO ₂ – below 470 (mg/Nm ³)	
P-22 Building an installation for removing dust from gases from flash furnace	BAT 39 Dust – 2-5 (mg/Nm ³) As – 0,007 (kg/h)	December 2021 Dust – average of 0.054 (mg/Nm ³) As – average of 0.0019 (kg/h)	Dust – decrease by 88% As – decrease by 88%

Name of task/initiative	Expected adaptation to BAT associated emission levels (BAT-AEL)	Task completion date Parameters achieved (in guaranteed parameter tests)	Change in hourly arsenic in dust emissions
P-23 Building an installation for removing dust from converter gases	BAT 39 Dust – 2–5 (mg/Nm ³) As – 0,002 (kg/h)	December 2021 Dust – average of 0.067 (mg/Nm ³), As – average of 0.00098 (kg/h)	Dust – decrease by 94% As – decrease by 92%
HML – Building a desulphurization and dust removal installation for gases from the granulation process	BAT 45 Dust – 2–5 (mg/Nm ³) BAT 49 SO ₂ – 50–480 (mg/Nm ³),	June 2022 Dust – average of 3 (mg/Nm ³), SO ₂ – average of 380 (mg/Nm ³)	Dust – decrease by 94% SO ₂ – decrease by 98%
P-31 Modernisation of the installation reducing pollutants in air emissions of process gases from Dörschel furnaces – stage 2	BAT 11 Hg – 0,01 – 0,05 (mg/Nm ³) BAT 96 Dust – 2–4 (mg/Nm ³) As – 0,05 (mg/Nm ³)	December 2022 Dust – below 1 (mg/Nm ³), average 0.118 (mg/Nm ³) As – below 0.01 (mg/Nm ³), average 0.006 (mg/Nm ³) Hg – below 0.001 (mg/Nm ³), average 0.0005 (mg/Nm ³)	Dust – decrease by 91% As – decrease by 98% Hg – decrease by 99%

As a result of the implementation of the BATAs program, the arsenic emission ratio from metallurgical production decreased by 77% in 2022 vs. 2018.

Arsenic emissions from metallurgical production in KGHM Polska Miedź S.A. in 2022, [g/t of electrolytic copper]



Installation to remove arsenic and mercury from gases at the SOLINOX installation

The aim of the project was to adapt arsenic and mercury emissions to the new, increasingly stringent European standards contained in the BAT (Best Available Techniques) conclusions for the non-ferrous metals industry. Innovative dedicated solutions have been designed. Two new gas treatment units were added to the SOLINOX plant. The first unit is used for arsenic removal and the second unit – for mercury removal. The target concentration of arsenic and mercury in process gases will decrease to 0.05 mg/Nm³.

The level of capital expenditure amounted to approximately PLN 115 million.

“Green Laurel” - National competition of the Polish Economic Chamber of Eco-development

The construction of the installation for arsenic and mercury removal from gas upstream of the SOLINOX plant was recognised by the Polish Economic Chamber of Eco-development in the nationwide “Green Laurel” competition for the implementation of environmentally friendly investments.

Management of chemical substances

KGHM Polska Miedź S.A., as one of Europe's leading non-ferrous metals producers, applies the principles of responsible management of chemicals consistent with the EU's REACH and CLP regulations. The Company has registered all the substances introduced into trade with the European Chemicals Agency.



Pursuing its REACH implementation strategy, it has become a member of a number of REACH consortia which manage the registration process for the substances and semi-finished products introduced by the consortium members.

- REACH Copper Consortium,
- European Precious Metals Federation
- Lead REACH Consortium,
- Nickel REACH Consortium,
- REACH Selenium and Tellurium Consortium,
- REACH Copper Compounds Consortium.

In 2022, the consortia worked on the revised edition of the registration dossiers for substances and semi-finished products, taking account of the newest research results and the most recent guidelines of the European Chemicals Agency.

In accordance with the provisions of the Environmental Protection Law and the criteria set out in the regulation of the Minister of Development of 29 January 2016 on the types and quantities of hazardous substances present in an establishment, determining its classification as an establishment with an increased or high risk of a major industrial accident, the Głogów Copper Smelter and Refinery, the Legnica Copper Smelter and Refinery and the area of the Ore Enrichment Plants in Rudna and Polkowice were included in the group of establishments with a high risk of a major industrial accident. Any substance classified as a hazardous substance used in the production process has a valid Safety Data Sheet. In accordance with the manufacturer's recommendations, the substances are transported, used and stored according to the recommendations indicated in the aforementioned sheets.

Environmental investments

GRI: material topic: Development and innovation, material topic: Impact on the economy

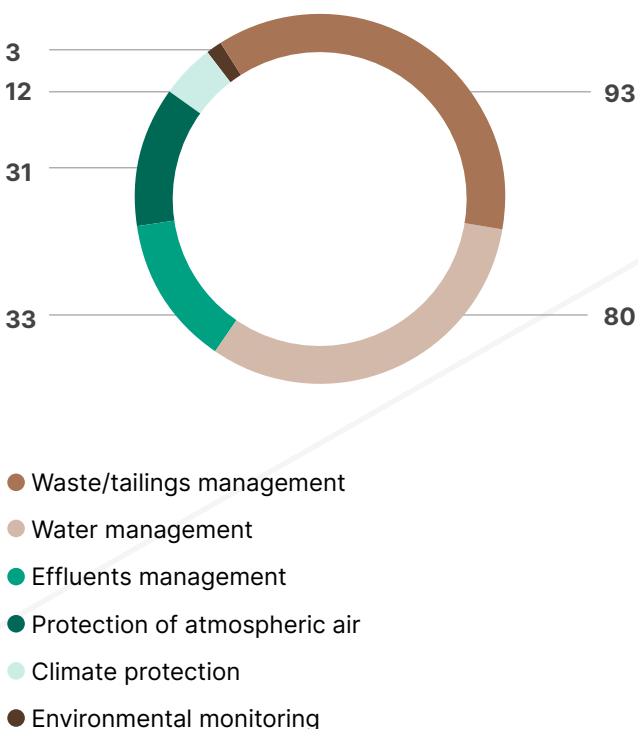
Own indicator: Innovation improving energy efficiency or limiting environmental impact

Compliance with rigorous environmental standards is possible thanks to the consistent modernization of our existing installations as well as new investments. In 2022, the Company spent more than PLN 250 million on environmental investments.

The largest expenditures, which exceeded PLN 195 million, were incurred on maintenance, modernisation and expansion of the Żelazny Most Tailings Storage Facility with accompanying infrastructure. The expenditures incurred by the Tailings Division in 2022 represented: 99% of the value of outlays earmarked in KGHM for environmentally-friendly investment related to waste water management, 98% - to water management and 88% - to waste management. Significant expenditure, approximately PLN 30 million, was incurred in connection with

investments aimed at protecting the air, 90% of which were allocated to investments carried out at the Legnica and Głogów copper smelters by modernising or expanding dust removal installations. In 2022, more than PLN 21 million was allocated for investments carried out under the BATAs Program. In respect to KGHM's investments related to climate protection in 2022, the Concentrators Division had the largest share (46% – over PLN 5 million), carrying out systematic replacement of electrical equipment with energy-saving equipment, reducing indirect CO₂ emissions.

Value of expenditures incurred on environmentally-friendly activities by KGHM Polska Miedź S.A. in 2022 [in million PLN]



Energy transition

Projects implemented by KGHM

Construction of a photovoltaic power plant Obora Sandpit I

The Lubin Municipality carried out work on amending the Local Spatial Development Plan for the Obora Sandpit site pursuant to Resolution of the Lubin Municipality Council No. XXXI/316/2021 of 26 July 2021. As a result of the urban planning work, a draft Local Spatial Development Plan (MPZP) was created, including an environmental impact forecast. In order to allow for the energy infrastructure at the Obora sandpit site in the draft MPZP, cartographic and surveying work was completed, consisting of a relevant change of land use in the Land and Building Register of the Lubin District Authority. The draft MPZP was agreed by the parties to the proceedings.

Construction of the HMG I-III photovoltaic power plant complex

In May 2022, the Zoning Plan of the Głogów Municipality for the Huta precinct came into force, admitting photovoltaic installations. In the third quarter of 2022, KGHM, as a DSO, issued the Technical Connection Conditions for all three locations of the HMG I-III PV power plant. In the fourth quarter of 2022, a legally-binding environmental decision was received and work began on developing project documentation (maps for design documentation and for approvals from owners of utilities). The provisions of the connection agreement are currently negotiated.

Development of wind energy, including Offshore

With regard to offshore wind farms, in 2022 Q1 a Memorandum of Understanding ("MoU") was concluded with Total Energies Renewables SAS ("Total Energies").

On the basis of the concluded MoU, joint participation in the procedure for obtaining location decisions for the construction of Offshore Wind Farms (PSzW) was agreed. If a PSzW is obtained at the site, KGHM together with Total Energies will implement offshore projects within the so-called joint venture. By the end of Q2, 7 applications for PSzW had been submitted. By the end of 2022, all adjudication proceedings for the sites covered by KGHM and Total Energies' applications had been initiated. A set of documentation was submitted for the needs of the proceedings conducted by the Ministry of Infrastructure. Issuing of the decision concerning PSzW for the sites covered by the KGHM and Partner applications is expected in Q1 and Q2 of 2023. In terms of onshore wind farms, analyses were initiated concerning a possibility of building wind farms on own real estate and discussions continued with entities with interesting projects for sale.

Solar energy development

In 2022, three new projects were set up for the preparatory phase of the construction of the "Tarnówek" and "Kalinówka" photovoltaic power plants for the Tailings Plant and the "Polkowice" photovoltaic power plant on the premises of the Tailings Plant. By the end of the year, proceedings were initiated to select a designer for these three projects. Moreover, a multi-variant expert report was received with the aim to indicate a possibility of connecting new generation sources to KGHM's power grids in the area of the Lubin Mine Division. Preparations are therefore in progress in order to establish another photovoltaic power plant project on the site of the decommissioned shafts of the Lubin mine. Another project was also set up to launch the preparatory phase for the construction of a photovoltaic power plant on the premises of the Cedynia Copper Wire Rod Plant Division. In addition, analytical work continues concerning the use of other KGHM sites for the development of renewable energy sources. In parallel, analyses of the market environment are carried out with a view to acquiring companies with projects to build photovoltaic farms or with operating installations.

Development of hydrogen technologies

In January 2022, KGHM Polska Miedź S.A. became a signatory to the "Sectoral agreement for the development of the hydrogen economy in Poland" carried out under the auspices of the Minister of Climate and the Environment of the Republic of Poland. At the end of February, KGHM became one of the initiators of the newly founded Lower Silesian Hydrogen Valley Association. In the third quarter of 2022, the formation of the Transformation Projects Department was completed, which carries out projects related to the generation and use of hydrogen in the Company's core production business. The Głogów Copper Smelter and Refinery has attempted to carry out fire refining process with the use of a hydrogen mixture. It is currently at a development stage.

Development of CO₂ capture technology

In 2022, internal analyses were carried out on the feasibility of applying the technology of carbon capture and sequestration (CCS) from exhaust gases emitted at the smelters/refineries of KGHM Polska Miedź S.A. The company has established numerous contacts with the world's leading technology suppliers and CCS installation contractors as well as with Research Institutes and Scientific Entities. The Głogów Copper Smelter and Refinery has also attempted to test the feasibility of carbon sequestration in metallurgical plants.

Nuclear energy development

On 14 February 2022, KGHM signed the Early Works Agreement with NuScale Power, LLC (the nuclear technology provider), representing the first step in the implementation of SMR technology within the KGHM Group's business operations. On 20 April 2022, KGHM and TAURON Polska Energia S.A. signed a letter of intent on cooperation in the scope of construction of low-emission energy sources, including using small modular nuclear reactors (SMRs). On 8 July 2022, the Company submitted the first application in Poland regarding the safety assessment of the small modular reactor technology considered by the Company to the National Atomic Energy Agency. On 6 September 2022, KGHM Polska Miedź S.A. and SN Nuclearelectrica SA signed a memorandum on cooperation on the development of SMR. A preliminary site assessment report for the SMR reactor is currently being developed.

Power Purchase Agreements (PPAs)

On 30 November 2021, KGHM announced an open tender for the purchase of electricity generated from Renewable Energy Sources (RES). In the first quarter of 2022, bids were received for the sale of RES energy under a PPA. The Standing Committee on Energy Purchasing decided to select one of the bids. The Agreement with Solarteknik (Invest PV 7 Spółka z o.o.) was bilaterally signed in the third quarter of 2022. The sale of electricity to KGHM, generated by the Żuki Solar Power Farm in the Municipality of Turek, commences from 1 April 2023. The planned volume of sales is 5,300 MWh/year.

Self-generation of electricity

The share of energy from own sources including RES in 2022 in KGHM amounted to 9.46%.

Climate risk management

GRI: 3-3 material topic: Climate change prevention, 3-3 material topic: Sustainability and ESG Risk Management, 2-25, 201-2

Preventing and minimizing the environmental and climate impact and rational management of natural resources is of fundamental importance for KGHM Polska Miedź S.A.

KGHM Polska Miedź S.A. has fully integrated climate risk management with the Corporate Risk Management Process of the KGHM Polska Miedź S.A. Group. As a result of these measures, KGHM identified a new category: climate risk, with importance equivalent to other main risk categories in the Company, i.e. value chain, technological, external, internal and market risk.

The corporate risk management process in the KGHM Polska Miedź S.A. Group consists of four stages: (I) Defining the context, (II) Identification and Evaluation, (III) Monitoring and communication, (IV) Analysis and response. The critical stages in the recognition of climate risks are the first stage (scenario analyses as part of Context Definition) and the second stage (taxonomy of climate risk as part of Identification and Evaluation).

The remaining stages are consistent with the general corporate risk management process in the KGHM Polska Miedź S.A. Group. As part of the applicable approach to climate risk management, roles and responsibilities for individual stages of the process have been indicated and indicators to measure and manage climate risk have been developed.

The goals of Corporate Risk Management in the KGHM Polska Miedź S.A. Group are consistent with the adopted Strategy of the KGHM Polska Miedź S.A. Group. They are shaped by global megatrends and determine the environmental challenges faced by the KGHM Polska Miedź S.A. Group. The Strategy of the KGHM Polska Miedź S.A. Group to the year 2030 with an outlook to 2040 identifies, among other things, the climate targets related to the reduction of emissions by KGHM Polska Miedź S.A., which are in line with the Climate Policy of KGHM Polska Miedź S.A., i.e. those described in the section of this report entitled "Managing our impact on the environment".

In the course of operationalisation of the Business Strategy and taking into account ESG elements and climate-related factors, each of the strategic initiatives was further assessed. Impacts were examined in the negative, neutral or positive category: on Scope 1 and 2 greenhouse gas (GHG) emissions, on ESG image divided into three categories: environment, society and corporate governance and impact on mitigating risks and supporting climate opportunities according to the TCFD (Task Force on Climate-Related Financial Disclosures) Recommendations. Moreover, KGHM Polska Miedź S.A. is implementing a number of other organisational and process changes in line with the TCFD Recommendations, inter alia, in areas related to corporate governance.



Scenario analyses in climate risks

In the first step of the risk management process (Defining the context), KGHM Polska Miedź S.A. considered climate change by performing a scenario analysis, based on recognized reports of the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA). The above analysis is currently conducted on the basis of 5 baseline scenarios: Stated Policies Scenario (STEPS), Sustainable Development Scenario (SDS), Net Zero Emissions by 2050 (NZE2050), RCP4.5 and RCP8.5. In the scenario analysis, the assumptions are considered in three time horizons: short term (2023-2025), medium term (2030), and long term (2050), under a number of assumptions:

- for scenarios examining transition-related risks, in terms of the implementation of the adopted climate policy and the resulting changes in parameters relevant from KGHM's perspective: e.g. prices of emission allowances, energy consumption, changes in demand for copper,

- for physical risk scenarios, the starting point for the analysis are the levels of greenhouse gas concentrations in the atmosphere and the resulting changes in the Earth's temperature and their consequences.

KGHM Polska Miedź S.A. has also started work associated with the preparation of its own scenarios to serve as a basis for analysing the impact of climate change on the organisation. This way it will obtain the most suitable, tailored approach, which will constitute the basis for making business decisions regarding the assessment of the organization's resilience to potential climate change.

The above analysis lays down the critical foundation for the identification and assessment of climate risks in the second stage of the process. According to the accepted classification of the climate risk category, the risks are divided into the following subcategories:

Climate risk categories



Impact of climate change on KGHM Polska Miedź S.A.

Below we present a description of the identified key risks in the climate risk category associated with the adverse impact of climate change on the activities of KGHM Polska Miedź S.A.

Physical climate risk

Acute physical risk related to sudden weather events resulting from climate change.

Description of risks and risk factors

W ramach procesu zarządzania ryzykiem korporacyjnym (w tym analizy scenariuszy fizycznych – scenariusze In the corporate risk management process (which includes analysis of physical scenarios – medium and high emission), the following key factors have been identified that may cause materialisation of acute physical risk:

- accumulated dry days (draught),
- heatwaves,
- heavy daily rainfall,
- very frosty days,
- thick snow cover,
- strong/fierce winds,
- lightning.

Materialisation of this risk may have an adverse impact on both the infrastructure and on working conditions and employee safety. Acute weather events as a consequence of climate change may result in restrictions in operations both as a result of damage to infrastructure and the occurrence of temporary hindrances and interruptions in individual elements of the KGHM Polska Miedź S.A. value chain (e.g. utility supply, logistics disruption). With regard to days without precipitation (droughts), relevant factors include a) restrictions on the availability of water for the needs of the Core Production Business processes, b) the level of the Odra river, which affects the quantity and management of process water. The potential materialisation of the risk in question may involve increased costs relating to the remedying of the adverse consequences of risk materialisation in the form of increased operating costs, maintenance work, energy consumption and other losses, e.g. associated with the suspension of production. The consequences of such materialisation are examined on a case by case basis for the individual elements of the value chain of KGHM Polska Miedź S.A.

