



**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**

**Lubin, March 2023**

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## USEFUL TERMS AND ABBREVIATIONS

<b>Adjusted EBITDA</b> <i>(Earnings Before Interest, Taxes, Depreciation and Amortisation)</i>	Profit on sales plus depreciation/amortisation recognised in profit or loss and recognition/reversal of impairment losses on non-current assets
<b>Barren rock</b>	Rock which accompanies the extraction of mineral ore and is not considered as useful
<b>BAT</b> <i>(Best Available Technique)</i>	Best Available Technique, as defined in Directive 96/61/EC, means the most effective and advanced stage in the development of activities and their methods of operation which indicate the practical suitability of particular techniques for providing in principle the basis for emission limit values designed to prevent and, where that is not practicable, generally to reduce emissions and the impact on the environment as a whole
<b>BREF</b>	"BAT REference document", the reference document of best available techniques (BAT)
<b>Bearer shares</b>	In accordance with the Polish legal system the term: "bearer shares" has a different meaning than "bearer shares" (anonymous and unregistered shares facilitating illicit actions) eliminated from the market by certain countries, e.g. in the UK. The obligatory dematerialisation of shares carried out in Poland in 2021 abolished the anonymity of all shareholders of joint-stock companies. The necessity to register bearer shares makes it possible to identify each shareholder entitled to hold shares. The division into registered and bearer shares has been upheld largely due to the legal tradition in Poland
<b>Cost of producing payable copper (C1)</b>	Unit cash cost of producing payable copper, reflecting ore mining and processing costs, transport costs, the minerals extraction tax, administrative expenses during the mining phase and smelter treatment and refining charges (TC/RC) less by-product value. C1 cost is in regard to payable copper in own concentrate in the case of the segment KGHM Polska Miedź S.A. and payable copper in end products of individual mines of the segment KGHM INTERNATIONAL LTD. and the segment Sierra Gorda S.C.M.
<b>Copper cathodes</b>	The basic form of electrolytically-refined copper; the product of electrolytic copper refining
<b>Copper concentrate</b>	The product of enriching low-grade copper ore
<b>Copper wire rod</b>	Drawn copper rod, usually with a diameter of 6-12 mm, universally used as a starting material in the cable industry
<b>Deposit/Orebody</b>	Natural collection of minerals in the earth, arising as a result of various geological processes
<b>Electrolytic copper</b>	The product of electrolytic copper refining
<b>Electrolytic copper refining technology</b>	A process involving the electrolytic refining of metal, in this case copper. The periodic removal of portions of the electrolyte is required to maintain the level of contaminants at an acceptable level, which is the one of decisive factors determining the quality of electrolytically-refined copper. The contaminated electrolyte and slimes are used as the raw materials in the recovery of some of the metals accompanying the copper, such as silver, gold, selenium and nickel
<b>Electrorefining</b>	The process of electrolysing dissoluble anodes which are produced from refinable alloys. During this process refined metal is collected on starter sheets under controlled conditions, while contaminants remain in the electrolyte as solids or liquid
<b>Flotation (ore enrichment)</b>	A stage in the process of breaking down ore into fragments of varying composition of useful elements which exploits differences in the degree of wettability of individual mineral grains. Well-wetted minerals fall to the bottom of the flotation tank, while the poorly-wetted grains (those whose wettability additionally decreases due to the action of so-called collecting agents, e.g. xanthates) collect at the surface of the froth created from froth-inducing agents
<b>Flotation tailings</b>	Waste remaining after the ore enrichment process
<b>ISO</b>	International Organization for Standardization
<b>LTIFR<sub>KGHM</sub></b> <i>(Lost Time Injury Frequency Rate)</i>	Indicator of the number of accidents at work (as defined in Poland) in the Company KGHM Polska Miedź S.A., standardised to 1 million worked hours
<b>Mine excavation</b>	Open area left after the mining work
<b>Muck</b>	Rock removed from a mine face. Contains both ore and barren rock
<b>NBP</b>	National Bank of Poland

<b>Net debt</b>	Borrowings and debt securities less cash and cash equivalents. This category includes lease liabilities and excludes reverse factoring liabilities
<b>OFE rod</b>	Oxygen-free copper wire rod produced at the Cedynia Wire Rod Plant using UPCAST technology
<b>Ore</b>	Rock which contains one or more useful elements. Ore can be monometallic (containing a single metal) or polymetallic (containing more than one metal)
<b>Payable metal</b>	Volume of metal produced less the loss incurred in further processing to pure metal
<b>Pillar (mining)</b>	An unremoved mass of rock in an underground mine used to support the ceiling against collapse
<b>Pre-precious metals credit unit cost of electrolytic copper production from own concentrate</b>	The sum of costs of mining, flotation, smelter processing per cathode and support functions (the Data Center Division, the Mine-Smelter Emergency Rescue Division and the Head Office), together with cathode selling costs, adjusted by the value of inventories of half-finished products and work in progress divided by the volume of electrolytic copper production from own concentrate. Indicator used solely in the Parent Entity
<b>REACH</b>	Registration, Evaluation, Authorisation and Restriction of Chemicals - regulation issued by the European Parliament and of the Council (EU) on the safe use of chemicals through their registration and evaluation, and in certain cases through the issuance of permits and restrictions in the sale and use of certain chemicals
<b>Silver smelting and electrolytic refining technology</b>	Comprised of: batch preparation (the mixture of batch elements followed by drying); the smelting of Doré metal and the casting of anodes (melting of the batch in a Kaldo furnace to remove slag or gasify impurities followed by casting of the product [99% silver] into anodes); silver electrorefining (forming into cathodes containing a min. 99.99% silver); melting in an electric induction furnace and the casting of refined silver into commercial form (billets or granules)
<b>SMR (Small Modular Reactor)</b>	Small modular nuclear reactor technology
<b>SX-EW (solvent extraction and electrowinning)</b>	Copper cathode production technology applied in some plants of KGHM INTERNATIONAL LTD. based on solvent extraction (the process of leaching useful minerals using a solvent) of the copper ore heap, with the aid of diluted sulphuric acid, under the atmospheric conditions
<b>Total unit cost of producing copper from own concentrate</b>	The sum of costs of mining, flotation, smelter processing per cathode and support functions (the Data Center Division, the Mine-Smelter Emergency Rescue Division and the Head Office), together with cathode selling costs, adjusted by the value of inventories of half-finished products and work in progress and less the value of anode slimes, divided by the volume of electrolytic copper production from own concentrate
<b>The Group</b>	The KGHM Polska Miedź S.A. Group
<b>TSF</b>	Tailings Storage Facility
<b>TPM (Total Precious Metals)</b>	Precious metals (gold, platinum, palladium)
<b>TRIR (Total Recordable Incident Rate)</b>	Indicator of the number of accidents at work meeting the conditions of registration as defined in the ICMC (International Council on Mining & Metals) standard, standardised to 200 000 worked hours
<b>Troy ounce (oz t)</b>	A unit of measure mainly used in English-speaking countries. The troy ounce (abbreviated as oz t) is universally used in jewellery and precious metals commerce. 1 troy ounce equals 31.1035 grams
<b>YoY</b>	year on year, i.e. comparison between one year and the next year

## AGGREGATED DATA OF THE COMPANY AND GROUP FOR THE YEARS 2015-2022

GRI 201-1

### Basic items of the consolidated financial statements

		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 <sup>1</sup>	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) <sup>2</sup>	PLN	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 <sup>3</sup>		0.8	0.6	0.9	1.5	1.6	1.3	1.6	1.4
Payable copper production <sup>4</sup>	kt	733.1	753.7	709.1	701.6	633.9	656.4	676.9	697.1
Payable silver production <sup>5</sup>	t	1 327	1 366	1 353	1 417	1 205	1 234	1 207	1 299
C1 payable copper production cost <sup>6</sup>	USD/lb	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

### Basic items of the separate financial statements

		2022	2021	2020	2019	2018	2017	2016	2015
Revenues from contracts with customers	PLN mn	28 429	24 618	19 326	17 683	15 757	16 024	15 112	15 939
Profit/(loss) for the period	PLN mn	3 533	5 169	1 779	1 264	2 025	1 323	-4 085	-2 788
Adjusted EBITDA	PLN mn	5 400	5 474	4 458	3 619	3 416	4 160	3 551	4 163
Total assets	PLN mn	47 995	43 458	39 342	35 989	34 250	30 947	30 100	33 120
Liabilities	PLN mn	18 320	17 618	18 616	16 100	15 205	13 691	14 200	12 841
Earnings per share (EPS) <sup>7</sup>	PLN	17.67	25.85	8.90	6.32	10.13	6.62	-20.42	-13.94
Electrolytic copper production	kt	586.0	577.6	560.4	565.6	501.8	522.0	535.6	574.3
Metallic silver production	t	1 298	1 332	1 323	1 400	1 189	1 218	1 191	1 283
C1 payable copper production cost	USD/lb	2.38	2.26	1.62	1.74	1.85	1.52	1.3	1.47
Cash expenditures on property, plant and equipment and intangible assets	PLN mn	2 731	2 407	2 422	2 366	1 907	1 991	2 604	2 481