Mitigation

- Appointment of task forces and expert teams in the area of counteracting the effects of the materialised extreme weather events on business continuity and development of instructions on the procedure in case of emergency situations.
- Ongoing communication and cooperation with utility suppliers concerning potential supply interruptions.
- Periodic overhauls of key infrastructure equipment on the basis of predetermined schedules.
- Preventive management of key infrastructure elements affecting production continuity and application of crisis response procedures.
- Actively seeking technical and technological solutions that would limit the adverse impact of operations on climate. Conducting and planning investments affecting the infrastructure, among others, to enable remote control and reduce response time
- Application of solutions counteracting the effects of climate hazards using neutral measures and by using modern technology.
- Ongoing monitoring of the microclimate parameters and introduction of remote control and visualisation and surveillance systems in workplaces with particularly adverse climate parameters.
- Division of KGHM Polska Miedź S.A. The Mine and Metallurgical Rescue Unit (JRGH) ensures the safety of employees and provides comprehensive assistance in dealing with the effects of natural hazards and acute physical events associated with climate change, while ensuring the safety of people and facilities.

Indicator used for risk assessment

Acute events associated with climate change that had a negative impact on infrastructure and/or working conditions (including the timing and impact of these events):

- throughout 2022, and up to the date of signing of this report, KGHM Polska Miedź S.A. did not record any events according to the criteria defined.

Chronic physical risk related to permanent changes in weather patterns resulting from climate change.

Description of risks and risk factors

In the corporate risk management process (which includes analysis of physical scenarios – medium and high emission), the following key factors have been identified that may cause materialisation of acute physical risk:

- change in average daily temperature,
- change in total precipitation,
- change of wind intensity,
- change of cooling/heating degree days (hot/cool - temperature above/below 18°C),
- change in the number of days with snow cover.

Materialisation of this risk may lead, among other things, to changes in the conditions in which the operations must be conducted, interruption of business continuity of the Core Production Business, including higher and faster depreciation of infrastructure components than before. Permanent changes in weather patterns as a consequence of climate change can also increase the onerousness of work (e.g. as a result of changes in the average daily temperature, changes in wind intensity, changes in the number of days with snow cover) and consequently necessitate the provision of additional personal protective equipment and reorganisation of work. The potential materialisation of this risk may involve increased costs relating to the upgrading or replacement of individual infrastructure components and increased costs of higher consumption of energy used, for example, for cooling processes. The consequences of such materialisation may be presented for the individual elements of the Parent Entity's value chain.

Taking the above factors into account, KGHM Polska Miedź S.A. also recognises the opportunity associated with investments in its own renewable energy sources, which may reduce production costs and ensure business continuity while reducing greenhouse gas emissions.

Mitigation

- Periodic overhauls and comprehensive modernisation of key infrastructure equipment on the basis of predetermined schedules and/or investment plans.
- Maintaining the required level of supporting/alternative facilities and infrastructure elements (e.g. power generators, photovoltaic infrastructure, retention infrastructure).
- Systematic limitation of energy consumption under the implemented, ISO 50001:2018-compliant Energy Management System and Energy Savings Program. Planned increase in the efficiency and flexibility of the KGHM Polska Miedź S.A. Group in terms of its Polish and international assets, among others by partially satisfying the needs for electricity from its own sources as well as from renewable energy sources ("RES") by the end of 2030.
- Development of own zero- and low-emission sources in the short and medium term including construction and acquisition of photovoltaic and wind power plants, supplemented in the long term by the use of small modular reactors (SMRs).
- Diversification and efforts towards sustainable development through building own power capacity from low-emission sources is one of the main Pillars of the newly-adopted Strategy of the KGHM Polska Miedź S.A. Group to the year 2030 with an outlook to 2040, and one of its elements is for KGHM Polska Miedź S.A. to achieve the position of one of the leading producers of environmentally-friendly electricity supporting Poland's energy transition.
- Efficient risk management system for long-term/strategic risk, encompassing also climate risk management allowing for risk categorisation, identification, assessment and management as well as plans for its mitigation.

Indicator used for risk assessment

Identified significant change in business conditions due to a change in weather patterns resulting in a change in revenue and/or operating costs:

- throughout 2022, and up to the date of signing of this report, KGHM Polska Miedź S.A. did not record any events according to the criteria defined.

TRANSITION-RELATED RISK

Regulatory risk related to changes in legal requirements concerning climate change and adaptation to its effects.

Description of risks and risk factors

The existing and increasing climate-related legal requirements may have direct and indirect impact on KGHM Polska Miedź S.A. This pertains to both European regulations as well as requirements at the domestic level, which will be effectively enforced. This may be materially impacted by the planned full implementation of the European Green Deal in domestic documents and climate/energy frameworks till 2030 and fulfilment of the EU's climate neutrality objective by 2050. An incorrect interpretation or a failure to observe new regulations may potentially result in non-compliance with the law, exposure to court disputes or sanctions. New legal regulations may also cause interruptions in operations or the necessity to reorganize work and consequently may substantially impact the operations of the KGHM Polska Miedź S.A. Group (among others, transition to the low-carbon economy, circular economy).

Mitigation

- As part of the Corporate Risk Management process in the KGHM Polska Miedź S.A. Group, each identified risk is assessed in terms of impact on Laws and Regulations (assessment of the compliance of occurrences with the applicable laws, the necessity to participate in proceedings before public administration authorities responsible for supervision and regulation and potential sanctions resulting from such proceedings).
- A consistent compliance system in place in the KGHM Polska Miedź S.A. Group is an element of effective management as part of corporate governance through, for example, a more efficient response and readiness for regulatory changes, care for reputation and ethical culture building in the organisation as well as awareness raising and enhancement of the sense of responsibility for compliance among employees.
- Active cooperation with the academic environment, which issues opinions on changes to legal acts, and the on-going providing of positions and opinions with respect to numerous areas subject to legislative change (including as part of membership of national and international organisations). Taking pre-emptive actions to adapt to organisational, infrastructural and technological changes.

Indicator used for risk assessment

Number of lawsuits filed, penalties imposed related to non-compliance with applicable legal requirements in the scope of climate:

- throughout 2022, and up to the date of signing of this report, KGHM Polska Miedź S.A. did not record any events according to the criteria defined.

Reputation risk related to perception of clients and other stakeholders – how they view the activity of the KGHM Polska Miedź S.A. Group in the context of climate change.

Description of risks and risk factors

The KGHM Polska Miedź S.A. Group is exposed to the risk of increasing expectations of stakeholders (e.g. investors, customers, ESG rating agencies) towards the Company with respect to reduction of its impact on climate resulting in a deterioration of the Company's image and/or loss of stakeholder confidence.

Potential difficulties in attracting customers, employees, business partners and investors if the KGHM Polska Miedź S.A. Group's activity is considered to be harmful to the climate. In extreme cases, the materialisation of this risk can lead to the blocking of development plans.

The opportunity (positive risk) identified in this area is associated with investments in renewable energy, which support combating greenhouse gas emissions – an image- and market-related opportunity with respect to the industry, i.e. the image of a company caring for the natural environment and striving to limit global climate change (green energy / green copper / green KGHM); a change in the customer's approach but also legislative changes in favour of KGHM Polska Miedź S.A.'s attitude.

Mitigation

- Care and due diligence in identification of expectations and requirements of external stakeholders concerning the climate and environmental issues.
- Establishment of trade and business relationships with entities that declare that they care about environmental protection and comply with the regulations applicable in this regard.
- Increased awareness of climate change in the organisation and improvement of communication with all stakeholders in this respect, among others through the improvement in the quality of reporting on climate-related information after climate reporting was launched based on the 2017 Recommendations of the Task Force on Climate-Related Financial Disclosures.
- Implemented and improved effective system for resolving sustainable development themes (ESG) in the form of regular meetings of the Sustainable Development Council.

Indicator used for risk assessment

- Number of key customers lost due to negative perception of the business in the face of climate change:
- throughout 2022, and up to the date of signing of this report, KGHM Polska Miedź S.A. did not record any events according to the criteria defined.

Technological risk related to the technological progress towards a low-emission economy.**Description of risks and risk factors**

The EU's ambitious climate targets and the existing pressure on the implementation of new low-carbon solutions and the search for reduction of CO₂ emissions in order to achieve the approved emission goals may have a direct impact on KGHM Polska Miedź S.A.'s activities. The need to make the necessary investments and/or a potentially sudden reduction in carbon dioxide emissions in a relatively short period of time may generate considerable costs and difficulties in adapting new solutions to the technology that is used currently. As a result of the necessary changes, the level of complexity of production activities in the new conditions and the increased technical, economic or legal requirements for the Company will rise at the same time, resulting in the need for KGHM Polska Miedź S.A. staff to continuously and dynamically increase their qualifications. Due to the rise in popularity of topics related to the progress towards a low-carbon economy, an increase is seen in the importance of decarbonisation technology providers and a significant increase in demand for their services. In the case of a decision to use solutions offered on the market, the availability of suppliers within the required timeframe may be limited and the need to wait a long time for the procurement of services or goods necessary for the implementation of new technologies may arise, thus extending the project implementation period.

In the technology area an opportunity has been identified arising from increased consumption and capability to process a volume of copper scrap and copper-bearing materials by the smelters and refineries of KGHM Polska Miedź S.A., which results in improved efficiency of waste management in global terms in the context of resource use and longer copper life cycle – a change in the customer's and the Regulator's approach in favour of a Circular Economy and low-carbon economy.

Mitigation

- Ongoing monitoring of policy changes intended to reduce CO₂ emissions and the potential tightening of regulations, analysis of market standards, technological innovations, opportunities for using alternative energy sources (RES). Taking pre-emptive actions to adapt to changes in the technological area. Monitoring the activities of competitors and related industry players (e.g. steel industry). Research market observation, technology scouting. Continuous monitoring of ongoing calls for projects financed from national and European funds, which could be used to finance research or investment projects of KGHM Polska Miedź S.A. in the area of climate transformation.
- Since most of the technology is in early advancement stage, it is assumed that by 2030 KGHM Polska Miedź S.A. will focus its efforts primarily on the continuation or launch of research and development work in selected areas, as well as on launching pilot projects. Full implementation of new innovative solutions, leading to achievement of the expected decarbonisation effects in the direct emissions area, will be effected in 2030-2050.
- A Transformation Projects Department dedicated to this risk has been operating since 2022.

Indicator used for risk assessment

- Number of key customers lost due to excessive carbon footprint of products offered by KGHM Polska Miedź S.A., excessive level of greenhouse gas emissions of KGHM Polska Miedź S.A. as an organisation or emission reduction target too low:
- throughout 2022, and up to the date of signing of this report, KGHM Polska Miedź S.A. did not record any events according to the criteria defined.

Market risk associated with changes in demand for and supply of certain products and services.

Description of risks and risk factors

Heightened expectations and awareness of stakeholders as regards climate issues may lead to increased operating and investment costs and, in extreme cases, to limitation of the business activity. The changing consumer requirements involve also a focus on the production method rather than merely the quality and price of the final product.

At the same time, KGHM Polska Miedź S.A. points to the opportunity coming from increased demand for copper arising from the necessity to supply it to meet the needs of the low-carbon economy as a result of a higher level of electrification (through increased copper consumption for purposes related to manufacturing components for electrical vehicles and development of electromobility) and increased consumption of copper in power networks. A stable growth of the global demand for copper is expected by 2040. The forecast growth will be an effect of, among others, the dynamically increasing demand from industries associated with renewable energy sources.

Mitigation

- Care and due diligence in monitoring and identification of expectations and requirements of business partners concerning the climate and environmental issues and consideration given to these issues in the long-term, strategic perspective.
- Ongoing analysis of technical and technological solutions, which satisfy stakeholder requirements concerning climate issues affecting changes in supply and demand.

Indicator used for risk assessment

Significant change in the structure and source of revenue related to changes in the demand and supply of products and services due to increased stakeholder expectations and awareness of climate issues:

- throughout 2022, and up to the date of signing of this report, KGHM Polska Miedź S.A. did not record any events according to the criteria defined.



Taxonomy disclosures

Regulation of the European Parliament and of the Council (EU) no 2020/852 of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereinafter: the “Taxonomy”), obligates companies to disclose whether and to what extent their business activity is consistent with the assumptions of the Taxonomy, which classifies and describes environmentally sustainable economic activities.

From 1 January 2022 to 31 December 2022, the mandatory disclosures of non-financial companies include a percentage share of the economic activity that is Taxonomy-eligible and non-eligible, as well as the economic activity that is Taxonomy-aligned, as a ratio to total:

- turnover,
- capital expenditure (CAPEX),
- and operating expenditure (OPEX),

as well as the related qualitative (explanatory) information – specified pursuant to Commission Delegated Regulation (EU) 2021/2178, taking into account Commission Delegated Regulation (EU) 2022/1214, amending the above regulation.

The first annual reporting period included 2021, for which eligibility indicators were reported. In the second reporting year (i.e. for 2022), indicators are reported in terms of eligibility for and alignment with the Taxonomy.

Pursuant to Delegated Regulation (EU) 2021/2178, economic activity that is Taxonomy-eligible means the economic activity as set out in Commission Delegated Regulation (UE) 2021/2139, taking into account Commission Delegated Regulation (EU) 2022/1214, amending the above regulation. Taxonomy-aligned activity (hereafter: “Taxonomy-aligned activity”) is the activity contributing substantially to the implementation of one or more of the environmental objectives, causes no significant harm to any of the environmental objectives of the Taxonomy, and is carried out in accordance with the minimum safeguards set out in Article 18 of Regulation 2020/852 as well as meets the technical screening criteria that have been established by the European Commission.

In accordance with the regulatory obligation, an assessment against the first two environmental objectives was carried out as part of the eligibility verification for 2022:

- Climate change mitigation,
- Climate change adaptation.

For the purposes of the disclosures for 2022, all companies of the KGHM Polska Miedź S.A. Group conducted a thorough analysis of their economic activities. As a result, Taxonomy – eligible activities have been identified, i.e. the activities that are consistent with the description of activities included in the regulation. NACE codes were only used as a support. The financial data for the eligible activities presented in the disclosures below include: the revenues (turnover) from the Taxonomy-eligible economic activities, the related capital expenditures or operating expenditures, as well as purchases from the eligible activities. An activity has been classified as taxonomy – compliant based on a comparison of a given actual activity with the description of the activity provided in Annex I or Annex II of Commission Delegated Regulation (EU) 2021/2139.

The indicators of turnover, capital expenditure and operating expenditure included the definitions set out in Annex I of Commission Delegated Regulation (EU) 2021/2178. The calculation of the indicators for the Group takes account of the relevant consolidation exclusions based on the methods used in the financial statements.

The individual types of the conducted activities have been assigned to only one Taxonomy-eligible activity. No part of the revenues, CAPEX and OPEX has been double-counted. If an activity that generated revenue (turnover) in 2022

has been qualified as Taxonomy-eligible, the CapEx and OpEx related to this activity have been assigned thereto as well, and they have not been further assessed in terms of eligibility for the purposes of other activities. The remaining values of CapEx and OpEx (i.e. not related to the revenue-generating eligible activity) were assessed for their possible classification in the category of purchases from Taxonomy-eligible activities. Individual CAPEX and OPEX expenses were assigned to only one activity. The Parent Entity of the Group oversaw the disclosure process, also verifying the financial data to be attributed to the individual activities, in order to avoid double-counting.

The KGHM Polska Miedź S.A. Group conducts its business activity outside of the European Union as well. These economic activities were assessed for Taxonomy-eligibility in the same manner as all the activities conducted in the EU.

Assessment of alignment with the Taxonomy

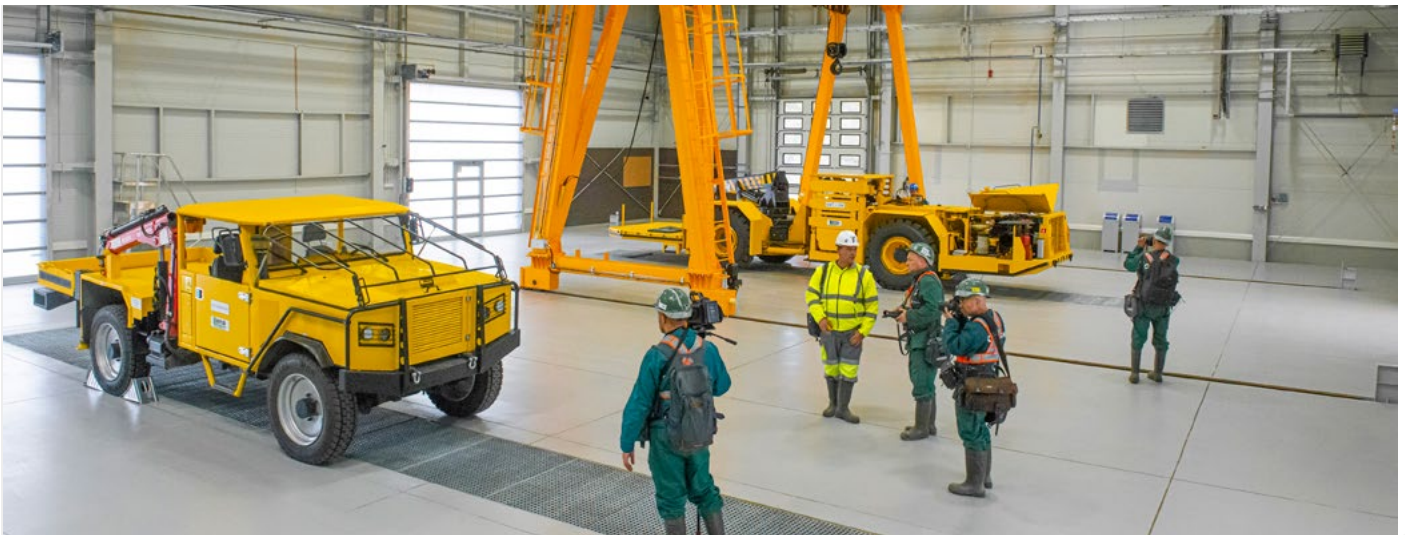
Eligible activity that simultaneously:

- contributes materially to the implementation of one or more environmental objectives identified within the Taxonomy,
- does not cause serious harm to any of the other environmental objectives,
- is carried out in accordance with the minimum safeguards set out in Article 18 of Regulation 2020/852,
- satisfies technical screening criteria, can be considered an environmentally sustainable activity, i.e. aligned with the Taxonomy.

As part of the preparation of the taxonomic disclosures, an analysis of the compatibility of eligible activities in terms of meeting the technical screening criteria for individual activities included in Delegated Regulation 2021/2139 was carried out.

The compliance of the economic activity pursued with the minimum social safeguards was verified by the KGHM Polska Miedź S.A. Group through performing the due diligence. To this end, cooperation was established with an external consultant.

The due diligence performed included analysing the compliance of the economic activity carried out by the KGHM Polska Miedź S.A. Group with the minimum safeguards set out in Article 3(c) in conjunction with Article 18 of Regulation 2020/852 of 18 June 2020 on the establishment of a framework to facilitate sustainable investment. Article 18 of Regulation 2020/852 defines minimum safeguards as the procedures implemented by an undertaking that is carrying out an economic activity to ensure the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights. On the basis of the indicated acts and the report of the Sustainable Finance Platform on minimum social safeguards, the methodology of the survey was defined and its main areas were identified.



The survey covered the following areas: disclosures of strategic and internal affairs, human rights, labour rights, anti-corruption and anti-bribery, consumer protection, competition, tax policy, environmental protection and other areas.

The methodology of the survey was divided into four main stages:

1. Procedure-based test, i.e. examination of the KGHM Polska Miedź S.A. Group's internal regulations and procedures in the context of compliance with the applicable regulations and guidelines in each area. The survey in this respect was carried out based on the documentation provided by the KGHM Polska Miedź S.A. Group.
2. Outcome-based test, i.e. the survey based on final convictions/ administrative sanctions against Group Companies or management staff in relation to each of the areas examined, taking into account their materiality. This stage was carried out on the basis of statements by the KGHM Polska Miedź S.A. Group.
3. III. An analysis of the databases of the Business and Human Rights Resource Centre and the National Contact Point established in accordance with the OECD Guidelines for Multinational Enterprises, which was carried out on the basis of publicly available records of the designated organisations.
4. IV. General research of publicly available press information on the activities of KGHM Polska Miedź S.A. Group.

The examination of each of the stages presented showed that the KGHM Polska Miedź S.A. Group had adopted the policies and procedures necessary to fulfil the minimum social safeguards. The survey also excluded the existence of indications of a failure to provide minimum safeguards in any of the areas identified.

Copper and other minerals produced by KGHM are necessary for successful energy transition and achieving climate neutrality by the European Union.

However, the scopes of Annex I and Annex II of Delegated Regulation 2021/2139 do not cover copper production, including both primary and the secondary sources. As a result, it is not possible to include in the Taxonomy disclosures for 2022 the core economic activity conducted by KGHM Polska Miedź S.A. Group – which, as a type of activity directly determines the success of the energy transition in the European Union.

Consequently, it is only to a limited extent that the key performance indicators of the KGHM Polska Miedź S.A. Group correspond to Taxonomy-aligned activities under the first two environmental objectives: climate change mitigation and climate change adaptation. It should however be noted that the list of Taxonomy-eligible activities will be growing as the European Commission publishes technical screening criteria for the four remaining environmental objectives: sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems.

Also, we have been working together with other sector players since 2022 to take action supporting the inclusion of copper production in various types of activities included in the Taxonomy, to reflect the actual role of the sector in the transition of the economy towards sustainability, especially in comparison with the other metal production sectors already included in the Taxonomy. KGHM participates directly in the work of the sector team (ST2B) for mining at the Sustainable Finance Platform and also collaborates with the International Copper Association, Euromines, Eurometaux and BSP (Business & Science Poland) in the preparation of materials, data and opinions submitted to the Sustainable Finance Platform. One indication of the validity of the actions taken is the inclusion of Manufacture of copper activities in the report "Platform on Sustainable Finance: Technical Working Group. Supplementary: Methodology and Technical Screening Criteria", published in October 2022 by the European Commission's advisory body.

Table 48. Percentage share of turnover in products or services related to Taxonomy-aligned economic activity in 2022

Economic activity (1)	Code or codes (2)	Turnover (absolute value) (3)	Turnover share (4)	Criteria concerning material contribution						Criteria concerning the "does not cause serious harm" principle						Minimum safeguards (17)	Percentage share of Taxonomy-compliant turnover, year N (18)	Percentage share of Taxonomy-compliant turnover, year N-1 (19)	Category (supporting activities) (20)	Category ("transition activities") (21)	
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)						
	%	PLN mn	%	%	%	%	%	%	%		Yes/no	Yes/no	Yes/no	Yes/no	Yes/no	Yes/no	Yes/no	%	%	E	T
A. TAXONOMY -ELIGIBLE ACTIVITY																					
A.1 Types of environmentally sustainable activities (Taxonomy-compliant)																					
4.25	4.25	0.9	0.00%	0.00%							Yes		Yes	Yes	Yes	Yes	Yes	0.00%	no data		
5.1	5.1	3.2	0.01%	0.01%							Yes	Yes			Yes	Yes	Yes	0.01%	no data		
5.5	5.5	311.8	0.92%	0.92%							Yes		Yes			Yes	Yes	0.92%	no data		
5.9	5.9	24.6	0.07%	0.07%							Yes				Yes	Yes	Yes	0.07%	no data		
Turnover from environmentally sustainable activities (Taxonomy-compliant) (A.1)		340.5	1.01%	1.01%														1.01%	no data		
A.2 Taxonomy - eligible but not environmentally sustainable activity (activities non-compliant with the Taxonomy)																					
3.3	3.3	19.1	0.06%																		
4.9	4.9	23.5	0.07%																		
4.15	4.15	70.5	0.21%																		
5.3	5.3	0.7	0.00%																		
6.2	6.2	50.6	0.15%																		
6.3	6.3	2.4	0.01%																		
6.14	6.14	1.1	0.00%																		
7.7	7.7	2.9	0.01%																		
8.1	8.1	14.9	0.04%																		
Turnover from Taxonomy - eligible but not environmentally sustainable activity (activities non-compliant with the Taxonomy) (A.2)		185.5	0.55%															0.00%			
Total (A.1 + A.2)		526.0	1.55%															1.01%			
B. TAXONOMY NON - ELIGIBLE ACTIVITY																					
Turnover from Taxonomy non - eligible activities (B)		33,321.3	98.45%																		
TOTAL (A + B)		33,847.3	100%																		

The total value of eligible turnover was PLN 526.0 million, of which activities with the turnover value of PLN 340.5 million were defined as the turnover of Taxonomy-eligible activities.

For the activities listed in the table, all of the assigned eligible turnover pertains to revenue from contracts with customers.

For the calculation of the indicators, the denominator value is the turnover value consistent with the value given in the Consolidated annual financial statements of the KGHM Polska Miedź S.A. Group, in Part 2 "Activity segments and revenue information".

Economic activity (1)	Code or codes (2)	Turnover (absolute value) (3)	Turnover share (%) (4)	Criteria concerning material contribution					Criteria concerning the "does not cause serious harm" principle													
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Percentage share of Taxonomy-compliant turnover, year N (18)	Percentage share of Taxonomy-compliant turnover, year N-1 (19)	Category (supporting activities) (20)	Category ("transition activities") (21)		
				%	%	%	%	%	%	T/N	T/N	T/N	T/N	T/N	T/N	T/N	%	%	E	T		
5.3 Construction, extension and operation of waste water collection and treatment	5.3	8.1	0.20%																			
6.2 Freight rail transport	6.2	43.9	1.07%																			
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	6.5	0.4	0.01%																			
6.6 Freight transport services by road	6.6	0.3	0.01%																			
6.14 Infrastructure for rail transport	6.14	3.2	0.08%																			
7.1 Construction of new buildings	7.1	7.3	0.18%																			
7.2 Renovation of existing buildings	7.2	36.7	0.89%																			
7.3 Installation, maintenance and repair of energy efficiency equipment	7.3	22.5	0.55%																			
8.1 Data processing, hosting and related activities	8.1	2.4	0.06%																			
Turnover from Taxonomy-eligible but not environmentally sustainable activity (activities non-compliant with the Taxonomy) (A.2)		205.5	5.01%															0.00%				
Total (A.1 + A.2)		214.3	5.23%															0.22%				
B. TAXONOMY NON-ELIGIBLE ACTIVITY																						
Capital expenditure from Taxonomy non-eligible activities (B)		3 887.5	94.77%																			
TOTAL (A + B)		4 101.8	100%																			

The total value of eligible turnover was PLN 214.3 million, of which activities with the turnover value of PLN 8.8 million were defined as the capital expenditure of Taxonomy-eligible activities.

The values recognised as CAPEX pertain only to direct expenditure on property, plant and equipment and intangible assets, i.e. expenditure in the area of purchases, internally generated assets, capitalisation of stripping costs, receiving of assets under new leasing agreements and amendment of the existing leasing agreements (in 2022, there are no increases resulting from acquisition of subsidiaries).

The CAPEX denominator comprises the items disclosed and described in the 2022 Consolidated financial statements of the KGHM Polska Miedź S.A. Group, in Part 9 "Non-current assets and related liabilities", in note 9.1 "[Mining and metallurgical property, plant and equipment and intangible assets](#)", and in note 9.2 "[Other property, plant and equipment and intangible assets](#)".

Economic activity (1)	Code or codes (2)	Turnover (absolute value) (3)	Turnover share (4)	Criteria concerning material contribution						Criteria concerning the "does not cause serious harm" principle						Minimum safeguards (17)	Percentage share of Taxonomy-compliant turnover, year N (18)	Percentage share of Taxonomy-compliant turnover, year N-1 (19)	Category (supporting activities) (20)	Category ("transition activities") (21)		
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)						Yes/no	Yes/no
	%	PLN mn	%	%	%	%	%	%	%	%		Yes/no	Yes/no	Yes/no	Yes/no	Yes/no	Yes/no	%	%	E	T	
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	6.5	0.1	0.01%																			
6.6 Freight transport services by road	6.6	1.0	0.06%																			
6.14 Infrastructure for rail transport	6.14	12.1	0.65%																			
7.1 Construction of new buildings	7.1	0.1	0.00%																			
7.2 Renovation of existing buildings	7.2	29.0	1.56%																			
7.3 Installation, maintenance and repair of energy efficiency equipment	7.3	1.9	0.10%																			
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	0.0	0.00%																			
8.1 Data processing, hosting and related activities	8.1	10.5	0.57%																			
Operating expenditure from taxonomy-eligible but not environmentally sustainable activity (activities non-compliant with the Taxonomy) (A.2)		142.0	7.67%																0.00%			
TOTAL (A.1 + A.2)		177.4	9.58%																1.91%			
B. TAXONOMY NON-ELIGIBLE ACTIVITY																						
Operating expenditure from Taxonomy non-eligible activities (B)		1 673.5	90.42%																			
TOTAL (A + B)		1,850.9	100%																			

The total value of eligible operating expenditure was PLN 177.4 million, of which activities related to operating expenditure with the value of PLN 35.4 million were defined as the expenditure of Taxonomy-eligible activities.

The OPEX indicator includes expenditure on on-going operation of property, plant and equipment, i.e. the expenditure incurred on renovations and maintenance of the individual items of property, plant and equipment. In accordance with the definition of OPEX, the indicator also incorporates possible costs in the category of research and development and short-term leasing excluded from CAPEX.

Annex No. 4 to this Report presents the disclosure in accordance with Annex III of Delegated Regulation 2022/1214, supplementing Delegated Regulation 2021/2178 with Annex XII, concerning standard templates for the disclosure of information referred to in Article 8(6) and (7) – i.e. for activities related to nuclear power and natural gas.



— 06

Employees and impact on the society

Responsible employer

GRI: 3-3 material topic: Good workplace

KGHM Polska Miedź S.A. focuses on people in its daily operations, both in building its business potential and competitive advantage. Human capital is the foundation of the company's smooth operations and results.

In 2022, in the 12th edition of the prestigious nationwide "Reliable Employer" competition, KGHM was awarded in the "Education" category for its activities and cooperation with institutions, schools and organisations involved in science, training and education of young people. The "Reliable Employer" competition was organized under the honorary patronage of, among others, the Ministry of Science and Higher Education and the Ministry of State Assets.

Organisational culture and communication

GRI: 3-3 material topic: Good workplace

2-26, 401-2, 403-6

KGHM's core values, which unite all employees and the entire organization, are: teamwork, accountability, courage and results driven. They form the DNA of the organization and help us make the right decisions and build KGHM step by step. A detailed description of the above values can be found in the chapter on corporate governance – Ethics and Values.

At KGHM, relationships with employees are built on many levels and with the use of many tools, and communication concerns their first steps in the company as well as development, involvement and benefits.

- 5. Career path and recruitment management** – KGHM carries out an internal and external recruitment to ensure a highly qualified workforce. The company is committed to maintaining its employer of choice brand for current and potential employees. In a dialogue with the labour market, this image is reinforced by emphasising in the job offers the organisational culture based on values and benefits for employees.
- 6. Onboarding training program** introduced in 2020; its goal is to familiarize new employees with the organization, its structure, goals, and rules of operation. As a result, they are able to get up to

speed with the organization quickly and move on to their actual tasks. During the training, employees learn about the company's mission, vision, strategy, line of business, production process and the rules of movement. HR issues are also discussed during the training.

- 7. Dialogue with employees** - conducted regularly using various tools. Important players in this process include: trade unions, the Ethics Committee, a mediator or the whistleblower platform. KGHM also conducts an employee engagement survey at its Head Office and Divisions to diagnose the strengths and weaknesses of the Company's organizational culture and identify areas for change. In 2022, the survey was conducted for the second time and focused on key areas for KGHM. 71.3% of employees, or more than 13 thousand people, participated in engagement survey about the work environment, which was carried out under the motto "Let's talk about the company, because copper unites us". It was combined with a charity event - each completed survey was also a donation that the company donated to charity. The strategic partner of the survey was once again the research team from the University of Warsaw led by Prof. Grażyna Wieczorkowska-Wierzbińska PhD hab., Head of the Academic Unit for Organizational Psychology and

Sociology at the Faculty of Management of the University of Warsaw.

After the first edition (in 2021), a number of activities were introduced, the need for which arose directly from the survey. These include, among others, the KGHM Giants, a program addressed to lowest level managers of KGHM's Head Office and Divisions, with the aim of developing leadership skills that have a direct impact on the effectiveness and commitment of employees. The program also included workshops on emotional management and psychological support for employees.

- 8. Employee benefits** – a response to the diverse needs of employees in different areas of life, including physical health, mental health, leisure time or the pursuit of their passions. The offer of benefits at KGHM also includes material and social support for employees financed from the Company Social Benefits

Fund. The Company Social Benefits Fund is used to subsidize children's and youth recreation (organised by the employer and individually), cultural and educational activities, sports and recreational activities, payments for the stay of a child in a nursery, children's club, kindergarten and other forms of pre-school education. In addition, employees, former employees, retirees, pensioners and heirs may receive non-refundable financial assistance such as allowances in the event of individual accidents, natural disasters, long-term illness or death. They are also offered assistance during periods of increased expenses (such as the Christmas holidays), material assistance in the form of prepaid cards, or reimbursable housing assistance. For more information on benefits, see the Management Board's Report on the Activities of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group.



GRI: 2-29

KGHM attaches great importance to communicating with its employees. In order to make it as effective as possible, it uses a variety of tools and channels to reach different groups of employees.

Intranet and Extranet are internal portals for employees. Intranet has been designed for office workers with company email accounts, while Extranet for production workers without company e-mail accounts. They are a collection of the most important information, but also a site that directs to all company applications, business areas or internal normative acts. The Intranet and Extranet offer lots of information ordered into sections, including information about the company itself and also about leisure-related topics. In selected divisions, employees can use the portals to submit a holiday leave application, check the status of their daily wages or take advantage of benefits.

Internal KGHM TV is a system of devices/TV sets that display a variety of content, including announcements from the Management Board, information about outstanding employees, and employee achievements. This channel is also used to broadcast health and leisure programs, reaching a large number of employees who do not have access to the Intranet or Extranet.

„CUrier” – KGHM’s internal newspaper, which is used to reach employees who do not work with computers and do not have company e-mail addresses. Most of them are blue-collar workers in metallurgical facilities, mines and ore enrichment plants. The newspaper is published every two weeks with a circulation of 15 thousand copies; 22 issues were published in 2022, including a special supplement on KGHM’s Human Rights Policy. The “CUrier” is available in printed form, distributed at the entrances to the plants, and in electronic form, available on the Intranet and Extranet.

In addition to the above, other media are also used to reach employees, such as notice boards, posters or roll-ups.