### Macroeconomic data (average annual)

		2022	2021	2020	2019	2018	2017	2016	2015
Copper prices per the LME	USD/t	8 797	9 317	6 181	6 000	6 523	6 166	4 863	5 495
Silver prices per the LBMA	USD/oz t	21.73	25.14	20.54	16.21	15.71	17.05	17.14	15.68
Exchange rate	USD/PLN	4.46	3.86	3.90	3.84	3.61	3.78	3.94	3.77

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

<sup>2</sup> Attributable to shareholders of the Parent Entity

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

<sup>4</sup> Comprises Sierra Gorda S.C.M. proportionally to interest held (55%)

<sup>5</sup> As above

<sup>6</sup> As above

<sup>7</sup> Attributable to shareholders of the Parent Entity

## SIGNIFICANT EVENTS IN 2022 AND TO THE DATE OF PREPARATION OF THIS REPORT

Date	Event	Section
<b>CHANGE IN MACROECONOMIC CONDITIONS</b>		
2022	A decrease in average annual prices of copper and silver respectively by 6% and 14%	1.9
2022	Changes in average annual exchange rates: USD/PLN by +15%, USD/CAD by +4% and USD/CLP by 15%	1.9
<b>KGHM POLSKA MIEDŹ S.A. ON THE STOCK EXCHANGE</b>		
2022	A decrease in the share price of KGHM Polska Miedź S.A. by 24% from PLN 139.40 to PLN 126.75	1.12
<b>CHANGES IN THE COMPOSITION OF KGHM POLSKA MIEDŹ S.A.'S BODIES</b>		
21 February 2022	Dismissal of Dariusz Świdorski from the Management Board of KGHM Polska Miedź S.A. from the position Vice President of the Management Board (Production)	2.15
14 March 2022	Appointment (as of 15 March 2022) of Marek Świder to the Management Board to the position Vice President of the Management Board (Production)	2.15
21 June 2022	Appointment as of 22 June 2022 to the composition of the new, 11th-term Supervisory Board: Piotr Dytko, Robert Kaleta, Andrzej Kisielewicz, Katarzyna Krupa, Agnieszka Winnik-Kalemba, Wojciech Zarzycki as well as persons elected by employees of the KGHM Polska Miedź S.A. Group: Józef Czyzerski, Przemysław Darowski and Bogusław Szarek.	2.15
9 August 2022	Resignation of Paweł Gruza from the function Member of the Management Board	2.15
11 August 2022	Resignation (as of 31 August 2022) of Adam Bugajczuk from the function Member of the Management Board	2.15
31 August 2022	Appointment (as of 1 September 2022) of Tomasz Zdzikot and Jerzy Paluchniak to the Management Board to the position respectively: Vice President of the Management Board (Development) and Vice President of the Management Board (International Assets)	2.15
7 October 2022	Dismissal from the Supervisory Board: Piotr Dytko and Robert Kaleta with appointment in their places: Marek Wojtków and Radosław Zimroz	2.15
11 October 2022	Dismissal from the Management Board of Marcin Chłudziński and Jerzy Paluchniak	2.15
4 November 2022	Appointment of Tomasz Zdzikot to the function President of the Management Board	2.15
24 November 2022	Appointment (as of 10 December 2022) of Mirosław Kidoń to the function Vice President of the Management Board (International Assets)	2.15
24 November 2022	Appointment to the Supervisory Board of Piotr Ziubroniewicz	2.15
6 December 2022	Dismissal from the Management Board of Andrzej Kensbok	2.15
21 December 2022	Appointment of Mateusz Wodejko to the Management Board to the position Vice President of the Management Board (Finance)	2.15
<b>ALLOCATION OF PROFIT</b>		
23 May 2022	Proposal of the Management Board regarding the allocation of profit for 2021 (recommended dividend payout of PLN 600 million)	1.12
21 June 2022	Decision of the Ordinary General Meeting of KGHM Polska Miedź S.A. to pay a dividend in the amount of PLN 600 million, representing PLN 3.00 per share	1.12
<b>SIGNIFICANT AGREEMENTS</b>		
20 April 2022	Letter of intent signed, regarding cooperation in the area of power generation sources using SMR nuclear technology, with Tauron Polska Energia S.A.	5.2
<b>CHANGES IN THE STRUCTURE OF THE GROUP</b>		
1 January 2022	Sale of the SG Oxide project to Sierra Gorda S.C.M.	1.6
21 February 2022	Sale of hotel companies: INTERFERIE S.A. and Interferie Medical SPA sp. z o.o.	1.3
26 April 2022	Sale of the company SCM Franke	1.3
<b>OTHER</b>		
14 January 2022	Approval by the Supervisory Board of the Strategy of the KGHM Polska Miedź S.A. Group to the year 2030 with an outlook to 2040	7.6
14 January 2022	Approval by the Supervisory Board of the Budget of KGHM Polska Miedź S.A. and of the Budget of the KGHM Group for 2022	7.6
10 February 2022	Repayment of a loan granted to the joint venture Sierra Gorda S.C.M. – the Group received payment from Sierra Gorda S.C.M. due to a loan drawn in the amount of PLN 431 million (USD 110 million)	7.5

Date	Event	Section
22 February 2022	Finalisation of the sale of all of the shares held by Sumitomo in the joint venture company Sierra Gorda SCM to the Australian mining group South32	1.6
10 March 2022	Coming into force of the act altering the act on the minerals extraction tax. The formula for calculating the tax rate for copper and silver was changed, which during the transition period from 1 January to 30 November 2022, set the tax rate based on a factor reduced by 0.25 (this factor amounted to 0.85, and after the change amounted to 0.6), which in consequence reduced the monthly tax by around 30%.	8.3
21 December 2022	Approval by the Supervisory Board of the Budget of KGHM Polska Miedź S.A. and of the Budget of the KGHM Group for 2023	7.6
6 January 2023	Notification dated 5 January 2023 on an increase in the share of the share capital held by Allianz OFE, Allianz DFE and Drugi Allianz OFE to a level above 5%	1.12



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# Statement on non-financial information

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## EXTERNAL AUDITOR'S OPINION ON THE STATEMENT ON NON-FINANCIAL INFORMATION

Warsaw, 9 March 2023

To the Management Board of KGHM POLSKA MIEDŹ S.A.

### Description of the subject matter of the opinion

The formal basis for drawing up this opinion is the Contract to render the service of making an expert assessment and attestation of the methodological accuracy and integrity of the preparation of the "Statement on non-financial information of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group for 2022" (hereinafter referred to as the "KGHM Statement on non-financial information"), constituting a part of the "Report of the Management Board on activities of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group in 2022".

The KGHM Statement on non-financial information comprises qualitative and quantitative data for the period from 1 January 2022 to 31 December 2022 pertaining to corporate social responsibility of the Group and the Parent Entity, understood as sustainable development of these organisational entities.

The Management Board of KGHM Polska Miedź S.A. has prepared the statement under assessment following the guidelines of the Directives of the European Parliament and of the Council (2014/95/EU and 2013/34/EU) and the Act of 15 December 2016 Amending the Accounting Act (Journal of Laws of 2017, Item 61; consolidated version: Journal of Laws of 2021 Item 217, as amended) implementing them in Poland and the Guidelines for reporting non-financial information (OJ C.215 of 5 July 2017) as well as applying the elements of TCFD (Task Force on Climate-related Financial Disclosures) guidelines for reporting environmental issues, the Communication from the European Commission no. 2019/C 209/01: Supplement on reporting climate-related information, and taking into account the main assumptions for the European Union development program till 2050 (The European Green Deal) and in accordance with 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 amending Regulation (EU) 2019/2088 ("EU Taxonomy") obligating companies to disclose whether and to what extent their economic activity is consistent with the assumptions of the EU Taxonomy classifying and describing environmentally sustainable activities, in accordance with the provisions of Commission Delegated Regulation (EU) 2021/2178 and Commission Delegated Regulation (EU) 2022/2014, amending Commission Delegated Regulation (EU) 2021/2139.