Major information and education campaigns carried out in 2022

Safety

- Zero accidents at work – articles and publications on safe conduct and the OHS Golden Rules. The campaign presented the activities and mechanisms in place to improve occupational safety.
- Cybersecurity information campaigns

Health

- Promotion of vaccination against COVID-19 - organisation of mobile vaccination points in KGHM Divisions in cooperation with MCZ S.A., educational actions, articles and materials presenting profiles of medical specialists and interviews with them, publication of stories of KGHM employees who suffered from COVID-19, boards and roll-ups with the “I am vaccinated” slogan and log-in screens encouraging vaccination.
- Anti-alcohol and anti-drug campaigns.

Workplace

- Keeping employees informed of the Management Board’s strategic moves.
- Information activities aimed at developing strong identification of employees with the company in areas such as production performance, additional cash payouts or benefits offered.
- Education and promotion of a program implemented in KGHM (Digital Place) addressed to the group of program ambassadors from KGHM divisions (about 300 employees).
- Campaigns promoting professional activity.

Approach to HR management

KGHM takes a responsible approach to the management of human resources. It creates opportunities for its employees to work in specialized project teams, which allows them to share their knowledge and experience within the company's structures. Additionally, as a global organization, KGHM enables its personnel to use the latest technologies and solutions. In managing its human resources, the company considers both global and local perspectives and makes decisions based on existing needs.

The company demonstrates its commitment to its employees through various human resource management initiatives.

Key activities in 2022

Employee development

- **Training system** – KGHM considers two sources of information in the process of designing it and setting its direction. The first source is the Company's strategy, from which the key competencies necessary for its implementation are derived, and the second is an analysis of the competencies already present in the company. Employees are offered both open and closed training. In addition to competence training for various personnel levels, KGHM subsidizes and finances education, including postgraduate studies. For more information on training, see the Training and development subsection of this report.
- **Newsletter for Leaders**, which presents key topics for managers, especially those in line management positions in the production area.
- The "Competent in the Sector" program, under which, since 2018, KGHM has been training people in the professions most relevant to Lower Silesia and critical for the company. 9 schools from Legnica, Bolesławiec, Lubin, Chojnów, Polkowice and Głogów take part in this project. In the school year 2021/2022, more than 1,900 students attended classes and 250 received practical vocational training in 9 divisions of KGHM Polska Miedź S.A. The program also includes academic scholarships for the best students, with PLN 603,000 paid out since the beginning of the program. PLN 693,533 has been transferred to furnish school workshops and classrooms for teaching professional subjects. So far, 312 graduates taking part in the Program have found employment in Divisions of KGHM Polska Miedź S.A..
- In the 2021/2022 school year, a conference titled "Everything begins from a Master" was organised under the Program. It was addressed to instructors of practical vocational training and teachers of vocational subjects from participating schools; the event was attended by 150 people. Additionally, "Practically with the Master!" workshops were held, where the main directions for the development of the Program were developed, as well as an away event "On the Road with the Master vol. 1", which focused on the topic of motivating young people to professional activity. For students of the patronage classes, the "Competent PogChamp" event was organized, encouraging the participants to be physically active and adopt a healthy lifestyle. Materials promoting the program were developed and distributed to eighth grade elementary school students, and "Lessons with a Master" were organized for them. Internship programs were also developed for all KGHM Polska Miedź S.A. divisions.

Recruitment

- Employer branding activities are ongoing and extensive. They include, among others, classifieds in the local and national press as well as communication related to the most sought-after professions and skills. KGHM actively participates in job fairs and labour market conferences. As part of its employer branding activities, KGHM also communicates the benefits offered by the Group. The #KGHM Lovers project launched in 2021 was continued in 2022 with the aim of developing Employer Advocacy skills, i.e. building the employer's image on social media by promoting the personal brands of managers.

Digitalization of HR processes

KGHM is taking steps to make the daily interaction with employees as intuitive, simple and efficient as possible. The Company wants to move many of its processes to self-service.

- In 2022, numerous improvements were made to the processes for handling workstation work cards, the performance management process, and to the eDelegacje application for managing domestic, international, and local business trips. Improvements were also made to the eRekrutacje system,

the organization of apprenticeships, practical training and student internships, and the provision of materials for thesis writing, which is carried out in the eKariera system.

- In connection with the implementation of a new working environment based on MS 365 in 2022, an extensive development program for KGHM employees and managers has been launched. Activities are designed to develop skills that enable effective operation of available applications.
- Since the beginning of 2022, work has been underway on the electronic onboarding of newly hired employees through the implementation of Onboarding courses placed on the Learning Management System 365.

Employee well-being

- KGHM takes many steps to promote employee well-being, including, among others:
 - psychological assistance in the form of individual sessions, family therapy, couples therapy, parenting counselling and supervision for managers – this benefit is available to all employees and their families.

- campaigns to promote a healthy life style
- o pro-family and pro-employee projects, including “Amazing Parents”, a series of workshops for dads and mums, workshops to improve parenting skills
- support for employee interests, including sports and the arts

Trade unions

GRI: 2-30

Employees are represented by trade unions, which to some extent intermediate communication with the employees. They are active in the majority of companies of the KGHM Group in Poland. In 2022, discussions with the trade unions included salaries, bonus rules, terms of employment, working conditions and social issues. In most cases, the talks ended in the execution of agreements, signing addenda to the Company Collective Bargaining Agreements and amendments to the remuneration rules.

Our policies

The main regulations of the HR management area in KGHM Polska Miedź S.A. include:

- Work Regulations at KGHM POLSKA MIEDŹ S.A., which organize and regulate the work process, as well as the rights and obligations of the employer and the employees. The regulations also define the procedure and the rules of accounting for working time, and granting of holidays, the time and method of paying out remuneration and define the principles of occupational health and safety. The regulations also describe the applied practices with regard to rewards and distinctions, as well as punishments used for infringements of work order and discipline.
- International Mobility Policy in the KGHM POLSKA MIEDŹ S.A. Group in effect since 2015 (and updated on 27 April 2020) in connection with the acquisition of international assets by the company. The Policy unifies the rules for international secondments of employees and improves the functioning of the mobility process. The Policy functions together with the Implementation Procedure for the International Mobility Policy in the KGHM Polska Miedź S.A. Group.
- In June 2022, the agreement on the secondment of employees between the companies of the KGHM Polska Miedź S.A. Group and Sierra Gorda Sociedad Contractual Minera was updated due to changing business needs regarding the support of Sierra Gorda SCM's operations by employees seconded from the KGHM Group and the need to protect Group companies from a permanent outflow of personnel. In 2022, the international mobility process covered 10 employees of the KGHM Polska Miedź S.A. Group.
- Secondments of employees to companies in Chile, Canada and the US represent an important investment for the KGHM Polska Miedź S.A. Group, since they satisfy the local staffing needs and also develop the professional potential of the employees, thereby increasing the Company's competitive advantage.

Our employees

Employment structure

GRI: 3-3 material topic: Good workplace, 2-7, 2-8, 401-1

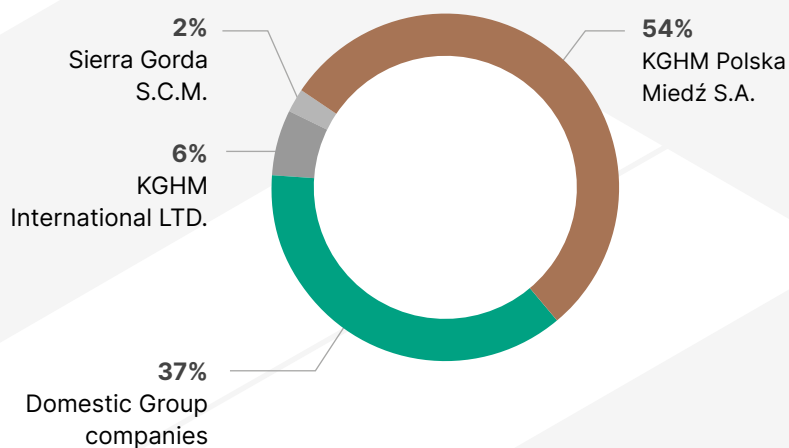
Group

In 2022, the Group employed 34,478 people, i.e. 0.6% more than in the prior year.

Average headcount in the KGHM Polska Miedź S.A. Group in 2021–2022

	2022	2021	Change (%)
KGHM Polska Miedź S.A.	18,680	18,519	+0.9
KGHM INTERNATIONAL LTD.	2,161	2,236	(-3.4)
Sierra Gorda S.C.M.	824	785	+5
Group companies in Poland	12,804	12,737	+0.5
Other Group companies	9	9	-
Total	34,478	34,286	+0.6

Employment structure in the KGHM Polska Miedź S.A. Group in 2022



* Sierra Gorda S.C.M. – employment proportional to share in the company (55%).



KGHM Polska Miedź S.A.

The headcount in 2022 in KGHM Polska Miedź S.A. was higher than at the end of the prior year. The headcount at the end of 2022 amounted to 18,909 people, and was 1.7% higher than at the end of the prior year. The annual average employment in KGHM Polska Miedź S.A. was 18,680.

Average employment in KGHM Polska Miedź S.A. in 2021–2022

	2022	2021	Change (%)
Mines	12,521	12,453	+0.5
Metallurgical plants	3,616	3,607	+0.3
Other divisions	2,543	2,459	+3.4
KGHM Polska Miedź S.A.	18,680	18,519	+0.9

Polish companies

In 2022, average headcount in the companies of the KGHM Polska Miedź S.A. Group in Poland increased slightly as compared to 2021 by 67 FTEs (0.5%). This change mainly affected blue-collar positions.

International companies

In 2022, the average headcount in the international companies of the KGHM Polska Miedź S.A. Group decreased compared to 2021 by 36 FTEs (or by 1.2%). The headcount in the KGHM INTERNATIONAL LTD. Group companies fell by 3.4% and in the Sierra Gorda S.C.M. joint venture it went up by 5%.

GRI: 2-7

Total number of employees in the KGHM Polska Miedź S.A. Group, by type of employment contract and gender (as at 31 December 2022)

Company	Permanent employees		Temporary employees		Total
	F	M	F	M	
KGHM Polska Miedź S.A.	1,280	16,219	98	1,312	18,909
KGHM INTERNATIONAL LTD.	250	1,500	16	468	2,234
Other companies	3,736	7,016	670	1,195	12,617
KGHM Polska Miedź S.A. Group	5,266	24,735	784	2,975	33,760

Total number of employees in the KGHM Polska Miedź S.A. Group, by type of employment (full-time or part-time) and gender (as at 31 December 2022)

Company	Full-time		Part-time		Total
	F	M	F	M	
KGHM Polska Miedź S.A.	1,365	17,514	13	17	18,909
KGHM INTERNATIONAL LTD.	264	1,961	2	7	2,234
Other companies	4,345	8,170	61	41	12,617
KGHM Polska Miedź S.A. Group	5,974	27,645	76	65	33,760

Number of employees without a guarantee of a minimum number of working hours – data not available.

GRI: 2-8

Total number of workers who are not employees of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group (as at 31 December 2022)

Company	2022
KGHM Polska Miedź S.A.	241
KGHM INTERNATIONAL LTD.	328
Other companies	2,138
KGHM Polska Miedź S.A. Group	2,707

The Group's workers who had no employment contracts provided, among other things, management, housekeeping, renovation, design and construction, occupational health and safety or equipment maintenance services (management services contracts, civil law contracts, sole proprietorships). More than 1,500 people work for spa companies and the Zagłębie Lubin sports club. These include mainly medical personnel, persons providing legal, IT and housekeeping services, and players.

GRI: 2-7, 2-8

Total number of workers of the KGHM Polska Miedź S.A. Group (as at 31 December 2022)

Company	Employees	Other KGHM workers	Total
KGHM Polska Miedź S.A.	18,909	241	19,150
KGHM INTERNATIONAL LTD.	2,234	328	2,562
Other companies	12,617	2,138	14,755
KGHM Polska Miedź S.A. Group	33,760	2,707	36,467

GRI: 401-1

Number of new hires by gender in the KGHM Polska Miedź S.A. Group in 2021-2022

		Number of employees (head count)		Number of new hires		% of new hires	
		KGHM		KGHM		KGHM	
		Group	Polska Miedź S.A.	Group	Polska Miedź S.A.	Group	Polska Miedź S.A.
2022	F	6,050	1,378	737	93	12.2%	6.8%
	M	27,710	17,531	2,743	1,028	9.9%	5.9%
	Total	33,760	18,909	3,480	1,121	10.3%	5.9%
2021	F	6,208	1,333	774	96	12.5%	7.2%
	M	27,757	17,268	2,776	945	10%	5.5%
	Total	33,965	18,601	3,550	1,041	10.5%	5.6%

Number of departures by gender in the KGHM Polska Miedź S.A. Group in 2021-2022

		Number of employees (head count)		Number of employee departures		Rate of employee turnover	
		KGHM		KGHM		KGHM	
		Group	Polska Miedź S.A.	Group	Polska Miedź S.A.	Group	Polska Miedź S.A.
2022	F	6,050	1,378	641	48	10.6%	3.5%
	M	27,710	17,531	2,520	768	9.1%	4.4%
	Total	33,760	18,909	3,161	816	9.4%	4.3%
2021	F	6,208	1,333	656	80	10.6%	6%
	M	27,757	17,268	2,520	891	9.1%	5.2%
	Total	33,965	18,601	3,176	971	9.4%	5.2%

Number of new hires by age category in the KGHM Polska Miedź S.A. Group, in 2021-2022

	Age	Number of employees (head count)		Number of new hires		% of new hires	
		Group	KGHM Polska Miedź S.A.	Group	KGHM Polska Miedź S.A.	Group	KGHM Polska Miedź S.A.
		2022	<30	4,404	2,525	1,220	477
30-50	21,849	13,312	1,881	599	8.6%	4.5%	
50+	7,507	3,072	381	45	5.1%	1.5%	
2021	<30	4,594	2,537	1,282	458	27.9%	18.1%
30-50	21,725	13,049	1,806	541	8.3%	4.1%	
50+	7,646	3,015	449	42	5.9%	1.4%	

Number of employee departures by age category in the KGHM Polska Miedź S.A. Group in 2021-2022

	Age	Number of employees (head count)		Number of employees (head count)		% employee turnover	
		Group	KGHM Polska Miedź S.A.	Group	KGHM Polska Miedź S.A.	Group	KGHM Polska Miedź S.A.
		2022	<30	4,404	2,525	502	66
30-50	21,849	13,312	1,366	343	6.3%	2.6%	
50+	7,507	3,072	1,078	407	14.4%	13.2%	
2021	<30	4,594	2,537	551	74	12%	2.9%
30-50	21,725	13,049	1,425	431	6.6%	3.3%	
50+	7,646	3,015	1,184	466	15.5%	15.5%	

Diversity and equal opportunities

GRI: 3-3 material topics: Diversity and equality of opportunity,
3-3 material topic: Good workplace, 405-1, 405-2

Respect for diversity and equal opportunity is an important element of culture in the KGHM Polska Miedź S.A. Group. KGHM is committed to keeping the work environment and workplace created by the Group free from any discrimination.

As a global company, KGHM Polska Miedź S.A. also adheres to the standards of work and employee relations that are required by individual countries and those defined by international institutions. The approach to diversity management is defined by the “Diversity Declaration of KGHM Polska Miedź S.A.”. Existing regulations and policies take into account the well-being of employees and mutual relations, based on best practice, irrespective of the jurisdiction in which KGHM Polska Miedź S.A. operates.

Key diversity principles applicable in all Group companies:

- Zero tolerance for any form of discrimination, including on the basis of gender, race, age, ethnicity, religion, disability, beliefs, sexual orientation, social status, marital status, disability, membership in political parties and trade unions or employment status.

- The principle of mutual respect, equal treatment, provision of development opportunities and exploitation of the potential of all employees.
- The principle of reasonable diversity in the selection of the personal composition of its workforce, including in recruitment processes, while maintaining the supremacy of knowledge, professional competence and social skills; all candidates who meet the criteria in a recruitment process are treated equally.

Compliance with the above principles throughout the Group is monitored by the parent company, KGHM Polska Miedź, which also conducts activities to promote and disseminate them among employees, business partners and other stakeholders.

Diversity management applies also to members of the KGHM Polska Miedź S.A. Supervisory Board and Management Board. The management and supervisory staff are diverse in terms of gender, age and experience.



To create a level playing field and encourage everyone to pursue technical careers, regardless of gender, KGHM runs the “Competent in the Sector” program, in which the company works with selected schools to educate young people in accordance with real requirements of business and the achievements of the copper industry. In addition, KGHM offers an opportunity to benefit from a scholarship program and practical vocational training. The company also promotes women in technical professions and shows the opportunities for work and development available to women at KGHM.

The “Road to a Trade” project carried by the KGHM Polska Miedź Foundation is one of the activities aimed at levelling the playing field. Activities include training for dozens of former residents of the juvenile detention centre in Głogów. The aim of the program is to facilitate the entry into the labour market of young people at risk of professional exclusion.



Human rights

KGHM Polska Miedź S.A. recognizes, respects and observes human rights, including employee rights, and does not allow any form of illegal and forced labour, including child labour. In 2022, the company implemented

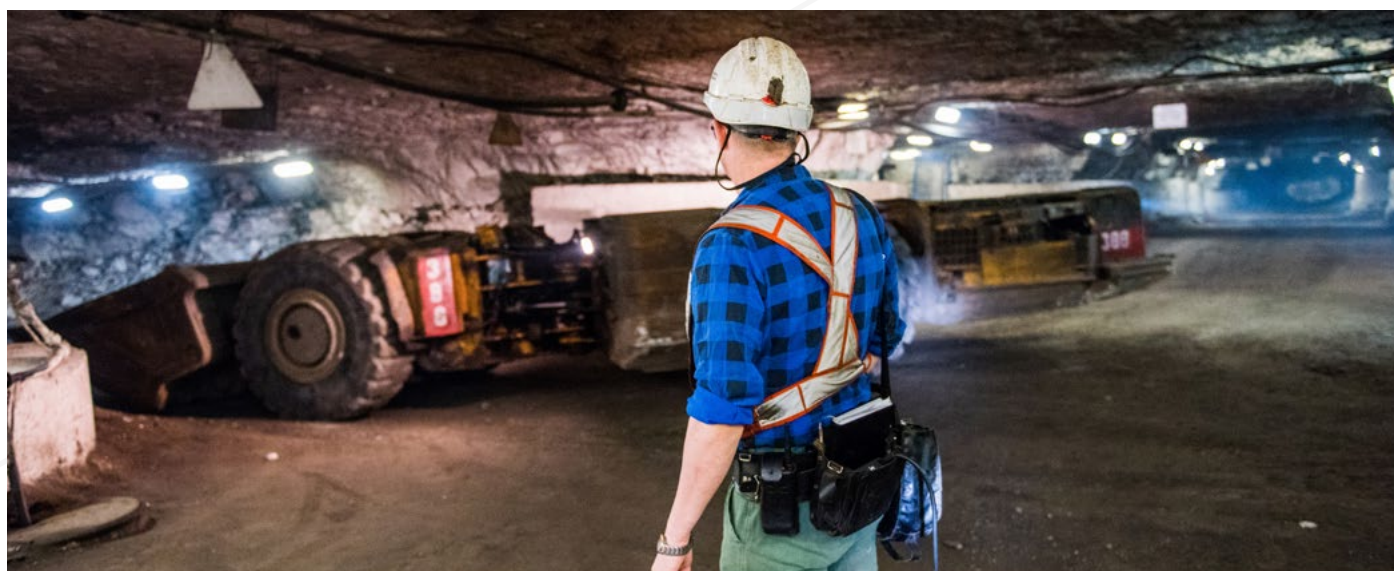
a human rights campaign for its employees. In order to spread awareness of this topic, a relevant e-learning course was planned in 2022 and was made available in early 2023.

Policies and actions related to human rights issues are described in subsection Human Rights.

GRI: 405-1

Percentage share of women and men in individual position categories by gender in the KGHM Polska Miedź S.A. Group in 2021-2022

Position category	Gender	2022		2021	
		Group	KGHM Polska Miedź S.A.	Group	KGHM Polska Miedź S.A.
Management Board	F	3.9%	0%	3.4%	0%
	M	96.1%	100%	96.6%	100%
Top senior management	F	27.2%	13.6%	25.9%	12.7%
	M	72.8%	86.4%	74.1%	87.3%
Management staff	F	30.7%	17.1%	24.5%	10.9%
	M	69.3%	82.9%	75.5%	89.1%
White collar positions	F	42.4%	27.6%	45%	30.7%
	M	57.7%	72.4%	55.1%	69.3%
Blue-collar positions	F	8.1%	0.6%	8.9%	0.6%
	M	91.9%	99.4%	91.1%	99.4%



Percentage of women and men in individual job categories by age in the KGHM Polska Miedź S.A. Group in 2021-2022

Position category	Age	2022		2021	
		Group	KGHM Polska Miedź S.A.	Group	KGHM Polska Miedź S.A.
Management Board	<30	0%	0%	1.7%	0%
	30-50	41.2%	60%	50%	66.7%
	50+	58.8%	40%	48.3%	33.3%
Top senior management	<30	0%	0%	0.4%	0%
	30-50	62.4%	57.6%	58.3%	63.6%
	50+	37.6%	42.4%	41.3%	36.4%
Management staff	<30	1.4%	0.3%	1%	0.8%
	30-50	65.4%	69.9%	66.6%	69.1%
	50+	33.2%	29.8%	32.4%	30.2%
White collar positions	<30	7.6%	4.8%	7.9%	5.3%
	30-50	67.9%	72.9%	66.7%	73.7%
	50+	25.2%	22.3%	25.4%	20.9%
Blue-collar positions	<30	15.9%	16.7%	16.6%	17%
	30-50	63.8%	69.7%	62.9%	69.3%
	50+	20.3%	13.6%	20.6%	13.7%

GRI: 405-2

Ratio of basic salary and total remuneration of women to remuneration of men by position category in the KGHM Polska Miedź S.A. Group in 2021-2022

Position category	Ratio of remuneration of women to remuneration of men	2022		2021	
		Group	KGHM Polska Miedź S.A.	Group	KGHM Polska Miedź S.A.
Management Board	Base	80%	-	80%	100%
	Total	80%	-	80%	316.4%
Top senior management	Base	104.2%	106%	101.4%	118.4%
	Total	104.1%	129.4%	109.9%	113.9%
Management staff	Base	89.9%	98%	90%	99.9%
	Total	86.8%	90.4%	89.3%	90.3%
White collar positions	Base	89.1%	74%	84.1%	77.3%
	Total	84.2%	70.1%	81.4%	73.7%
Blue-collar positions	Base	87%	72.9%	85.7%	69.7%
	Total	88.4%	73.1%	83%	73.6%

The ratio of remuneration of women to remuneration of men in the Group was calculated as the average of all of the companies which provided data. Those companies which did not provide data due to lack of women in a given category (management board; blue-collar positions) were not reflected. Employment data are shown as at the last day of the year, and so table 64 shows a lack of employment of women on the Management Board. However, remuneration for 2021 includes remuneration of a Vice President of the Management Board employed from 1 January to 15 April 2021.

Training and development

GRI: 3-3 material topic: Good workplace, 3-3 material topic: Employee development, 401-2, 403-6, 404-1, 404-2

One of the key factors that makes an organization a great place to work is creating development opportunities for employees.

In developing its training policy, KGHM takes into account the diversity of needs, the need to develop key competencies, the cultural differences resulting from the international nature of its operations, and the specific nature of the industries in which the individual companies operate. This is why the KGHM Polska Miedź S.A. Group

does not have a common training policy; instead, each company conducts its own employee training activities.

KGHM also has in place a performance management process for managers and an employee evaluation system.

Training in the KGHM Polska Miedź Group

KGHM Polska Miedź S.A.



Training programs are aligned with business objectives.



The training system is centrally managed by a specialized unit: the Professional Employee Effectiveness Department (the Professional Training Unit and the Business Partner HR Unit).



Development needs are periodically assessed and form the basis for the development of a training plan and a cost calculation.



The results of training activities are monitored and reported on an ongoing basis.

The main aim of the activities carried out in 2022 was to build competencies for the implementation of the company's current and future business objectives defined in the strategy. In the process of organizing

development activities, the company took into account its strategic directions (5E), i.e. Flexibility, Efficiency, Ecology - Safety and Sustainability, E-industry and Energy, as well as long-term development plans.

The company has conducted training that:

- was required by specific regulations (including occupational health and safety training, or training courses and exams to qualify for specific positions requiring specialised skills),
- developed competencies needed to conduct its operations, such as improving language, management or interpersonal skills of its employees,
- built the skills required to develop career paths and to change the employee education structure, for example by co-financing graduate and post-graduate educational programs.

KGHM employees were able to acquire knowledge and competencies in the area of climate policy, sustainable development, corporate governance, compliance management, in accordance with the conducted mining and production activity in the international entities belonging to the Company.

Key projects:

- MBA-type studies, including the **Executive MBA in Innovation Management Development Program** – an original program of the exclusive partner, the IESE Business School, which was completed in 2022 and was an important element in building and developing the professional competence of KGHM's management staff.
- **Copper Leaders** postgraduate management studies for mid-level personnel, organised in cooperation with the University of Warsaw. The second edition of the program was held in 2022.
- **KGHM Giants Leader Academy**, a development program for line managers; the first edition was held in 2022 and was designed for managers of the lowest management level from KGHM Head Office and divisions. The program allows participants to develop leadership skills, which affects the effectiveness of employees and thus the way the company is organized and its financial results. The first pilot edition was held in late 2021/2022; the program was launched for 160 employees.
- **InvestCUp** is dedicated to about 500 KGHM employees who are involved with the Company's investment projects. The program was kicked off in October 2022 with the aim of improving and consolidating existing

competencies, ensuring the exchange of experience and best practices in the implementation of investment projects.

- Data Science studies in cooperation with the University of Warsaw
- Postgraduate studies in cybersecurity of industrial systems in cooperation with Silesian University of Technology.

Other activities in 2022:

- Co-financing and financing of studies, such as MBA courses, individual postgraduate studies, graduate studies (163 beneficiaries).
- **KGHM Implementation Doctorates Program**, which includes conducting research and disseminating its results at scientific and professional conferences in Poland and abroad, in international scientific journals.
- Participation of KGHM employees in open trainings, conferences, webinars.

Key data on employee development in 2022:

- 38,631 employees attended a single training event.
- 163 persons benefited from co-funding for graduate or post-graduate studies.

E-learning courses

In 2022, the Company offered its employees training and professional courses as well as courses in the areas defined by internal normative acts in the form of e-learning.

The following e-learning courses were provided:

- training for employees in managerial jobs on ethics, prevention of irregularities in the company (in particular, corruption, abuse and discrimination) and handling whistleblower reports;
- training for employees in white-collar and blue-collar positions (people with computer access) on ethics and submitting whistleblower reports concerning irregularities utilizing the channels in place in the company;
- training on Information Security Policy based on the ISO 27000 standard;
- GDPR training,

- training on recognizing a conflict of interest and preventing it,
- training in mine rescue for managers and supervisors of underground mines who are not members of rescue teams,
- periodic OHS training addressed to employers and individuals supervising employees, administration and office staff and engineering and technical staff.

In view of the impact of the pandemic on the way training is provided, HR units in KGHM Group companies adapted their training offerings to the unpredictable changes, by digitalising, digitising and automating their management and administrative processes and converting on-site training into e-learning courses.

In 2022, 7582 employees of the Company took e-learning courses.

Key figures

GRI: 404-1, 404-2

Average hours of training per employee in the KGHM Group, by job categories, in 2021-2022

Position category	2022		2021	
	Group	KGHM Polska Miedz S.A.	Group	KGHM Polska Miedz S.A.
Management Board	15.7	36.8	18.1	52.2
Top senior management	27.3	54.5	22.3	47.9
Management staff	27.9	46.1	23.2	27.8
White collar positions	14.8	23.1	11.4	16.5
Blue-collar positions	21.7	25.7	22.1	26.6

E-learning language courses

In 2022, online language courses became an element of competence development for employees on all positions. The e-learning training method offers great flexibility and the ability to personalize the course and customize it to suit preferences and needs, including the time and pace of learning.

The Company's employees have access to English, Spanish and German language courses. In addition, each employee can make the course available to family members free of charge; this has had a positive impact on the sense of belonging to the KGHM community.

In addition, after the war in Ukraine broke out, the company provided free Polish language courses to people from Ukraine staying in employees' homes as part of a nationwide campaign to support Ukrainian citizens.

In 2022, the company also partially resumed the practice of providing individual stationary courses in English and/or Spanish for senior managers.

Average hours of training per employee in the KGHM Polska Miedź S.A. Group by gender in 2021-2022

	2022		2021	
	Group	KGHM Polska Miedź S.A.	Group	KGHM Polska Miedź S.A.
Average number of training hours per employee, including:	20.3	25.9	19.7	24.8
Women	12.8	27.2	11.5	17.7
Men	21.9	25.8	21.5	25.3

Occupational health and safety

GRI: 3-3 material topic: Occupational health and safety, 3-3 material topic: Good workplace
 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9

The life and health of employees and workplace safety in general is the top value for the KGHM Polska Miedź S.A. Group. For several years the Company has been implementing its vision of “Zero accidents due to human and technical errors, zero occupational illnesses among our employees and contractors”.

The Company has high occupational safety and health standards confirmed by ISO 45001:2018 certificate, which apply equally to its employees and the employees of other service providers operating on the premises of KGHM Polska Miedź S.A.

The company continuously monitors working environments and conducts periodic reviews and potential threat assessments, as well as reviews of equipment and required technical checks and approvals. All employees are introduced to the risk assessment for their workplaces and undergo systematic training and continually enhance their qualifications. The company has procedures in place for identifying incidents and mitigating hazardous situations. The company promptly implements new regulations and legal requirements in the area of occupational health and safety. The company also actively participates in the work of agendas of various entities with the aim of development of best practices and behaviours in the area of occupational health and safety in the mining and processing industry.

An ongoing assessment of occupational safety in the Company is made at weekly meetings of the Vice President of the Management Board (Production) and at monthly meetings of the Management Board with the management of all the divisions. The company also organises regular meetings with the mining supervisory authorities and representatives of the Chief Labour Inspectorate, which are attended by social labour inspectors representing employees from individual divisions. Company Occupational Health and Safety Commissions operate in each plant of the company.

In numerous operational, periodic and specialised training courses, as well as using many communication channels operating in the Company, information on occupational risks at workplaces, occupational safety and industrial hygiene is presented on an ongoing basis.

OHS Policy

Since 2014, the Company has had a uniform Occupational Health and Safety Policy in place, which was redefined in 2020. Inherent threats have been identified for each and every job. Job risk assessment is an integral part of occupational health and safety and is conducted for all employees and updated on an ongoing basis. Working environments are continually monitored and periodic reviews and potential threat assessments are conducted, as well as reviews of equipment and required technical

checks and approvals. Employee training is an important element in ensuring the effectiveness of the implemented measures. This is why the entire workforce is familiar with the assessment of risk existing in the specific job. The company has procedures in place for identifying incidents and mitigating hazardous situations, and new regulations and legal requirements for occupational safety are implemented immediately.



KGHM Polska Miedź S.A. was awarded the “Gold Card Leader of Workplace Safety” for 2023-2024 by the Safe Work Leaders Forum. It recognises the results achieved in improving working conditions, safety and protection in the working environment. KGHM is the only representative of underground mining and metal processing sector to receive this award.

The Safe Work Leaders Forum is an initiative of the Central Labour Protection Institute of the State Research Institute and business circles representing various sectors.

Prevention of natural hazards

Mining activities KGHM Polska Miedź S.A. are inherently accompanied by natural hazards. The most important of these is the threat posed by the rock mass, which causes mining tremors and their potential consequences in the form of rock falls, roof collapses and cave-ins. These factors affect employee safety, as their occurrence can lead to serious or even fatal injuries as well as damage to underground machinery, equipment and infrastructure and also production downtimes. For many years, the Company has been undertaking numerous preventive actions in its mines, including systematic seismological observations, ongoing assessment of the rock mass and identification of areas of elevated roof collapse hazard. The Company

selects the sizes, shapes and numbers of chambers and intra-chamber pillars, designs the most favourable direction of advancing mine work and the optimum order of extracting ore from deposits to minimise local concentrations of stress in the rock mass. It also applies “active” methods of preventing uncontrolled roof collapses and rock falls, which involve provoking dynamic events through mass blasting of mining faces and through blasting to release stress in the orebody or its roof. In the case of other natural hazards, there are also numerous technical and organizational initiatives aimed at reducing the risks associated with them.

Initiatives in the area of occupational safety

In 2022, the Group continued the implementation of the Employee Safety Improvement Program – “Think About The Consequences” as well as a Program to prevent the most common hazards to workplace safety by utilising innovative technologies in accordance with the Company’s updated strategy till 2023 with an outlook for subsequent years. The aim of these programs is, on the one hand, to change the attitudes and habits of employees and, on the other hand, to implement modern technology solutions that reduce or eliminate the exposure of employees to hazards existing in the Company’s working environment.

The “Think About The Consequences” program is gradually being developed by adding new initiatives. The most important initiatives include:

- a system to prevent the machine-to-man and machine-to-machine collisions in mines,
- machinery design changes aimed at reducing the exposure of operators to harmful agents in the working environment, improving visibility or eliminating the number of workers directly present in high risk areas,
- construction of modern monitoring systems for seismic activity, rock mass condition or water hazards,
- introducing new solutions in the scope of personal protective equipment of employees,
- technical and organisational solutions ensuring adequate working conditions in relation to climate risk,
- changing the habits of employees using different communication channels and forms of communication, including:
 - OHS Vortal,
 - social profiles in which KGHM participates,
 - CCTV,
 - educational emails,
 - traditional publications (articles, posters, information fiches).

The company also uses other methods to involve employees in changes in the area of occupational health and safety, such as:

- cyclical training - “minutes for OHS”,
- ad hoc training courses,
- behavioural audits,
- cross audits,
- system of employee initiatives,
- OHS alert - contact boxes.



In 2021, at the Company’s Head Office, jointly with JRGH and the research and development unit, KGHM Cuprum Sp. z o.o., Research and Development Centre, the first training course on working at height with the use of VR 360o technology was prepared and is successively implemented in individual divisions. In 2022, on the basis of training videos prepared by KGHM Cuprum Sp. z o.o. Research and Development Centre, training courses using the VR technology were developed for the Głogów Copper Smelter and Refinery. Employees of the Głogów Copper Smelter and Refinery had the opportunity to learn in a virtual environment how to perform one of the activities in the operation of a flash furnace and to complete elements of the training for working at heights. Based on the idea of Industry 4.0, the Head Office of the Company, together with KGHM Cuprum Sp. z o.o. Research and Development Centre, designed and developed an interactive instruction in VR technology in the field of CPR for all employees of the Company, as well as a training course checking the acquired knowledge with the use of situational distractors.



Accident rate in KGHM Polska Miedź S.A.

KGHM strives to eliminate dangerous or potentially dangerous situations in the workplace.

In 2022, the Company once again recorded a significant reduction in the number of accidents at work, calculated on a year-on-year basis – a decrease of 16 accidents (from 165 to 149 people injured).