The KGHM Statement on non-financial information covers seven major fundamental parts.

The first one contains basic information on the Group and the Parent Entity, describing their mission and vision and a historical overview, including recalling key dates and anniversaries. This is followed by the presentation of the organisational structure, the business model and, in its perspective, the production process and the main assets of the Group and the Parent Entity. The final element of this section provides, in turn, a description of competitive advantages of the KGHM Polska Miedź S.A. Group, in terms of the relative context in which they are achieved and maintained, demonstrating them through key partnerships and supported initiatives, as well as awards and distinctions obtained.

The second part of the KGHM Statement on non-financial information comprises an extensive chapter describing the corporate governance applied in the KGHM Group. It describes the management structure of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group, including its compliance foundations. The KGHM strategy implemented with their participation is also presented, along with its reliance on the idea of sustainable development, prepared on the basis of the UN Sustainable Development Goals - Agenda 2030, and the implementation of activities using the concept of mapping and stakeholder involvement. The next section of this chapter indicates the use of the risk management concept (describing in detail also this aspect for individual non-financial areas) as the primary means of building the management system for non-financial issues in the Group and in the Parent Entity. In this context, the most significant policies and projects implemented in their framework are shown, addressing the areas of non-financial activities understood as the sustainable development of these organisational units. The chapter also broadly describes the reliance of the above-mentioned management system on a strong and comprehensive ethical basis and full respect for human rights. Due diligence and data protection policies and procedures are also presented as key policies in place to ensure the application of appropriate corporate governance. The entire chapter closes with the resulting corporate governance statement relating to the application of the Best Practice for GPW Listed Companies 2021.

The following chapters of the reviewed KGHM Statement on non-financial information focus on results and metrics for the environmental area (including the climate and the circular economy) and for the employee and social area. They have been prepared using globally recognised non-financial reporting standards, relying on the methodology for corporate social responsibility reporting as published by the Global Reporting Initiative in the form of GRI Standards (hereinafter: GRI

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Standards), including the latest 2021 edition for universal indicators and using other guidelines for observing corporate social responsibility, including mainly the indications of the EU Taxonomy.

The third chapter is devoted to the Group's and Parent Entity's care for the environment. It is based on the presentation of their impact on the environment and the climate, indicating the high importance of copper in the process of climate protection through energy transition (towards minimising the carbon footprint) and the implementation of activities in the field of the circular economy (towards minimising the level of the environmental footprint), while identifying the needs and direction of action of the Group and Parent Entity in terms of mitigating the adverse environmental impact in the production of their finished products. In terms of climate, the approach presented in the chapter described is in compliance with the risk management methodology indicated in chapter two, including the compliance with the TCFD (Task Force on Climate-related Financial Disclosures) guidelines and the Communication from the Commission No. 2019/C 209/01: Supplement on reporting climate-related information. The described initiatives of the Group and the Parent Entity to counteract these risks and translate them into opportunities are based on the presentation of the Climate Policy of KGHM Polska Miedź S.A. and the resulting environmentally-friendly investments, including in terms of energy transition. The chapter also shows the non-climate elements of the Group's and Parent Entity's environmental impact management, focusing on the management of water, waste, pollutants to the air and biodiversity, which are elements of the environmental scopes separated under the EU Taxonomy. All the elements described above are also described in the context of the results achieved during the reported period. Taking into consideration the fundamental role of the EU Taxonomy for conducting environmentally sustainable activities, the final section of the chapter presents disclosures in compliance with 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 amending Regulation (EU) 2019/2088 and the Delegated Regulations, including based on comprehensive due diligence, implementing the taxonomy aligned approach for the first two environmental goals - climate change mitigation and climate change adaptation.

The next, fourth chapter provides a description of activities implemented by the Group and the Parent Entity in terms of the employee and society area. In connection with the dualism of the stakeholders' nature, it consists of two main parts. The first one, comprising subsections 4.1 to 4.8, describes the approach of the Group and the Parent Entity as a responsible employer. It outlines the employment structure, organisational culture and the approach and results concerning communication with employees, trade union relations, working conditions and employee development, diversity at a workplace and the occupational health and safety area of fundamental importance in the metals and mining industry. The second part of the fourth chapter described deals with the responsibility of the Group and the Parent Entity towards the society, describing the implementation of activities for local communities, including employee volunteering, activities to support culture, sport, charitable institutions, the media, social organisations and community involvement in connection with the war in Ukraine. The chapter closes with the description of the KGHM Polska Miedź S.A. Foundation and sponsorship activities.

The fifth chapter of the KGHM Statement on non-financial information reviewed deals with other important and cross-cutting non-financial information. It focuses on the presentation of litigation matters, the description of contracts significant for the operations of the Group and the Parent Entity, the identification of transactions with related parties on terms other than arm's length basis and on contracts for conducting the audit or review of the 2022 financial statements or consolidated financial statements.

The KGHM Non-Financial Statement reviewed is concluded by chapter six. It presents all the important methodological information pertaining to it, including the manner in which it was conducted, also the principles used in it regarding the approach to information disclosed. It also presents the matrix and the resulting list of material reported topics and the GRI Standards content index, as well as the contact for stakeholders in case of any questions or concerns.

### **Defining the Management Board's responsibility**

The auditor concludes that correct preparation of the KGHM Statement on non-financial information subject to the assessment and attestation is the responsibility of the Management Board of KGHM Polska Miedź S.A. The framework for this responsibility consists of the selection, implementation and description of the application of the following: business model of entities observing their corporate social responsibility, key non-financial performance indicators associated with the operations of these entities, policies applied by these entities with regard to social, employee, environmental and climate, respect of human rights and prevention of corruption issues and due diligence procedures as part of the above policies, as well as the risks and their management in the context of these policies. The level of the above responsibility will be validated by constant compliance of globally executed sustainable development principles and goals specified in the description of the subject matter of the opinion, including the applicable provisions and legislative acts setting forth the European Union development program named the European Green Deal, as well as a methodology based on GRI Standards.

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### Defining the auditor's responsibility

The auditor declares that its objective was to draw its own conclusions regarding the methods used for setting sustainable development goals, indicators and policy for the KGHM Polska Miedź S.A. Group and KGHM Polska Miedź S.A. as the Parent Entity and their operations presented in the KGHM Statement on non-financial information in the descriptive form and confirmed by the figures and levels of selected indicators provided for by GRI Standards. The audit actions based on best knowledge and experience and the auditor's due diligence were applied to that. In addition, the figures presented in the text and in the indicators provided for by GRI Standards were verified to determine the risk of material distortion of data and/or the method for calculating them.

The audit was carried out using the International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.

### Audit activities performed

The activities performed by the auditor comprised the following five stages:

- Stage 1. Assessment of the methodological accuracy of the selection by the KGHM Polska Miedź S.A. Group and Parent Entity of the following: the business model as a group of entities observing their corporate social responsibility, key non-financial performance indicators associated with the operations of these entities, policies used by the entities with regard to social, employee, natural environment and climate (including in respect to eligibility of the activities for the EU Taxonomy), respect of human rights and prevention of corruption issues and due diligence procedures as part of the above policies, and the risks, including climate risks, and their management in the context of these policies and selection of the corporate social responsibility indicators in light of the reporting standards compliant with GRI Standards and the distinct nature of the metals and mining industry.
- Stage 2. Verification of the knowledge of the management concerning the business model used by the KGHM Polska Miedź S.A. Group and Parent Entity as a group of entities observing their corporate social responsibility, key non-financial performance indicators associated with the operations of these entities, policies used by the entities with regard to social, employee, natural environment and climate (including in respect to eligibility of the activities for the EU Taxonomy), respect of human rights and prevention of corruption issues and due diligence procedures as part of the above policies, and the risks and their management in the context of these policies and selection of corporate social responsibility indicators in light of the reporting standards compliant with GRI Standards and the distinct nature of the metals and mining industry.
- Stage 3. Assessment of the structure and effectiveness of material mechanisms used by the KGHM Polska Miedź S.A. Group and Parent Entity with regard to collection, processing and reporting of data for the key non-financial performance indicators associated with the operations of these entities, policies used by the entities with regard to social, employee, natural environment and climate (including in respect to eligibility of the activities for the EU Taxonomy), respect of human rights and prevention of corruption issues and due diligence procedures as part of the above policies, and the risks and their management in the context of these policies and the corporate social responsibility indicators in light of the reporting standards compliant with GRI Standards and the distinct nature of the metals and mining industry.
- Stage 4. Assessment of the structure and effectiveness of the key mechanisms for risk management and audit and internal control used by the KGHM Polska Miedź S.A. Group and Parent Entity with regard to collection, processing and reporting of data for the key non-financial performance indicators associated with the operations of these entities, policies used by the entities with regard to social, employee, natural environment and climate (including in respect to eligibility of the activities for the EU Taxonomy), respect of human rights and prevention of corruption issues and due diligence procedures as part of the above policies, and the risks and their management in the context of these policies and the corporate social responsibility indicators in light of the GRI reporting standards and the distinct nature of the metals and mining industry.
- Stage 5. Verification of a sample of source documents for the non-financial indicators used by the KGHM Polska Miedź S.A. Group and Parent Entity, illustrating execution of the actions in the area of corporate social responsibility policies and procedures to define the risk of material distortion on the data presented in the KGHM Non-Financial Report and/or the method for determining them.

The above activities of the auditor, in which the checklist tool was also used, have made it possible to obtain sufficient and adequate evidence to issue a positive conclusion for the Management Board of the KGHM Polska Miedź S.A. Group as presented below.

### Auditor's conclusion

On the basis of the actions it has completed, the auditor states that the "Statement on non-financial information of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group for 2022" has been prepared correctly in its entirety from a methodological perspective and following the rules on overall integrity, and nothing has been identified therein that would indicate that the aforementioned provisions pertaining to the business model as a group of entities observing corporate social responsibility, key non-financial performance indicators associated with the operations of these entities, policies used

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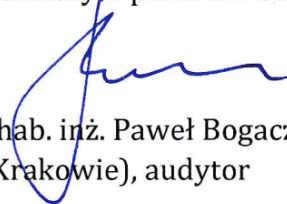
by these entities with regard to social, employee, natural environment (including the climate and circular economy), respect of human rights and prevention of corruption issues and due diligence procedures as part of the above policies, and the risks (constituting the starting point for actions in the field of sustainable development) and their management in the context of these policies, fail to follow the guidelines of the Directives of the European Parliament and of the Council (2014/95/EU and 2013/34/EU) and the and the Act of 15 December 2016 Amending the Accounting Act (Journal of Laws of 2017, Item 61; consolidated version: Journal of Laws of 2021 Item 217, as amended) implementing them in Poland and the Guidelines for reporting non-financial information (OJ C.215 of 5 July 2017). The auditor also states that the KGHM Statement on non-financial information subject to this opinion has also applied all elements of the TCFD guidelines (Task Force on Climate-related Financial Disclosures) to report environmental issues and Communication from the European Commission no. 2019/C 209/01: Supplement on reporting climate-related information and the key assumptions of The European Green Deal 2050 and Regulation (EU) 2020/852 of the European Parliament and of the Council and the provisions of Commission Delegated Regulations (EU) 2021/2178 and (EU) 2022/1214 amending Commission Delegated Regulation (EU) 2021/2139, which should be deemed to be an important element specifying the awareness and liability of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group for issues associated with curtailing the adverse climate-related changes and rational resource management, in respect to both primary and secondary resources.

The clauses of the KGHM Statement on non-financial information are also consistent with the global corporate social responsibility standards and the reporting standards provided for in GRI Core option Standards and guidelines taking into account the distinct nature of the metals and mining industry.

### Scope of application of the conclusion

This opinion, particularly the resulting conclusion, has been prepared by the auditor (following the performance of an independent auditing process in accordance with the order of KGHM Polska Miedź S.A. of 1 December 2022) only for the needs of the KGHM Polska Miedź S.A. Management Board and should not be used for any other purpose. The auditor does not assume in connection with this opinion any liability towards any persons other than the KGHM Polska Miedź S.A. Management Board.

Z górniczym pozdrowieniem,








dr hab. inż. Paweł Bogacz, prof. AGH (Akademia Górniczo-Hutnicza im. Stanisława Staszica w Krakowie), audytor

Translation:

Paweł Bogacz, Ph.D. Hab. Eng. (Stanisław Staszic AGH University of Science and Technology in Kraków)

Auditor

## 1 INFORMATION ABOUT KGHM

				
Mission and vision	Structure	Assets	Market	Stakeholders

### 1.1 WHO WE ARE

GRI 2-1

GRI 2-6

#### MISSION AND VISION

The KGHM Polska Miedź S.A. Group is a global and innovative organisation, which conducts technologically advanced exploration-mining and metallurgical activities. For more than 60 years KGHM has been mining and processing the Earth's precious natural resources, supplying the world with products which enable its sustainable development. The heart of the organisation is the largest copper ore deposit in Europe located in south-western Poland. The KGHM Polska Miedź S.A. Group is present on four continents – in Europe, South America, North America and Asia. Thanks to its rich experience, openness and continual enhancement of skills, the Company has built a unique culture of cooperation and has achieved a high position in the international arena, in 2021 holding seventh place amongst the world's mined copper producers<sup>8</sup> and second place globally in terms of silver production<sup>9</sup>.

**The Company's mission reflects its goal „to always have copper”, while the consistently-advanced vision remains „to use our resources efficiently to become the leader in sustainable development”.**

#### HISTORICAL BACKGROUND

The Company's history began in 1957 with the discovery of one of the world's largest deposits of polymetallic ores, predominantly copper and silver, located in south-western Poland. The deposit has been effectively and rationally mined to this day.

In 2022 KGHM Polska Miedź S.A. celebrated important jubilees.

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

The discovery on 23 March 1957 of one of the world's largest copper ore deposits in Lower Silesia became the stable, strong foundation on which rose the modern company KGHM Polska Miedź S.A. The long history of KGHM (the company was founded in 1961) is above all a fascinating tale of people joined by knowledge and strong belief in what they were doing. The construction of each mine, processing plant and smelter/refinery was an enormous technological challenge, demanding the solving of numerous geological, construction and social problems. The most talented engineers, geologists, physicists and builders were drawn to work for KGHM. Thanks to their cooperation – both within interdisciplinary teams as well as with local communities – there arose modern and environmentally-friendly mines, metallurgical and processing plants.

Today this Polish copper deposit is accessed through three underground mines: Lubin, Polkowice-Sieroszowice and Rudna. The production of copper, silver, gold, lead and other metals takes place in metallurgical plants in Głogów, Legnica and Cedynia. A new stage in the mining of the Lower Silesian deposit is the Deep Głogów (Głogów Głęboki-Przemysłowy) mining area opened in 2014, where ore is extracted at a depth below 1200 meters. A milestone in the development of KGHM was the commissioning in 2016 at the Głogów Copper Smelter and Refinery of one of the most modern flash smelters in the world.

#### 25th anniversary of the Emergency Mine-Smelter Rescue Division of KGHM

The Emergency Mine-Smelter Rescue Division (JRGH) was established on 1 January 1997 by Resolution No. 434/II/96 of the Management Board of KGHM Polska Miedź S.A. in Lubin, at the District Mine Rescue Station.

The duties of the JRGH comprise the provision of required assistance to all of the Divisions of KGHM Polska Miedź S.A. within a wide spectrum of activities: liquidation of the effects of fires, tremors and mine collapses, the inflow of water, emergencies of a mechanical and power-related nature, emergencies of a technical, chemical and ecological nature at the surface and underground in the mines. The rescuers are also responsible for ensuring uninterrupted production by the core business by carrying out a variety of preventative work.

<sup>8</sup> KITCO, April 2022  
<sup>9</sup> World Silver Survey

The rescuers of KGHM also participate in actions outside of the Company's mining and metallurgical activities. Twice, in August and November 1999, they assisted earthquake victims in western Türkiye.

An important part of the activities of the JRGH is the actions of Sections 1 and 2 of the Fire Fighting Service, which monitor fire safety on the grounds of KGHM, but also cooperate in providing assistance to, amongst others, the State Fire Service. Their professional aid has been needed more than once during incidents on roads or extinguishing fires within the Copper Basin.

The rescuers of KGHM are appreciated and distinguished in the international arena. They have frequently stood on the victors podium in mine rescue competitions. In 2022 an Emergency Mine-Smelter Rescue Division team won third place in a first aid competition during the International Mine Rescue Competition in the United States. They were also awarded the title of Masters of Poland in Medical and Roadway Rescue, and are champions in a variety of competitions. The unit has received many awards and prizes, including first place in the competition „Employer - organiser of workplace safety". The State Mining Authority awarded the JRGH with a Silver Treasurer Statuette.

#### 45th anniversary of the Żelazny Most Tailings Storage Facility

The Żelazny Most Tailings Storage Facility (TSF) represents an extraordinarily important element in the copper production process. It is here that, for 45 years, mine tailings from the mining and processing of copper ore have been deposited. The facility is managed by KGHM's Tailings Division.