The number of workplace accidents in 2022 in KGHM Polska Miedź S.A., excluding accidents due to natural causes (rock bursts, destressings, tremors, roof collapses) was lower by 8 (a drop from 150 to 142).

Most of the registered workplace accidents (about 98.7%) were minor, causing only temporary inability to work.

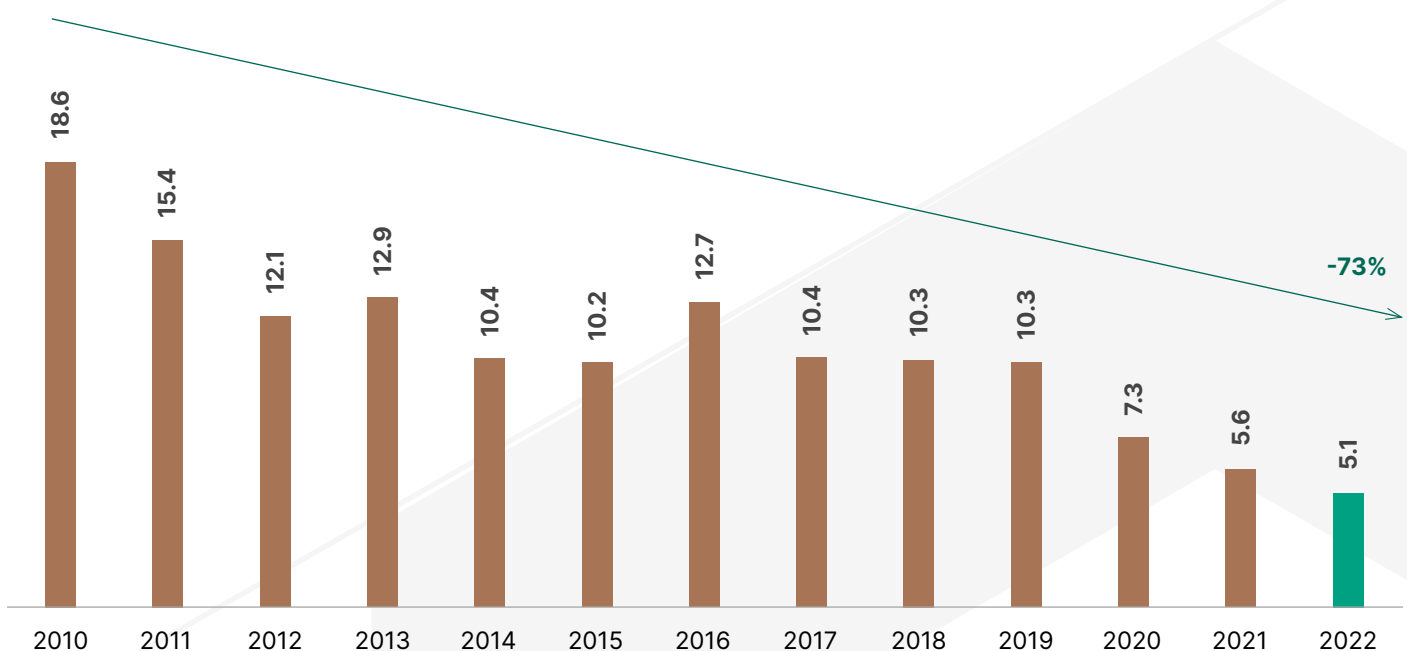
Their main causes, in order, were:

- loss of balance by workers,
- contact with (being hit by) moveable/immovable objects,
- rock falls.

In 2022, a total of 7 workplace accidents were recorded in the mines of KGHM Polska Miedź S.A., which were caused by natural hazards inherent in the rock mass. These incidents represented 6.4% of all workplace accidents in the mines during this period. KGHM Polska Miedź S.A. is continuously improving its safety record in the mining of the copper ore deposit.

LTIRF_{KGHM} (Lost Time Injury Frequency Rate KGHM) is an important performance indicator for monitoring the safety status at KGHM. LTIRF_{KGHM} is the ratio of the total number of workplace accidents standardized per 1 million hours worked by employees of the technological process at KGHM Polska Miedź S.A. at that time. In 2022, it was at 5.05 and at the same time it was 72.8% less than the 2010 figure and 10.3% less than the 2021 figure (5.63). So far, this has been the best result in the Company's history, achieved as a result of the attitude and commitment of all company employees.

LTIRF_{KGHM} rate in the Parent Entity in the years 2010-2022



* Workplace accident within the meaning of the Act of 30 October 2002 on Social Insurance Against Work Accidents and Occupational Diseases (Journal of Laws 2002 No. 199 Item 1673, as amended).

GRI: 403-9

Accident rate in the KGHM Polska Miedź S.A. Group in 2021-2022

	2022		2021	
	KGHM Group	KGHM Polska Miedź S.A.	KGHM Group	KGHM Polska Miedź S.A.
Accident rate	7.2	5.1	6.1	5.6

Methodology: Indicator calculated according to the formula: number of accidents * 1,000,000/ number of hours

Number of work-related accidents by gender, position type and severity of accidents in the KGHM Polska Miedź S.A. Group in 2021-2022

Position type	Type of accident	2022				2021			
		KGHM Group		KGHM Polska Miedź S.A.		KGHM Group		KGHM Polska Miedź S.A.	
		M	F	M	F	M	F	M	F
White-collar positions	Light	20	20	15	1	3	21	0	1
	Severe	1	0	0	0	0	0	0	0
	Fatal	0	0	0	0	0	0	0	0
Blue-collar positions	Light	354	30	131	0	304	28	158	0
	Severe	9	2	0	0	11	2	4	0
	Fatal	4	0	2	0	3	0	2	0
Total number of accidents		440		149		372		165	

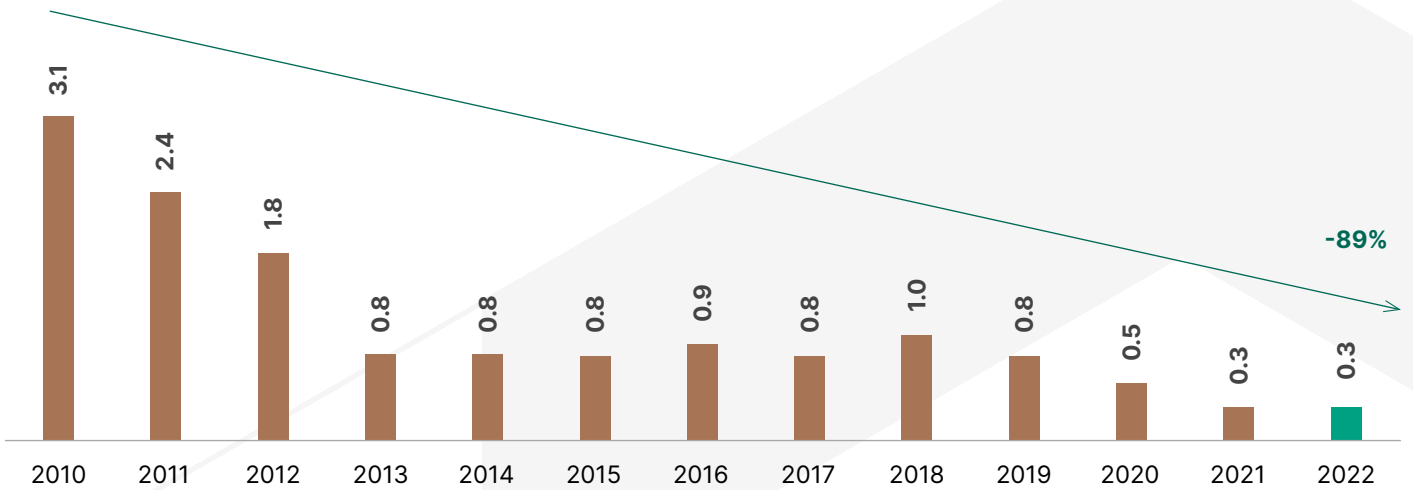
Accident rate in the Group's international assets

In Chile, KGHM Polska Miedź S.A. conducts mining operations through two entities, which have separate OHS management systems adjusted to the legal requirements and mining conditions in that country. These systems encompass both the employees in these entities as well as sub-contractors. They are aimed at achieving the long-term vision "Zero harm". KGHM Chile SpA, which oversaw the Franke mine until April 2022 and also engages in its own exploration and other undertakings, recorded 1 workplace accident in 2022 (vs. 1 recorded in 2021) with a TRIR of 0.27.

The Sierra Gorda S.C.M. joint venture recorded 9 workplace accidents in 2022 (compared to 9 registered in 2021), with a TRIR of 0.17.

In 2022, the entities in which KGHM Polska Miedź S.A. conducts mining operations in Canada, the United States and Chile, recorded altogether 2 more workplace accidents (up from 21 in 2021 to 23 workplace accidents). The consolidated TRIR (Total Recordable Incident Rate) for these operations was 0.34. It was 0.02 higher than in 2021 and, at the same time, 89% lower than the figure recorded in 2010.

TRIR* rate in the Group’s international assets in the years 2010–2022



Social engagement

GRI: 3-3 material topic:

Relations with local communities, 413-1

Social activities are an important part of KGHM Polska Miedź S.A.’s operations and focus on mitigating any risks that may arise from the company’s activities in relation to the local community, including mitigating the risk of compromising the right to health. Key documents in this regard are the existing Human Rights Policy and the implementation of the Climate Policy and the Environmental Policy.

KGHM actively supports the development of local communities and respects their culture by respecting the rights of indigenous peoples (which is of great importance in the case of the international companies of the Group over which KGHM Polska Miedź S.A. exercises ownership supervision).



* TRIR (Total Recordable Incident Rate) calculated using accepted methodology as the number of accidents at work meeting the conditions of registration as defined in the ICMM (International Council on Mining & Metals) standard, in total for the employees of KGHM INTERNATIONAL LTD., KGHM Chile SpA and Sierra Gorda S.C.M. and sub-contractors for these entities, per 200,000 worked hours.

Dialogue and social engagement

GRI: 203-1

KGHM conducts activities under the slogan of “Good neighbour and trustworthy investor”. It supports local communities, social organizations and institutions related to science, culture and sport. It promotes an active lifestyle and helps people in need. One of the pillars of our efforts in the area of corporate social responsibility is the KGHM Polska Miedź Foundation which is engaged in pro bono and charitable activities. It helps in performance of socially useful projects, and it supports the people who are experiencing hardships.

In relations with the social and economic environment, one of the most important activities is the dialogue with local governments and communities located in areas where KGHM's activities may have an impact. The Copper Basin and the Lower Silesia region are particularly important to KGHM, as this is where the company has its strongest economic ties and its social commitment is greatest.

Key social stakeholders for KGHM include:

- inhabitants of the Copper Basin,
- local government authorities,
- business representatives,
- representatives of the scientific community,
- representatives of associations and local organisations serving the public.

For many years, KGHM's activities have been focused on active participation in the life of local communities and the broadly defined social environment. An important role is also to be an animator of social life and to carry out a number of programs in this regard, including programs promoting health, sports, culture, education or environmental hazards prevention projects.

The expenditure incurred by the Company to support culture in 2022 amounted to PLN 10,504,491.20. The Company supported sports initiatives in the amount of PLN 37,086,234.62.

In 2022, KGHM Polska Miedź S.A. made a financial donation to the KGHM Polska Miedź Foundation for statutory purposes in the amount of PLN 42,000,000, and to Group companies in the total amount of PLN 253,000.

Supporting the Foundation is one of the priorities of the cooperation with social organisations. However, it is worth mentioning that the Company also supports numerous industry organisations by being their member. The amount of contributions paid by KGHM in 2022 to organisations where the membership is optional was PLN 14,792,997.33.



Cooperation with local governments

The ongoing cooperation with local governments is diverse and is carried out in several dimensions - from substantive to financial support.

Key initiatives in 2022:

- **Organisation of four conferences for local governments** – organised in cooperation with the Employers' Organization of Polish Copper. The first conference was dedicated to the aid for refugees from Ukraine. The meeting summarised the cooperation between the Company and local governments and NGOs in the scope of provided support and aid actions. Another conference on "Financial management strategies in local government units" focused on the principles of financing tasks or raising funds from external sources and the adaptation of KGHM and local governments to the challenges related to the implementation of the so-called European Green Deal. The third meeting, "KGHM for local governments" referred to the cooperation with the municipalities and districts of the Copper Basin. During the most recent conference on "Energy efficiency in local government units", the focus was on discussing the organisational and technical solutions for local governments, with particular emphasis on the ESCO model related to the financial support for investment. It also offered an opportunity for KGHM experts to present the assumptions and objectives of the Company's Climate Policy.
- **Cyclical business breakfasts with local governments** – during which an intersectoral dialogue was held with representatives of local government authorities and non-governmental organisations, discussing, among others: proposals for joint initiatives in socially important areas, including prevention activities in such areas of support as: mental health of the region's residents, risky behaviour of children and young people or family foster care.
- **Financial support for local governments in the Copper Basin area** – KGHM allocated PLN 3.5 million overall for, among others, the modernisation of village community centres, the retrofitting of playgrounds or projects related to the implementation of preventive healthcare. In the municipality of Rudna, financial support from

KGHM enabled the purchase of a transport ambulance. A number of health checks in endocrinology, nephrology or eye examinations were successfully carried out in Głogów. The Kotla municipality purchased equipment for playgrounds and sports and recreation areas for inhabitants. In Legnica, on the other hand, the "My Seventh Heaven" campaign was conducted, supporting a healthy lifestyle and promoting outdoor activity. In the municipality of Lubin, chess classes for children and environmental protection education lessons were continued. In the municipality of Jerzmanowa, swimming pool trips for primary school children were subsidised.

Cooperation with local communities

In its social activities, KGHM strives to build synergies to ensure that its initiatives create value for different stakeholder groups. Accordingly, in 2022 the KGHM Polska Miedź S.A. Group undertook a number of family-friendly initiatives targeting employees and the local community. In 2022, pro publico bono activities were carried out by all Group companies. Most of them carried out both activities as an exercise of responsibility towards the society and projects within the framework of building cooperation with local communities in the locations where the Group's companies operate.

Key initiatives in 2022:

- The **"CUdownni rodzice KGHM"** (Wonderful parents of KGHM) program has been in place since 2020, and is a form of appreciation of the employees to whom a child is born or who adopt a child: each of them receives special congratulations and gifts. It is an expression of the company's appreciation of the demanding role of parents. In 2022, we donated packages to 457 KGHM employees. The initiative was also continued in one of the Copper Basin towns (Głogów).
- **Training for parents as part of Tato.Net workshops** – KGHM employees may take advantage of one-day workshops for mothers and fathers, which help strengthen parenting skills and deepen the parent-child relationship. These activities were complemented by the opportunity to participate in the annual fathers' forum organised by **Tato.net**.
- **Two Hours for the Family campaign** – organized on the occasion of the International Day of Families, the 2022 edition of which included a family festival for employees and their families, numerous competitions

and the publication of a brochure. The campaign affected 18,500 employees of KGHM Polska Miedź S.A. and 18 companies of the KGHM Group.

- **Implementation of the Mie(dź) Rodzinę (Have a Family) social campaign** was a continuation and strengthening of the activities that started in 2019. The goal of the campaign is to change the perception of foster care in the Legnica and Głogów Copper District and increase the number of candidates for foster parents. In 2022, these activities included cooperation with institutions responsible for family foster care was deepened and a number of activities aimed at promoting foster parenthood were carried out.
- **Copper Basin NGO Academy** – another edition of the NGO Academy was held in 2022 to subsidise training for partnering NGOs.
- **Subsidies were provided for prevention programs and for diagnosing the problems and potential of young people from schools in the region** – more than 8,000 students, 5,000 parents and about 1 000 teachers participated in the programs.
- **2nd edition of the Depression Prevention and Treatment Program** – within the framework of which a number of activities were carried out to support mental health. In addition, nine projects carried out in this area by non-governmental organisations in the Copper Basin were subsidised. Psychological support for KGHM employees and their families was also introduced. In 2022, more than 8,000 people benefited from professional assistance and free consultations helped to save relationships and families and allowed to take care of the well-being of KGHM employees, their relatives and residents of the Copper Basin.
- **CLICK Program** for local governments and their subordinate institutions, under which free e-subscriptions of selected magazines were provided to libraries and schools in the Copper Basin.
- **Co-financing of programs to improve parenting skills** – 12 editions of parenting workshops were conducted among KGHM Group employees, while parents from the Copper Basin participated in 25 editions of the School for Parents and Educators and other family-friendly initiatives.
- **Opening a modernized gastroenterology ward in Miedziowe Centrum Zdrowia (Copper Health Centre) in Lubin** – the investment was implemented thanks to

the financial support of KGHM, its foundation and the Marshal's Office. New additions to the ward included a modern diagnostic laboratory and an 22 more beds for patients.

- **Development of the naMIEDZI app** – the app is a unique tourist guide to the Copper Basin with suggestions for tourist routes and more than 270 sites on the map to visit; it has been developed in cooperation with local governments. The aim of the application is to promote active lifestyles and expand the knowledge of Copper Basin residents on local tourist attractions. Among other things, new routes were added in 2022, some of which were created by employees of KGHM Polska Miedź S.A. as part of a holiday competition. The application currently contains 33 routes, and more than 380 points on the map, including places directly related to Polish Copper.