Construction of the TSF began in 1974, and its utilisation in February 1977. It is the largest such facility in Europe and one of the largest in the world, with a surface area of around 2100 ha, together with the Southern Quarter. The volume of deposited material is nearly 675 mn m<sup>3</sup>, the length of the dam wall exceeds 20 km, with a maximum height of 78 m.

The Żelazny Most TSF arose to meet the needs of the core business, as nearly 96% of the copper ore from the mines of KGHM is so-called barren rock. Its separation from the pure metal happens during the flotation process, while the broken-down rock, in the form of particulates in water, is transported by a system of pipes to the facility.

The facility is not only the sole site for the deposition of flotation tailings from all of KGHM's mines in the Copper Basin, but also serves as a retention reservoir for mine and process water. The underground water from KGHM's mines is sent to it at a rate of approximately 72000 m<sup>3</sup> per day.

The TSF, by meeting strict EU environmental standards, ensures the continuity of the flotation tailings collection system, and at the same time the efficient functioning of the process of copper ore mining and processing, as well as the environmentally safe storage of tailings from the enrichment process. Therefore, it is an essential link in copper production, without which the processing of this resource would simply be impossible.

#### 25th anniversary of the debut on the Warsaw Stock Exchange

On 10 July 1997 the shares of KGHM Polska Miedź S.A. debuted on the Warsaw Stock Exchange. 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, KGHM Polska Miedź S.A. 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.

### BASIC GROUP PRODUCTS

Table 1. Basic products of the KGHM Polska Miedź S.A. Group

<b>Copper cathodes</b>	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 primary product of the Carlota mine in the USA, belonging to the KGHM INTERNATIONAL LTD. Group, and also the Franke mine (until April 2022). The main customers for the cathodes are producers of wire rod, other rods, flat bars, pipes, sheets and tapes.
<b>Copper wire rod</b>	8 mm copper wire rod is manufactured through the Contirod® continuous process of melting, casting and drawing. It is mainly produced from cathodes manufactured by KGHM Polska Miedź S.A. In volume terms, wire rod is the second most numerous copper product produced by KGHM. The Cedynia Wire Rod Plant produces wire rod in five classes of quality, depending on the needs of the customer. The product is primarily used in the cable, electromechanical and electrotechnical industries.
<b>Silver</b>	Electrolytic silver is produced mainly by KGHM Polska Miedź S.A., in the form of bars (ingots, billets) and grains containing 99.99% silver. Silver bars (weighing approx. 32 kg) hold a certificate registered on COMEX in New York as well as a Good Delivery certificate issued by the London Bullion Market Association. Grain silver is packed in bags weighing 25 kg or 500 kg. The main customers for silver are financial institutions, the



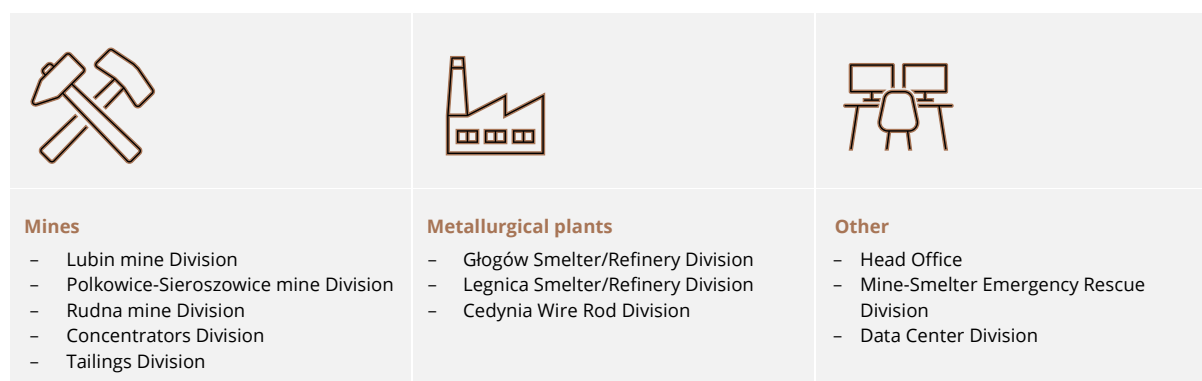
	jewellery industry and the electronics and electrical industries, photovoltaic industry, catalytic converter producers as well as producers of coins, bars and medallions.
<b>Copper concentrate</b>	Copper concentrate is a product of the Robinson mine in the USA, part of the KGHM INTERNATIONAL LTD. Group, containing about 20% of copper. This product is also produced by the Sierra Gorda mine in Chile (copper content is above 20%). Both of these concentrates also include gold and silver as additional products. The copper concentrates are sold for further processing as a commercial product.
<b>Molybdenum oxide</b>	One of the main commercial products of the company Sierra Gorda is molybdenum oxide, arising from the processing of the molybdenum sulphide concentrate (containing approx. 48% Mo) produced by the Sierra Gorda mine. Molybdenum is used in the aircraft industry.
<b>Molybdenum concentrate</b>	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.
<b>Gold</b>	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. Gold is used in the jewellery industry, the mint industry, by banks and in the electrical industry.
<b>Ore containing copper, nickel and TPM (precious metals – gold, platinum, palladium)</b>	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 Basin.
<b>Oxygen-free copper rod</b>	The Cedynia 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 the process of extrusion into flat profiles and for processing through the Conform® process. In addition, oxygen-free, silver-bearing rod is used in the manufacture of trolleys and commutators.
<b>ETP/OFE nuggets</b>	Copper nuggets are obtained from Cu ETP1 (99.90% Cu) wire rod and Cu OFE (99.99% Cu) rod, with their main use being in the manufacture of alloys and in galvanisation. Sample nugget sizes produced by KGHM Polska Miedź S.A.: diameter of 8 mm, 12.7 mm; length of 10-35 mm.

## 1.2 ORGANISATIONAL STRUCTURE OF KGHM POLSKA MIEDŹ S.A.

### GRI 2-2

In 2022, the multi-divisional organisational structure of the Company, acting under the name KGHM Polska Miedź S.A., comprised the Head Office of the Company and ten Divisions.

Diagram 1. Organisational structure of KGHM Polska Miedź S.A.



## CHANGES IN THE PRINCIPLES FOR MANAGING THE COMPANY

The Supervisory Board of the Company adopted Resolution No. 84/XI/22 dated 21 November 2022 regarding a change in the Management Board Bylaws adopted by Resolution No. 436/XI/2022 of the Management Board of KGHM Polska Miedź S.A. dated 18 November 2022, due among others to the amendment of the Commercial Partnerships and Companies Code resulting from art. 3801 of the Commercial Partnerships and Companies Code in the wording in force from 13 October 2022.



### 1.3 ORGANISATIONAL STRUCTURE OF THE KGHM POLSKA MIEDŹ S.A. GROUP

GRI 2-2 | GRI 2-6

As at 31 December 2022, the Group was composed of the Parent Entity – KGHM Polska Miedź S.A. – and 65 subsidiaries, located on four continents: Europe, North America, South America and Asia. Some of these subsidiaries form their own groups. The largest of these, in terms both of the number of entities as well as the value of equity, is the KGHM INTERNATIONAL LTD. Group, whose main assets are located in Canada, the USA and Chile. It was comprised of KGHM INTERNATIONAL LTD. and its 25 subsidiaries. At the end of the reporting period the KGHM Polska Miedź S.A. Group owned shares in two joint ventures - Sierra Gorda S.C.M. and NANO CARBON Sp. z o.o. in liquidation.

The detailed structure of the KGHM Polska Miedź S.A. Group, together with the relationships between entities, may be found in Appendices 1 and 2.

The Group's main entities, which are engaged in the mining sector, comprise three primary reporting segments which are independently evaluated by management bodies. These are: KGHM Polska Miedź S.A., KGHM INTERNATIONAL LTD. and Sierra Gorda S.C.M. Other companies, excluding Future 1 Sp. z o.o., Future 3 Sp. z o.o., Future 4 Sp. z o.o., Future 5 Sp. z o.o. and Future 7 Sp. z o.o. in liquidation, are part of the segment called Other segments.

The following diagram presents the significant production assets and projects underway within the reporting segments: KGHM Polska Miedź S.A., KGHM INTERNATIONAL LTD., Sierra Gorda S.C.M. and Other segments.

Diagram 2. 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
<b>Activities</b>	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	– Companies supporting the core business of KGHM Polska Miedź S.A.
<b>Main production assets</b>	Underground mines – Lubin mine – Polkowice-Sieroszowice mine – Rudna mine – Metallurgical plants – Legnica Copper Smelter and Refinery – Głogów I and Głogów II Copper Smelter and Refinery – Cedynia wire rod plant	Robinson mine in the USA (open pit)	Sierra Gorda mine in Chile (open pit)	– Companies comprising the so-called Polska Grupa Uzdrowisk – Companies playing an important role in advancing CSR policy, – Other companies, incl. special-purpose companies in the holding structure
<b>Most important development projects</b>	– Głogów Głęboki-Przemysłowy (Deep Głogów) Pre-production projects and exploration projects in south-west 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., Future 5 Sp. z o.o. (which operate in the structure related to the establishment of a Tax Group).

These companies do not conduct operating activities which could impact the results achieved by individual segments, as a result of which their inclusion could disrupt the data presented in the consolidated financial statements due to the significant internal settlements with the other entities from the Group.

The segments KGHM Polska Miedź S.A., KGHM INTERNATIONAL LTD. and Sierra Gorda S.C.M. have separate Management Boards, which report their operational results to the Management Board of the Parent Entity.

The segment KGHM Polska Miedź S.A. only includes the Parent Entity, while the segment Sierra Gorda S.C.M. only includes the joint venture Sierra Gorda. Diagram 2 presents the other companies of the KGHM Polska Miedź S.A. Group with a breakdown by segment: KGHM INTERNATIONAL LTD. and Other segments.

### **CHANGES IN THE BASIC PRINCIPLES FOR MANAGING THE GROUP**

Following the restructuring of KGHM INTERNATIONAL LTD. in 2020, comprised of the transferral of management and most support processes to the Company's Head Office, this action being a result of the adopted strategy of implementation of the cooperation model and integration of key international assets with domestic activities, in 2022 actions were continued mainly with respect to developing unified reporting principles, coherent internal regulations, procedures and standardised solutions with respect to individual functional areas of the international entities.

In 2022, in terms of management of the group of domestic companies, the decision was made to end the structure of funds comprising mainly spa assets. The entities comprising the companies of the fund portfolios were acquired by one of the direct subsidiaries, and the funds were liquidated.

### **CHANGES IN THE GROUP STRUCTURE, EQUITY INVESTMENTS AND THEIR FINANCING**

#### **Equity investments in domestic assets**

In 2022, PLN 375 million was incurred on equity investments comprised of the acquisition of shares of Polish companies of the Group. In addition, PLN 22 million in owners loans were granted to companies. The amounts incurred were covered by inflows from domestic entities due to the following: the redemption of investment certificates, dividends received and loans repaid, in the total amount of PLN 410 million.

The largest share of internal cash flow due to equity investments between KGHM Polska Miedź S.A. and the domestic companies of the Group was in respect of operations related to the liquidation of the funds structure, and consequently the transfer of the portfolio companies of the KGHM VII FIZAN fund to one of the subsidiaries of KGHM Polska Miedź S.A., i.e. CUPRUM Zdrowie sp. z o.o.

A detailed description of all operations carried out amongst the group of companies in Poland is provided in the following table.

**Table 2. Changes in the Group's structure and organisation (Polish assets) in 2022**

<p><b>Sale of hotel companies:</b> – INTERFERIE S.A., – Interferie Medical SPA sp. z o.o.</p>	<p>On 21 February 2022 the KGHM VII Closed-end Non-public Investment Fund (hereafter: Fund), in respect of which KGHM Polska Miedź S.A. owns 100% of the Investment Certificates, sold all of the indirectly held shares of Interferie Medical SPA sp. z o.o. with its registered head office in Legnica to Polski Holding Hotelowy sp. z o.o., i.e. 41.309 shares representing 67.37% of the share capital and the same percentage of votes at the general shareholders meeting. The owner of the remaining 32.63% of the share capital of the company Interferie Medical SPA sp. z o.o. was the indirect subsidiary of the Fund – INTERFERIE S.A.</p> <p>On 28 February 2022, as a result of the settlement of a call to sell shares of INTERFERIE S.A., announced by Polski Holding Hotelowy sp. z o.o., the Fund's portfolio companies: Fundusz Hotele 01 Sp. z o.o. S.K.A. and Fundusz Hotele 01 Sp. z o.o., sold all of the shares held in INTERFERIE S.A., i.e. in total 10 152 625 shares, representing 69.71% of the share capital and the same percentage of votes at the general meeting.</p> <p>As a result of the above, neither KGHM Polska Miedź S.A. nor any of the entities of the KGHM Group hold shares in the companies: INTERFERIE S.A. and Interferie Medical SPA sp. z o.o.</p>
<p><b>Deregistration of the company Future 7 sp. z o.o. in liquidation</b></p>	<p>On 3 January 2022 the company Future 7 sp. z o.o. in liquidation, whose process of liquidation began in July 2020, was removed from the registry.</p>
<p><b>Submission of a request to the court for the bankruptcy of NANO CARBON sp. z o.o. in liquidation</b></p>	<p>On 21 January 2022 the liquidator of NANO CARBON Sp. z o.o. submitted a request to the court for the bankruptcy of the company.</p>
<p><b>Acquisition of newly-issued shares of KGHM Centrum Analityki sp. z o.o.</b></p>	<p>On 28 June 2022, the Extraordinary General Shareholders Meeting of KGHM Centrum Analityki sp. z o.o. adopted a resolution to increase the share capital of the company by PLN 7 million. All of the newly-issued shares in the increased share capital were acquired by KGHM Polska Miedź S.A. and paid for in cash in the amount of PLN 7 million. The share capital following the increase amounts to PLN 7 050 thousand. The increase was registered by the court on 11 July 2022. KGHM Polska Miedź S.A. owns 100% of the shares of the company.</p> <p>The company operates in the modern technology sector, in the area of data analysis and their utilisation in the optimisation of business and production processes as well as energy efficiency.</p>
<p><b>Acquisition of newly-issued shares of TUW-CUPRUM</b></p>	<p>On 30 June 2022 the Ordinary General Meeting of Towarzystwo Ubezpieczeń Wzajemnych (Mutual Insurance Society) CUPRUM adopted a resolution regarding the appropriation of profit for 2021 by allocating PLN 6 million as an increase in share capital. The shares arising from this increase in share capital were distributed to the existing shareholders of the Society, proportionally to their interest in the share capital as of 30 June 2022. The shareholders of the Society are six companies of the KGHM Group, of which the largest share, or</p>

	96.8% of the share capital, belongs to KGHM Polska Miedź S.A. KGHM Polska Miedź S.A. acquired newly-issued shares in the increased share capital of the Society in the total amount of PLN 5.8 million, while its interest following the increase in share capital amounts to PLN 27 million.
<b>Acquisition of newly-issued shares of CUPRUM Zdrowie sp. z o.o.</b>	As a result of carrying out the process of reorganisation within the Group and in respect of the portfolio companies of the KGHM VII FIZAN Fund, on 20 July 2022 the Extraordinary General Shareholders Meeting of the indirect subsidiary CUPRUM Nieruchomości sp. z o.o. (currently CUPRUM Zdrowie sp. z o.o.) increased the share capital of this entity by PLN 368 million. All of the newly-issued shares in the increased share capital were acquired by KGHM Polska Miedź S.A. and paid for in cash.
<b>Sale/acquisition of shares between Group entities</b>	From 27 July to 1 August 2022 the process of selling all of the shares of portfolio companies held by the KGHM VII FIZAN Fund to CUPRUM Nieruchomości sp. z o.o. took place, including four spa companies: Uzdrowska Kłodzkie S.A. - Grupa PGU, Uzdrowisko Połczyn Grupa PGU S.A., Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU, Uzdrowisko Świeradów - Czerniawa Sp. z o.o. - Grupa PGU. As at 1 August 2022, all of the shares of portfolio companies held by the Fund were transferred to CUPRUM Nieruchomości sp. z o.o.
<b>Liquidation of KGHM VII FIZAN</b>	On 2 August 2022 the KGHM VII FIZAN Fund purchased on demand of KGHM Polska Miedź S.A. 99.8% of the investment certificates for the amount of PLN 366 million. On 19 September 2022 the liquidation of the KGHM VII FIZAN Fund commenced, while on 22 November 2022 the liquidation concluded, as a result of which PLN 666 thousand was paid to KGHM Polska Miedź S.A. KGHM VII FIZAN was removed from the registry of funds on 20 December 2022.