Selected examples of pro publico bono activities in the companies of the KGHM Polska Miedź S.A. Group in 2022

Activities related to social responsibility and cooperation with local communities	Company
Collections, donations, charity events for Ukrainian refugees	Majority of KGHM Group companies
Collections, donations, charity events for the local community	Majority of KGHM Group companies
Initiatives for families and children	Majority of KGHM Group companies
Initiatives to promote science, technology, sport and recreation, including: <ul style="list-style-type: none"> ■ Apprenticeships ■ Cooperation with higher education institutions ■ Education classes for children and youth 	Majority of KGHM Group companies
Participation in local opinion-making and advisory bodies for sustainable development and others	Nitroerg S.A. in particular
<ul style="list-style-type: none"> ■ Professional activation programs and promotion of mining knowledge among the local community ■ Initiatives promoting the protection of the heritage and culture of local communities ■ Supporting indigenous peoples ■ Supporting local schools and childcare facilities, including study grants and donations and educational programs 	International companies of KGHM INTERNATIONAL LTD. and Sierra Gorda S.C.M.

Employee volunteerism

GRI: 2-29, 403-6

An important area of social activities is the “Copper Heart”, an employee volunteerism program pursued since 2014. Employees can request support from their employer to participate in volunteer and charitable initiatives.

Areas of involvement in the “Copper Heart” program in 2022



In-kind and financial collections

Despite the ongoing threat of a pandemic, six official peer collections for the benefit of those in need were conducted in 2022: 4 campaigns promoting active lifestyles combined with charitable actions, 3 educational projects, 2 peer financial collections for the benefit of colleagues in need.

“Doughnut with Noble Filling” is the largest annual charity event held at the company on Fat Thursday. On this day, KGHM employee volunteers distribute doughnuts at the company’s mines, steel plants and offices, and the money raised from the sales is donated to the treatment and rehabilitation of KGHM employees’ children.

In the interest of employee safety, due to the continuing pandemic threat, in 2022 the campaign was held for the first time in the form of an online fundraiser, and the doughnuts were not distributed at divisions. Despite this revised formula, 160% of the target was achieved.

Supporting runners

For safety reasons, it was only after the pandemic restrictions had eased that volunteers were able to engage in the traditional action of supporting athletes along the route of the Summer run called “Bieg Piastów”.



Actions for children

KGHM volunteers take part in actions for the benefit of wards of orphanages and local educational and care institutions. During Christmas holidays, they present children with prepared packages with gifts.

In 2022, they invited the children from the orphanage in Wilków to a Christmas Eve meeting at KGHM, where they received the speaker of their dreams.

Volunteers from the Ore Enrichment Plant (OEU) division are involved in educational campaigns for children and young people. In 2022, they used specially-prepared original educational programs, i.e. “Children of Copper” and “St. Barbara” and visited 44 establishments reaching nearly 4,000 children and educational staff with knowledge about copper mining and processing, as well as mining traditions.

Promoting cancer prevention

In 2022, KGHM once again became involved in activities promoting breast cancer prevention. During the “Pink October”, it took action out to raise awareness and knowledge among female workers.

For the duration of the campaign, most of the Company’s Divisions were illuminated in pink and the women working for the company received a small gift and a commemorative card with a reminder how important preventive tests are, and practical information such as phone numbers to book preventive tests. To emphasise solidarity with the idea behind the campaign, on 22 October 2022, employees of KGHM Divisions added pink elements to their clothing.

KGHM also reminded the male part of the staff about screening for early detection of testicular cancer. The handball players of Zagłębie Lubin, for example, or the outstanding ski-alpinist and KGHM Ambassador, Andrzej Bargiel, helped to encourage them to perform the tests.

Volunteer’s Day

The company recognised all active volunteers by organising Volunteer’s Day and Santa Claus celebrations in sporting style. On this occasion, Marcin Gortat held a special training for the children of volunteers and people who are particularly involved in the life of the company. The event was an expression of the company’s gratitude to its employees for their help and cooperation within the framework of the KGHM Volunteer Service.

Support for sport

Physical activity and a healthy life style are the areas that KGHM has been supporting for years, both locally and at the level of national events.

Since 2019, the CSR program called “Copper Competition” has been pursued, which provides annual scholarships to athletes for exemplary sporting achievements and efforts to improve their results. In 2022, such support was provided to as many as 27 athletes from all over Poland, including 14 from the Copper Basin itself.

KGHM’s support can also be enlisted by organizers of local sports events, such as regional runs and events held for residents of the Copper Basin. Over the years, KGHM has supported “Cross Straceńców” (Cross-Country Race of Desperados), “Biegi Wilczym Tropem” (Wolf’s Trail Run) and other similar initiatives.

In 2022, another edition of the “Prepare together with us” program was an important initiative to promote a healthy lifestyle and sports among KGHM employees and residents of the Copper Basin. Participants were able to take advantage of free running training and prepare for a competition - “Bieg o Lampkę Górniczą” (Street Run for a Miner’s Lamp) under the guidance of professional athletics coaches. Participants also received advice from a physiotherapist, a nutritionist and training programs.

The company promotes active leisure. One example of such activities is the ECO-Health program existing since 2014.

ECO-Health

IECO-Health is an initiative that has been promoting active leisure activities since 2014. It is aimed at employees and residents of the Copper Basin of all age groups – children and adolescents, adults and seniors.

The program’s efforts to advance include regular activities: Nordic Walking for adults, recreational gymnastics for elderly citizens, and swimming lessons for children. So far, more than 250 people aged 55-80 have taken part in three editions of the project for seniors.

The important area of activities under the program are: medical testing and prevention. One of them is the screening project for KGHM employees carried out by the Group company, Miedziove Centrum Zdrowia. CT scans include:

- early detection of lung cancer,
- diagnosis of emphysema,
- assessment of calcifications in the coronary arteries.

So far, approximately 4 thousand employees have benefited from the tests.



Support for the Ukrainian community

For years, KGHM has been committed to helping those in need, both through ongoing support and by taking decisive action in moments of unexpected crisis. In 2022, such action was required due to the unexpected Russian aggression in Ukraine. KGHM Polska Miedź S.A. and the companies of the KGHM Group have demonstrated huge involvement in aid activities from the very beginning of the war. Having witnessed the atrocities against the Ukrainian population and the great wave of refugees seeking refuge in Poland, the Group companies decided to do everything to provide them with shelter and basic living conditions.

Aid very quickly reached those who had to stay in the war zones. KGHM Polska Miedź and KGHM ZANAM S.A. organised the transport of life-saving medical supplies to Ukrainian hospitals. Three lorries delivered several tonnes of medicines and medical supplies to besieged cities, worth as much as one million PLN.

From the very first days, employees and volunteers from the KGHM Group began serving meals to Ukrainian refugees in a catering tent built by PHU Lubinpex Sp. z o.o. near the Central Railway Station in Warsaw. For five months, every day, up to 10 thousand meals were served to Ukrainians arriving in Warsaw. Over the entire period of the tent's operation, a total of more than 500 thousand meals were served.

Aware of how important safe shelter is for every refugee, the KGHM Group provided buildings and accommodation for those forced by war to leave their homes. More than 300 refugees were placed in temporary accommodation centres in Lower Silesia, Lubuskie and Podlaskie. 150 refugees were also accommodated in spa resorts owned by a KGHM Group company. Also noteworthy is the fact that many KGHM Polska Miedź employees offered shelter to refugees gratuitously, in their own homes. In addition, more than 750 beds/mattresses with sets of duvets and bedding were donated to the accommodation points existing in 25 local governments.

In response to the needs of refugees from Ukraine, the "We Together" Assistance Centre was launched in Lubin, whose tasks included assistance in finding



accommodation, support in translation and legal and medical issues, and coordinating contacts with local governments, Caritas and other NGOs in the region. At subsequent stages of its assistance activities, KGHM Polska Miedź S.A. also supported the Polish language courses and the promotion of vaccination campaigns against communicable diseases among Ukrainian refugees.

All KGHM Group companies have become involved in providing support to refugees from Ukraine or organising assistance to residents in Ukraine. The above-mentioned activities represent only a small part of the assistance initiatives undertaken by the companies.

In March 2022, The KGHM INTERNATIONAL LTD. Corporate Office Sponsorship Committee ("the Committee") decided to support the Ukraine Relief Fund program promoted by UNICEF. The action consisted of the company doubling the amounts donated by employees. Upon receipt of the amount collected, UNICEF also doubled it. In this way, KGHM INTERNATIONAL LTD.'s action generated the total amount of CAD 94,924.76, which was donated by UNICEF to cover the urgent needs of refugees.

In June 2022, USD 10,000.00 supported the work of Feed My Starving Children (FMSC), an organisation that feeds hungry children worldwide by

Activity of the KGHM Polska Miedź Foundation and sponsoring

The KGHM Polska Miedź Foundation was established in 2003 to continue long traditions of pro publico bono activities conducted by its Founder – KGHM Polska Miedź S.A., and to implement local and regional initiatives and projects of national and global reach. The basis for the operation of the KGHM Polska Miedź Foundation are financial and material donations granted to:

- individuals in the field of health care and natural disaster relief;
- institutions for the execution of projects, in four areas.

In 2022, the activity of KGHM Polska Miedź Foundation was focused on granting donations and overseeing how they are spent as well as on running the program. The commitments undertaken by the Foundation were carried out with the utmost care, thorough analysis of

the submitted requests and with a detailed consideration of the capacity to help. In 2022, the Foundation continued to develop its operations, pursuing its statutory goals in four areas:

- health and safety,
- science and education,
- sports and recreation,
- culture and tradition.

In 2022, the KGHM Polska Miedź Foundation made every effort to identify various social needs and address them in line with the assumptions of its articles of association and within its capabilities. Support was granted in the form of cash donations in a total amount of PLN 36,684,034.56, including PLN 35,185,924.53 for the performance of 430 projects and PLN 1,498,110.03 for 158 private individuals.

Donations contributed by the KGHM Polska Miedź Foundation in 2022, by individual areas of support

	Amount awarded (PLN)	Number of projects /number of individuals
Donations for institutions	35 185,924.53	430
Health and safety	13,663,221.13	118
Science and education	3,093,729.24	49
Sports and recreation	4 991 041.00	89
Health Promotion and Environmental Hazards Prevention Program	1,107,451.00	5
Culture and tradition	13,437,933.16	174
Donations to individuals	1 498 110.03	158
Health care	1,498,110.03	158
Total donation amount	36 684,034.56	

The statutory objectives, the lines of action in individual areas of activities of the Foundation and descriptions of projects and initiatives, including the identification of beneficiaries, are described in detail on the Foundation website www.fundacjakghm.pl and can be found in the Activity Report for 2022, also posted on the website indicated.

Sponsorship activity

KGHM's sponsorship strategy is closely associated with the activity pursued in the area of Corporate Social Responsibility (CSR). The areas of sponsoring activities of KGHM Polska Miedź S.A. are **culture and social affairs, science and sport**.

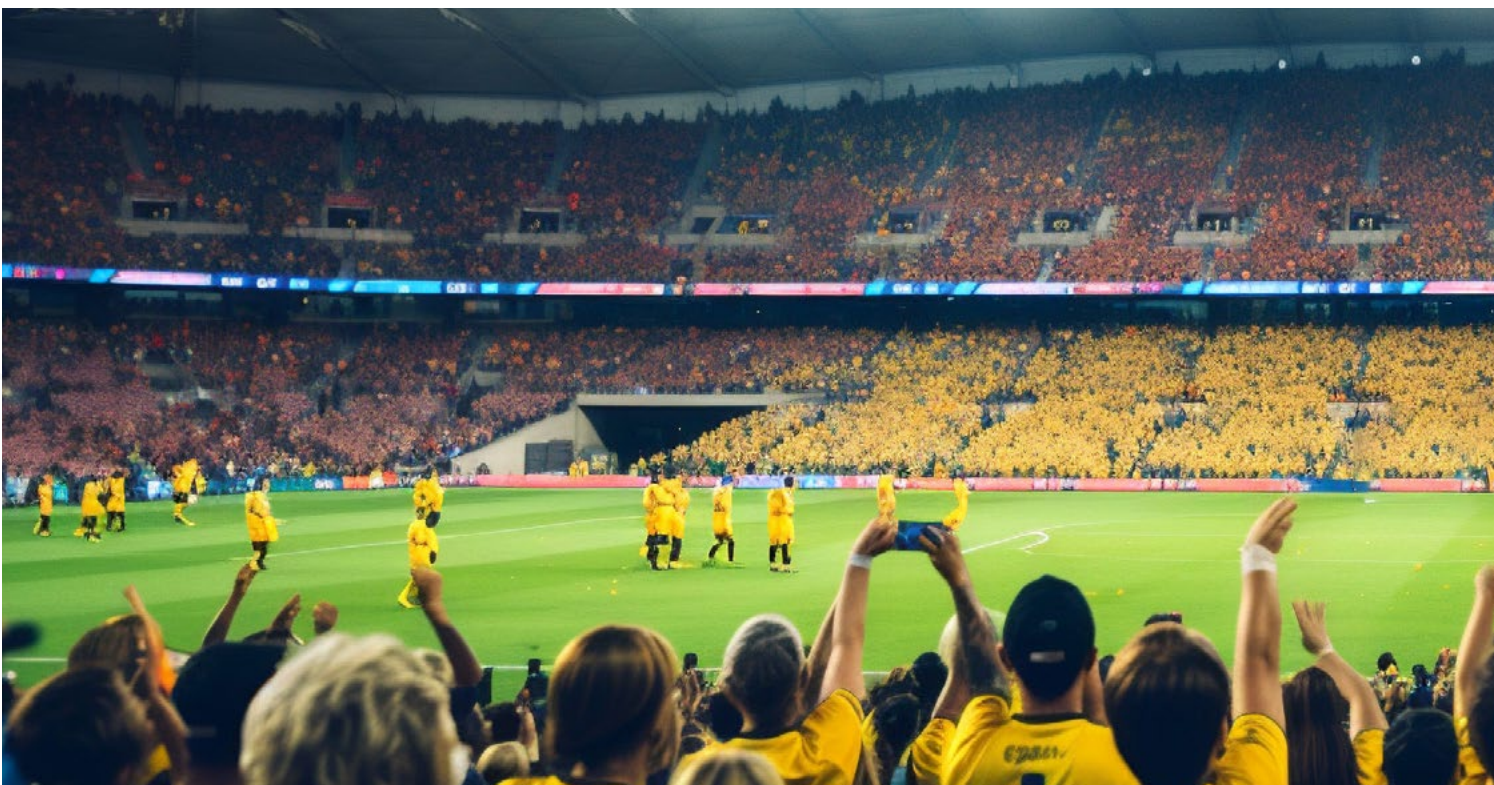
As part of its support for culture, since 2019 KGHM has assumed patronage of the Royal Castle in Warsaw. It has also supported the Wrocław Opera for many years. KGHM also continued its patronage of the Warsaw Rising Museum. The company is also keen to support valuable film productions. In 2022, "The Prophet" an action drama about Stefan Wyszyński, sponsored by KGHM, was screened in cinemas across Poland. As part of its commitment to engaging with families, the company is a partner in the Epiphany procession event.

As regards **science**, KGHM Polska Miedź S.A. supports higher education institutions and scientific institutions, thus tightening cooperation and building a bridge between the industry and academia. The Company provides financial and subject-matter aid to projects thematically related to the problems solved to meet the needs of KGHM and the region. In 2022, particular

emphasis was placed on engaging in industry events related to mining, but also, for example, the energy transition. Moreover, KGHM was involved in major economic events, including the Economic Forum, the Vision Development Forum and the 590 Congress.

The company supports both **top-class professional sport and amateur sport**. The Parent Entity is the major sponsor and at the same time the owner of Zagłębie Lubin S.A., a football team playing in the top Polish football league. At the same time, KGHM is a sponsor of two clubs based in Lubin: Cuprum Lubin (volleyball) and Zagłębie Lubin (handball).

KGHM Polska Miedź S.A. has been one of the sponsors of "Bieg Piastów", a cross-country skiing marathon, in Jakuszyce. The company also supports other running events, such as "Cross Straceńców" (Cross-Country Race of Desperados), the New Year running and walking event in Głogów, the Wolf's Trail Run to commemorate Polish "Disowned Soldiers", as well as local sports organisations whose members include employees of the KGHM Group.



Principles of sponsorship

To ensure transparent rules of taking decisions to support a given project, offers are analysed by the Sponsorship Committee. The decisions of the Committee are documented in the form of minutes in each case, which

are approved by the President and CEO of KGHM Polska Miedź S.A. The sponsorship activity of the KGHM Group is subject to regulations given in the Sponsorship Policy of KGHM Polska Miedź S.A. and the procedure of obtaining an opinion from the Sponsorship Committee.

Amounts granted by KGHM Polska Miedź S.A. through its sponsorship function in 2022, by area.

Area	Granted amount in PLN
Sports	37,086,234.62
Culture and tradition	10,504,491.20
Science	4,001,000.00
Total	51,591,725.82

The amount spent by the KGHM Group companies (excluding the Parent Entity) as part of its sponsorship and donations activity in 2022 (in PLN)

	Polish companies	International companies	Total
Sponsorship	255,280.00	92,867.00	348,147.00
Donations	1,568,439.00	937,104.00	2,505,543.00





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About the report

Applied standards and guidelines

GRI: 2-2, 2-3, 2-4, 2-5

The Integrated Report of the KGHM Polska Miedź S.A. Group has been prepared for the reporting period from 1 January to 31 December 2022, unless otherwise indicated in the content. The report is published on an annual basis and the non-financial reporting period coincides with the financial reporting period. The Report contains data and ratios for the KGHM Polska Miedź S.A. Group and KGHM Polska Miedź S.A.

The non-financial data in this report are derived from the Statement on non-financial information published in the Report of the Management Board on the activities of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group in 2022, which was externally verified by the independent auditor Paweł Bogacz, PhD, Professor of AGH (Stanisław Staszic University of Science and Technology in Kraków) – an expert of the Institute of Accounting and Taxation. A detailed summary of the independent auditor's report can be found in the above-mentioned Report.