**Table 3. Subsequent events in the KGHM Polska Miedź S.A. Group's structure and organisation (assets in Poland)**

<b>Acquisition of newly-issued shares of „Energetyka” spółka z o.o.</b>	On 12 January 2023 the Extraordinary General Shareholders Meeting of „Energetyka” spółka z o.o. adopted a resolution to increase the share capital of the company by PLN 115 million to be used to increase the share capital of the subsidiary WPEC w Legnicy S.A. All of the newly-issued shares in the increased share capital were acquired by KGHM Polska Miedź S.A. and paid for in cash in the amount of PLN 115 million. The share capital following the increase amounts to PLN 585 million. KGHM Polska Miedź S.A. owns 100% of the company's shares. The increase was registered by the court on 28 February 2023.
<b>Decrease in share capital of WMN „ŁABĘDY” S.A.</b>	On 16 January 2023 a decrease in the share capital of the company WMN „ŁABĘDY” S.A. was registered by the National Court Registry. The share capital was decreased by PLN 11 million, from PLN 24 million by PLN 13 million, through a decrease in the nominal value of the shares. The decrease in the share capital results from the coverage of losses recognised in the company's financial statements for prior years.
<b>Increase in share capital of non-operating companies</b>	On 7 March 2023, the Extraordinary Shareholders Meetings of three non-operating companies: Future 3 Spółka z o.o., Future 4 Spółka z o.o., Future 5 Spółka z o.o. adopted resolutions on increasing the share capital of these entities, in the total amount of PLN 242 thousand, in order to ensure financing of current operations of companies. All shares in the increased share capitals were acquired by the sole shareholder: KGHM Polska Miedź S.A.
<b>Conclusion of an Agreement for the sale of 100% of shares in KGHM TFI S.A.</b>	On 13 March 2023, KGHM Polska Miedź S.A. concluded an Agreement for the sale of 100% of shares of KGHM TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH SPÓŁKA AKCYJNA with Agencja Rozwoju Przemysłu S.A. The sale of Shares was contingent on meeting the conditions precedent, among others no objections raised by the Polish Financial Supervision Authority. The ownership rights to the shares will be transferred to the buyer at the moment an appropriate entry is made in the Share Register. Sale of shares is the last stage of the reorganisation under the Group's structure, which comprised the liquidation of closed-end, non-public investment funds. KGHM TFI S.A. has not managed any funds since 20 December 2022, that is from the date of deregistration of KGHM VII FIZAN fund.

### Equity investments in international assets

Equity investments carried out in 2022 were made by increases in share capital.

**Table 4. Changes in the KGHM Polska Miedź S.A. Group's structure and organisation (international assets) in 2022.**

<b>Franke Holdings Ltd.</b>	Due to the sale of the company SCM Franke in April 2022 there was a restructuring of intra-group debt, as a result of which the companies KGHM INTERNATIONAL LTD. and FNX Mining Company Inc. transferred to the company Franke Holdings Ltd. receivables in the amounts respectively of USD 97.9 million (PLN 430.056 million <sup>10</sup> ) and USD 11.3 million (PLN 49.74 million <sup>10</sup> ). As a result they acquired shares in the increased share capital of the company Franke Holdings Ltd. of the same value. Subsequently the company Franke Holdings Ltd. transferred these receivables in their nominal value to the company SCM Franke in exchange for the newly-issued shares in this company.
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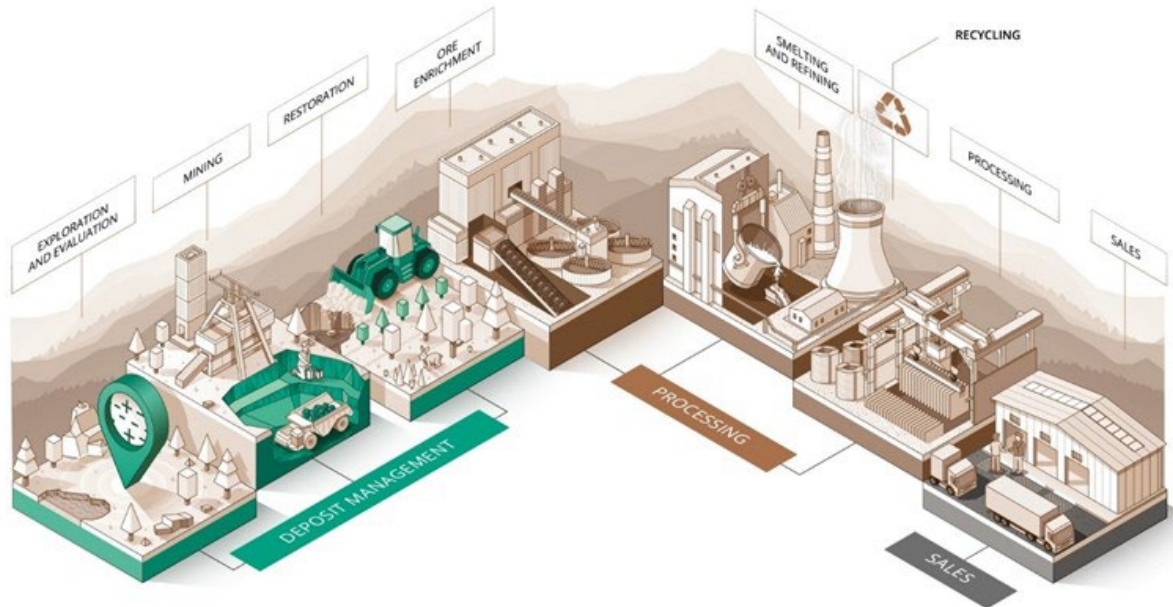
Moreover, on 23 February 2023, a loan agreement was entered into between KGHM Polska Miedź S.A. and KGHM INTERNATIONAL LTD. in the amount of USD 105.5 million (PLN 473 million, 4.4879 USD/PLN) for the advancement of the Victoria project. The loan's interest was set at arm's length. The agreement expires on 31 December 2033.

<sup>10</sup> as of the average NBP exchange rate of 30 December 2022

## 1.4 BUSINESS MODEL OF THE KGHM POLSKA MIEDŹ S.A. GROUP

GRI 2-6

Diagram 3. Business model of the KGHM Polska Miedź S.A. Group



A list of the main assets of the KGHM Polska Miedź S.A. Group with their locations is presented in section [1.6 Major Assets](#).

## 1.5 PRODUCTION PROCESS

GRI 2-6

### PRODUCTION PROCESS OF KGHM POLSKA MIEDŹ S.A.

Production in KGHM Polska Miedź S.A. is a fully integrated process, in which the end product of one technological phase is the starting material (half-finished product) used in the next 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 facilities: the Legnica Copper Smelter and Refinery and the Głogów Copper Smelter and Refinery, as well as the Cedynia copper wire rod plant. The Legnica Copper Smelter and Refinery and the Głogów Copper Smelter and Refinery belong to the prestigious Copper Mark program, and are entitled to use the certificate attesting to the fact that they produce copper efficiently and in compliance with the highest standards.

#### Mining

The technology of mining the copper ore in all three mines is based on the room-and-pillar system with the use of blasting technology for ore extraction. This involves access and preparatory work, comprised of the excavation of a drift network on all sides of the site to be mined, cutting of the unmined rock mass with rooms and drifts separating a number of technological pillars, as well as extraction of the ore followed by the transport of the ore to underground dumping stations, where the large rocks (oversized) are crushed and sifted through a grate, and then the crushed muck is transported to the storage areas near the shafts, from which it is transported to the surface by skip hoisting shafts.

The work related to mining of the copper ore is fully mechanised, in a 4-shift labour system, with the use of motorised mining rigs, most of which are equipped with air-conditioned cabins and systems supporting the work of the operators. Mining work is conducted in the following cycle: drilling the blasting holes with the support of motorised drilling rigs, loading blasting material into drilled holes by motorised blasting rigs, group blasting in mining areas, followed by a time of waiting (without the presence of mining crews) for the possible occurrence of seismic tremors caused by the blasting works and the ventilation of the areas blasted. The next stage involves the loading of the muck using motorised loaders into haulage vehicles and its transport to dumping stations. The shielded face is protected by roof anchor bolts using bolting rigs. The crushed muck is transported by conveyor belts or mine rail trolleys to the storage sites near the shafts, and is then transported to the surface. After the muck is unloaded at the shaft top, it is transported by conveyor belts or railway to the located at each of the three mines.

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The operations and processes applied in all three ore concentrators are the same. However, due to the varied lithological and mineralogical composition of the ore from individual mines, the production layout of each facility differs. The processing technologies applied include the following individual operations: screening and crushing, milling and classification, flotation and drying of the concentrate.