Non-financial data in this Integrated Report of the KGHM Polska Miedź S.A. Group was prepared:

- It has been prepared in accordance with the provisions of the Accounting Act of 29 September 1994 with regard to disclosure of non-financial information and the Polish

implementing Act of 15 December 2016 amending the Accounting Act (Journal of Laws of 2017, item 61; consolidated text: Journal of Laws of 2017, item 2342, as amended)

- the Directive of the European Parliament and of the Council no. 2013/34/EU subsequently amended by the Directive of the European Parliament and of the Council no. 2014/95/EU,
- Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and a mending Regulation (EU) 2019/2088 ("EU Taxonomy") obligating enterprises to disclose whether and to what extent their business activity is consistent with the assumptions of the Taxonomy classifying and describing environmentally sustainable activity,



- The international non-financial reporting standard, GRI Standards 2021 – incorporating the 2018, 2020 and 2021 updates to the standard for specific area indicators – has been used to prepare this Statement.
- all elements of the TCFD guidelines (Task Force on Climate-related Financial Disclosures) to report environmental issues,
- all elements of the European Union Communication no. 2019/C 209/01: Supplement on climate-related reporting and the objectives of the European Union's 2050 development program, called the European Green Deal.

Key Management Personnel of KGHM Polska Miedź S.A. participated in the preparation of the ESG content of the Report of the KGHM Polska Miedź S.A. Group. The audit of the financial results of the KGHM Polska Miedź S.A. Group for 2022 was carried out by an independent auditing company.

The data contained in this report relates to KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group. Each time this is indicated appropriately in the report. When describing information relating only to the Company KGHM Polska Miedź S.A., the descriptions „Company”, „KGHM Company” or „KGHM Polska Miedź S.A.” are used. For descriptions relating to the Group, the terms „Group”, „KGHM Group”, „KGHM CG” are used. In the following report, the KGHM Group is understood to be all of the companies comprising the Group as presented in the organisational structure of the Group presented in the first chapter of this report.

A correction has been made to the content of previous reports in this document – it relates to an update of the carbon footprint calculations for 2021.



Reporting process

In the process of preparing the Statement, the documents, policies, due diligence procedures, risk management principles and other informational materials related to the activities of the KGHM Polska Miedź S.A. Group and the Parent Entity KGHM Polska Miedź S.A. and the mining and metallurgical industry in general, were taken into account.

Conducting a materiality analysis applying the guidelines of the standard: “GRI 3: Material Topics 2021”. In addition, the principle of so-called double materiality recommended by the CSRD was taken into account.

Matrix of material reporting topics for 2022

GRI: 3-1, 3-2

The materiality analysis of ESG topics was carried out in December 2022 as part of the process of preparing the Statement on Non-Financial Information of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group for 2022.

The process of identifying material topics included: analysis of the 2021 material topics matrix and topics from industry guidelines and ratings (S&P, SASB), material topics identified in the draft of the future EU ESRS reporting standard and the weighting of topics given by stakeholders in the previous materiality analysis process. In addition, themes of materiality were identified from industry sustainability leaders for the purpose of this process. An assessment of the materiality of KGHM's impact on people and the environment and an assessment of financial materiality for the identified themes were also included.

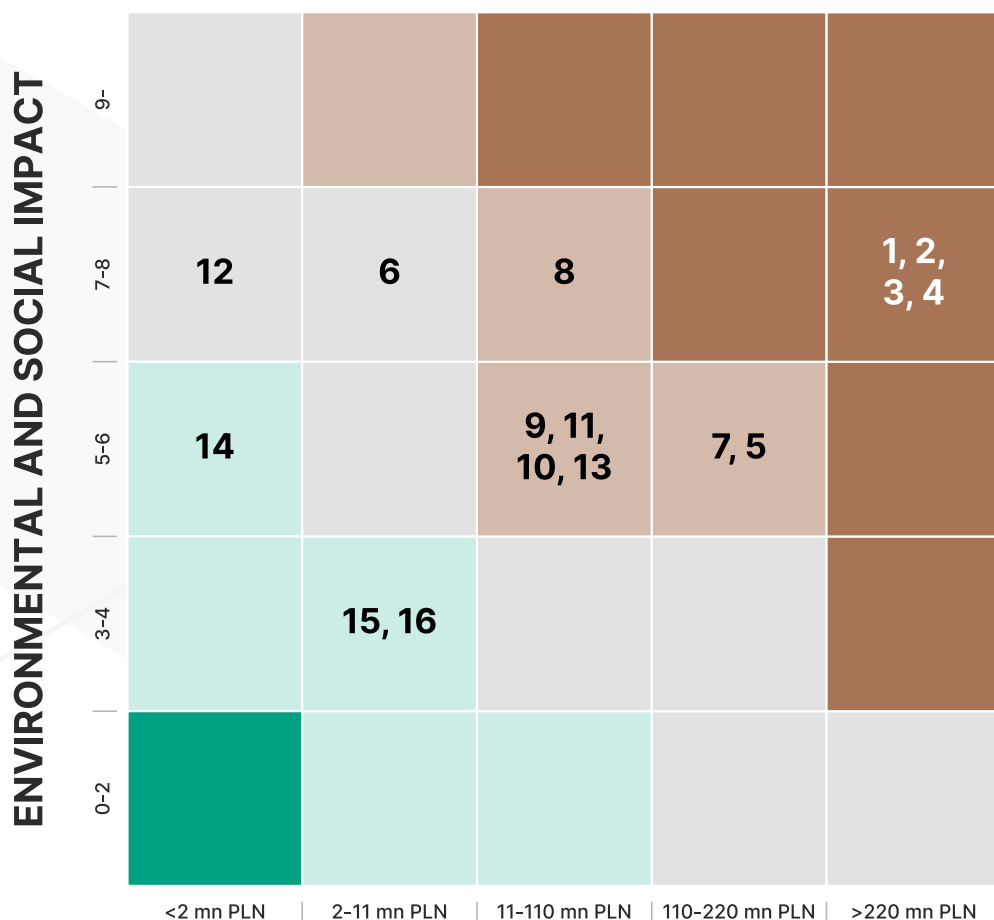
As a result of the above analysis, it was determined that the material reporting topics of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group adopted in 2021 were still valid in 2022. However, the perspective of assessment of these topics changed: instead of materiality for the Company and stakeholders, the materiality of the impact of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group on people and the environment and financial materiality was assessed.

In the process of assessing the social and environmental impact in the context of the reporting aspect evaluated and the financial impact assessment, the results of the Company's risk analysis were taken into account: identified related risks were assigned to each topic.

In assessing the social and environmental impact, the probability of the occurrence of risks of negative impact of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group on people and/or the environment (on a scale from 0 to 5) and the severity of the effects for people and/or the environment of the materialisation of risks of negative impact of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group were taken into account (on a scale from 0 to 5). The financial impact was rated on a scale from 0 to 5.

Chart below shows the identified topics that are material for stakeholders and have material social, environmental and economic impacts.

ESG materiality matrix of KGHM Polska Miedź S.A.



FINANCIAL IMPACT

No.	Topic	Environmental and social impact	Financial impact
1	Striving for a circular economy	8	5
2	Counteracting climate change	8	5
3	Management of water resources	7	5
4	Economic impact	7	5
5	Responsible supply chain	6	5
6	Occupational health and safety	8	2
7	Ethics and transparency	6	4
8	Preservation of biodiversity	7	3
9	Good workplace	6	3
10	Management of sustainable development and ESG	6	3
11	Relations with local communities	5	3
12	Respecting human rights	7	1
13	Development of innovation	5	3
14	Diversity and equal opportunities	6	1
15	Employee development	4	2
16	Customer satisfaction	4	2

Contact for the report

GRI: 2-3

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GRI content index

Corporate Governance statement	KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group have prepared a report for the period from 1 January 2022 to 31 December 2022 in accordance with GRI Standards 2021
GRI 1 Standard used	GRI 1: Foundation 2021
Applicable GRI sector standard	No updated sector standard for the metals and mining industry has been published so far

Indicator number	GRI Standard title	Indicator name	Place of disclosure	Notes and explanations
I. PROFILE DISCLOSURES [GENERAL DISCLOSURES 2021]				
The organization and its reporting practices				
GRI 2-1	GRI 2. Profile disclosures 2021	Organizational details	p. 10.	
GRI 2-2	GRI 2. Profile disclosures 2021	Entities included in the organization's sustainability reporting	p. 18., p. 19., p. 300.	
GRI 2-3	GRI 2. Profile disclosures 2021	Reporting period, frequency and contact point	p. 300., p. 304.	
GRI 2-4	GRI 2. Profile disclosures 2021	Restatements of information	p. 300.	
GRI 2-5	GRI 2. Profile disclosures 2021	External assurances	p. 300.	
Activities and workers				
GRI 2-6	GRI 2. Profile disclosures 2021	Activities, value chain and other business relationships	p. 10., p. 19., p. 22., p. 198., p. 199.	
GRI 2-7	GRI 2. Profile disclosures 2021	Employees	p. 270., p. 272., p. 273.	
GRI 2-8	GRI 2. Profile disclosures 2021	Workers who are not employees	p. 270., p. 273.	
Governance				
GRI 2-9	GRI 2. Profile disclosures 2021	Governance structure and composition	p. 146.	
GRI 2-10	GRI 2. Profile disclosures 2021	Nomination and election of the highest governance body	p. 146.	
GRI 2-11	GRI 2. Profile disclosures 2021	Chair of the highest governance body	p. 146.	
GRI 2-12	GRI 2. Profile disclosures 2021	Role of the highest governance body in overseeing the management of impacts	p. 146., p. 166.	

Indicator number	GRI Standard title	Indicator name	Place of disclosure	Notes and explanations
GRI 2-13	GRI 2. Profile disclosures 2021	Delegation of responsibility for management of impacts	p. 146., p. 166.	
GRI 2-14	GRI 2. Profile disclosures 2021	Role of the highest governance body in sustainability reporting	p. 146.	
GRI 2-15	GRI 2. Profile disclosures 2021	Conflicts of interest	p. 146.	
GRI 2-16	GRI 2. Profile disclosures 2021	Communication of critical concerns	p. 166.	
GRI 2-17	GRI 2. Profile disclosures 2021	Collective knowledge of the highest governance body	p. 146.	
GRI 2-18	GRI 2. Profile disclosures 2021	Evaluation of the performance of the highest governance body	p. 146.	
GRI 2-19	GRI 2. Profile disclosures 2021	Remuneration policies	p. 162.	
GRI 2-20	GRI 2. Profile disclosures 2021	Process to determine remuneration	p. 162.	
GRI 2-21	GRI 2. Profile disclosures 2021	Annual total compensation ratio	p. 162.	
Strategy, policies and practices				
GRI 2-22	GRI 2. Profile disclosures 2021	Statement on sustainable development strategy	p. 179.	
GRI 2-23	GRI 2. Profile disclosures 2021	Policy commitments	p. 179.	
GRI 2-24	GRI 2. Profile disclosures 2021	Embedding policy commitments	p. 192.	
GRI 2-25	GRI 2. Profile disclosures 2021	Processes to remediate negative impacts	p. 184., p. 192., p. 244.	
GRI 2-26	GRI 2. Profile disclosures 2021	Mechanisms for seeking advice and raising concerns	p. 184., p. 192., p. 266.	
GRI 2-27	GRI 2. Profile disclosures 2021	Compliance with laws and regulations	p. 195., p. 197.	
GRI 2-28	GRI 2. Profile disclosures 2021	Membership associations	p. 51.	
Stakeholder engagement				
GRI 2-29	GRI 2. Profile disclosures 2021	Approach to stakeholder engagement	p. 48., p. 268., p. 289.	
GRI 2-30	GRI 2. Profile disclosures 2021	Collective bargaining agreements	p. 270.	

Indicator number	GRI Standard title	Indicator name	Place of disclosure	Notes and explanations
II. MATERIAL TOPICS				
GRI 3-1	GRI 3. Material topics 2021	Process to determine material topics	p. 303.	
GRI 3-2	GRI 3. Material topics 2021	List of material topics	p. 303.	
Striving towards a circular economy				
GRI 3-3	GRI 3. Material topics 2021	Management of material topics	p. 231.	
GRI 306-1	306: Waste 2020	Waste generation and significant waste-related impacts	p. 231.	
GRI 306-2	306: Waste 2020	Management of significant waste-related impacts	p. 231.	
GRI 306-3	306: Waste 2020	Waste generated by waste category	p. 231., p. 235.	
Zapobieganie zmianom klimatu				
GRI 3-3	GRI 3. Material topics 2021	Management of material topics	p. 208., p. 213., p. 244.	
GRI 302-1	302: Energy 2016	Energy consumption within the organisation, including fuel types used	p. 217.	
GRI 305-1	305: Emissions 2016	Direct (Scope 1) GHG emissions	p. 208.	
GRI 305-2	305: Emissions 2016	Energy indirect (Scope 2) GHG emissions	p. 208.	
GRI 305-3	305: Emissions 2016	Other indirect (Scope 3) GHG emissions	p. 208.	
Zarządzanie zasobami wodnymi				
GRI 3-3	GRI 3. Material topics 2021	Management of material topics	p. 220.	
GRI 303-1	303: Water and effluents 2018	Interactions with water as a shared resource	p. 220.	
GRI 303-2	303: Water and effluents 2018	Management of water discharge-related impacts	p. 220.	
GRI 303-3	303: Water and effluents 2018	Water withdrawal	p. 220., p. 224., p. 225.	
GRI 303-4	303: Water and effluents 2018	Water discharge	p. 220., p. 224., p. 225.	
GRI 303-5	303: Water and effluents 2018	Water consumption	p. 220., p. 224., p. 225.	

Indicator number	GRI Standard title	Indicator name	Place of disclosure	Notes and explanations
Economic impacts				
GRI 3-3	GRI 3. Material topics 2021	Management of material topics	p. 203., p. 206., p. 213., p. 241.	
GRI 201-1	201: Economic Performance 2016	Direct economic value generated and distributed	p. 90., p. 101., p., 288., p. 295., Management report	
GRI 203-1	203: Indirect economic impact 2016	Infrastructure investments and services supported for communities as commercial, in-kind, or pro bono engagements. Impacts of these engagements on communities	p. 288.	The indicator also relates to the topic of Relations with local communities
Responsible supply chains				
GRI 3-3	GRI 3. Material topics 2021	Management of material topics	p. 198.	
GRI 308-1	308: Supplier environmental assessment	New suppliers that were screened using environmental criteria	p. 198., p. 199.	The indicator also relates to the topic of Management of sustainable development and ESG risks
Occupational health and safety				
GRI 3-3	GRI 3. Material topics 2021	Management of material topics	p. 282.	
GRI 403-1	403: Occupational health and safety 2018	Occupational health and safety management system	p. 282.	
GRI 403-2	403: Occupational health and safety 2018	Hazard identification, risk assessment, and incident investigation	p. 282.	
GRI 403-3	403: Occupational health and safety 2018	Occupational health services	p. 280.	
GRI 403-4	403: Occupational health and safety 2018	Worker participation, consultation, and communication on occupational health and safety	p. 282.	
GRI 403-5	403: Occupational health and safety 2018	Worker training on occupational health and safety	p. 282.	
GRI 403-6	403: Occupational health and safety 2018	Promotion of worker health	p. 266., p. 279., p. 282., p. 291.	
GRI 403-7	403: Occupational health and safety 2018	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	p. 282.	
GRI 403-8	403: Occupational health and safety 2018	Workers covered by an occupational health and safety management system	p. 282.	
GRI 403-9	403: Occupational health and safety 2018	Work-related injuries	p. 282., p. 286.	

Indicator number	GRI Standard title	Indicator name	Place of disclosure	Notes and explanations
Ethics and transparency				
GRI 3-3	GRI 3. Material topics 2021	Management of material topics	p. 184., p.187., p. 195.	
GRI 205-1	205: Anti-corruption 2016	Total number and percentage of operations assessed for risks related to corruption and the risks identified	p. 187., p. 190.	
GRI 205-2	205: Anti-corruption 2016	Communication and training about anti-corruption policies and procedures	p. 187., p. 190.	
GRI 205-3	205: Anti-corruption 2016	Confirmed incidents of corruption and actions taken	p. 187., p. 190.	
GRI 415-1	415: Public Policy 2016	Total financial and in-kind donations to political parties, politicians and institutions of similar nature		The KGHM Polska Miedź S.A. Group does not support financially political parties, politicians or other institutions of a similar nature.
Preserving biodiversity				
GRI 3-3	GRI 3. Material topics 2021	Management of material topics	p. 226.	
GRI 304-1	304: Biodiversity 2016	Operational sites owned, leased, managed in, or adjacent to,	p. 226.	
GRI 304-2	304: Biodiversity 2016	Protected areas and areas of high biodiversity value outside protected areas	p. 226.	
GRI 304-3	304: Biodiversity 2016	Significant impacts of activities, products, and services on biodiversity	p. 226.	
Good workplace				
GRI 3-3	GRI 3. Material topics 2021	Management of material topics	p. 266., p. 271., p. 276., p. 279., p. 282.	
GRI 401-1	401: Employment 2016	New employee hires and employee turnover	p. 271., p. 273.	
GRI 401-2	401: Employment 2016	Benefits provided to full-time employees that are not provided to temporary or part-time employees y significant locations of operation	p. 271., p. 274.	
GRI 405-1	405: Diversity and equal opportunity 2016	Diversity of governance bodies and employees	p. 276., p. 277.	The indicator also relates to the topic of Diversity and equal opportunity
GRI 405-2	405: Diversity and Equal Opportunity 2016	Ratio of basic salary and remuneration of women to men	p. 276., p. 278.	The indicator also relates to the topic of Diversity and equal opportunity





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