The flotation process results in concentrate with an average copper content of approx. 22-23%, and flotation waste. The Rudna mine concentrator produces concentrate with the highest copper content (approx. 26%), while the lowest is at the Lubin mine concentrator (approx. 13.4%). The Polkowice mine concentrator produces concentrate of approx. 24.6% copper content.

The dried concentrate of approx. 8.8% moisture content is transported by rail to the following smelters/refineries: the Legnica Copper Smelter and Refinery located in Legnica, the Głogów I Copper Smelter and Refinery and the Głogów II Copper Smelter and Refinery, located in Głogów.

The flotation waste, in the form of slimes, are transported through pipelines to the Żelazny Most Tailings Storage Facility, where the sedimentation of the solid particles takes place and the clarified water is collected and redirected to the ore concentrators. The storage site also serves as a retention-dosage reservoir for excess mine and process water in circulation. Excess water is hydrotechnically discharged (periodically) to the Odra River. This method was developed and implemented in partnership with research institutions, and it has been officially approved for use under the provisions of the Water Law. Studies demonstrate that the discharging of mine and process water to the Odra River cannot result in any changes that would make the proper functioning of water ecosystems impossible or prevent conformance with the applicable water quality requirements.

### Metallurgy

The copper smelters/refineries produce electrolytic copper from own concentrates as well as from purchased metal-bearing material (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 applies one-stage flash furnace technology, based on a license of the Finnish company Outokumpu. The concentrate dried to a moisture content of 0.3% H<sub>2</sub>O, is smelted in a flash furnace into blister copper containing around 98.6% Cu, which is subject to fire refining in anode furnaces. The slag, which still contains on approximately 12%-14% copper, is sent to an electric furnace, where the copper is removed while the CuPbFe alloy obtained is sent to the convertors, from which the resulting copper, containing 98.5% copper, is also sent for refining in anode furnaces. The copper anodes produced from fire refining are then sent for electrorefining, and the end product is electrolytic copper in the form of cathodes containing 99.99% copper.

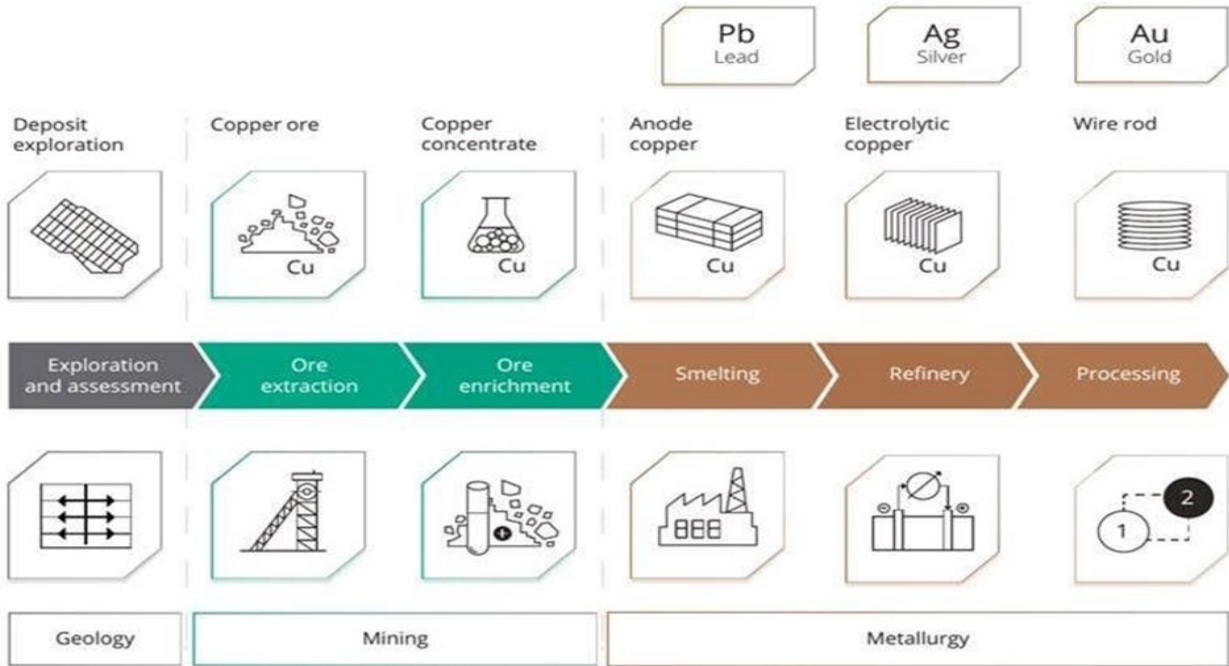
Approx. 49% of the electrolytic copper produced by KGHM Polska Miedź S.A.'s smelters and refineries are further processed in the Cedynia Copper Wire Rod Division, where copper wire rod is produced by a continuous smelting, casting and rolling process as well as oxygen-free copper rod and oxygen-free, low-alloy, silver-bearing copper rod using the UPCAST technology are produced.

The anode slime produced during the electrorefining process at KGHM's smelters and refineries contains precious metals, and is the raw material used by the Precious Metals Plant at the Głogów Copper Smelter and Refinery to produce the following products: refined silver, gold, platinum-palladium concentrate and selenium. The electrolyte in the Tank Hall, once the copper is removed, is used to produce crude nickel sulphate.

The lead-bearing dust and slimes collected as a result of the removal of dust from technological exhaust gases at the smelters and refineries are smelted, together with decopperised convertor slag from the flash furnace production line, in Dörschel furnaces at the Lead Section of the Głogów Copper Smelter and Refinery into crude lead containing 99.3% lead. This crude lead is then refined at the Legnica Copper Smelter and Refinery to obtain the end product in the form of refined lead containing 99.85% lead.



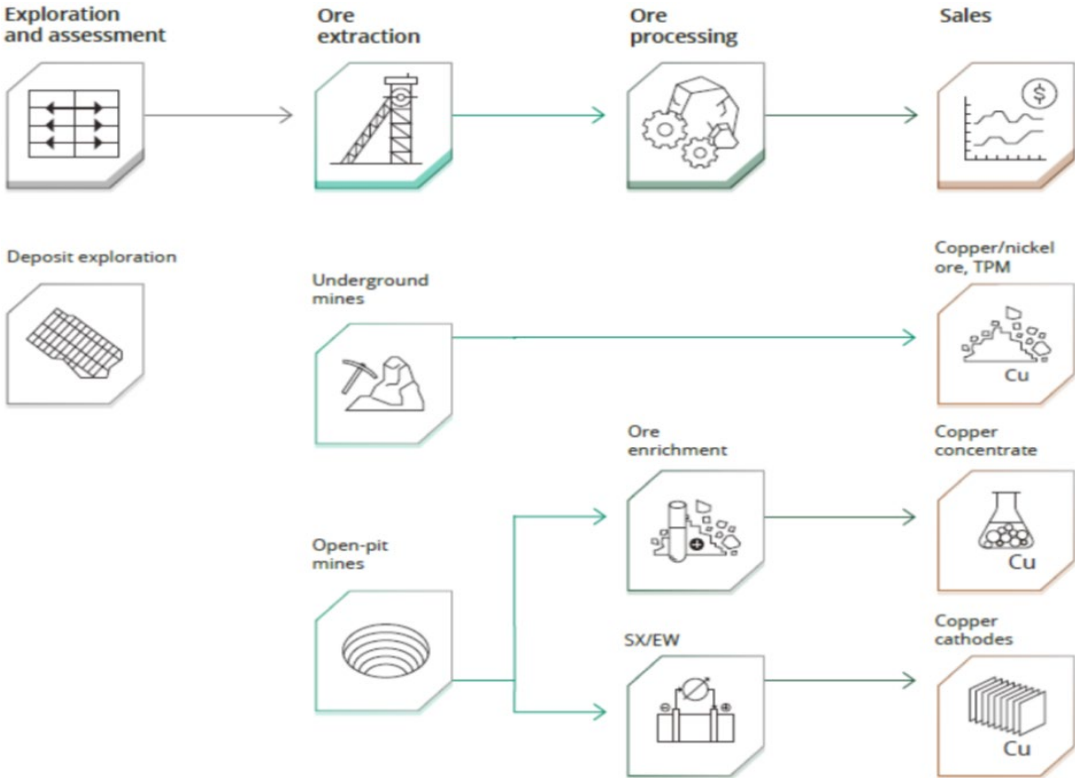
Diagram 4. Integrated geological, mining and metallurgical activities in KGHM Polska Miedź S.A.



**PRODUCTION PROCESS OF KGHM INTERNATIONAL LTD.**

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. The following drawing shows a simplified flowchart of the core business of the KGHM INTERNATIONAL LTD. Group.

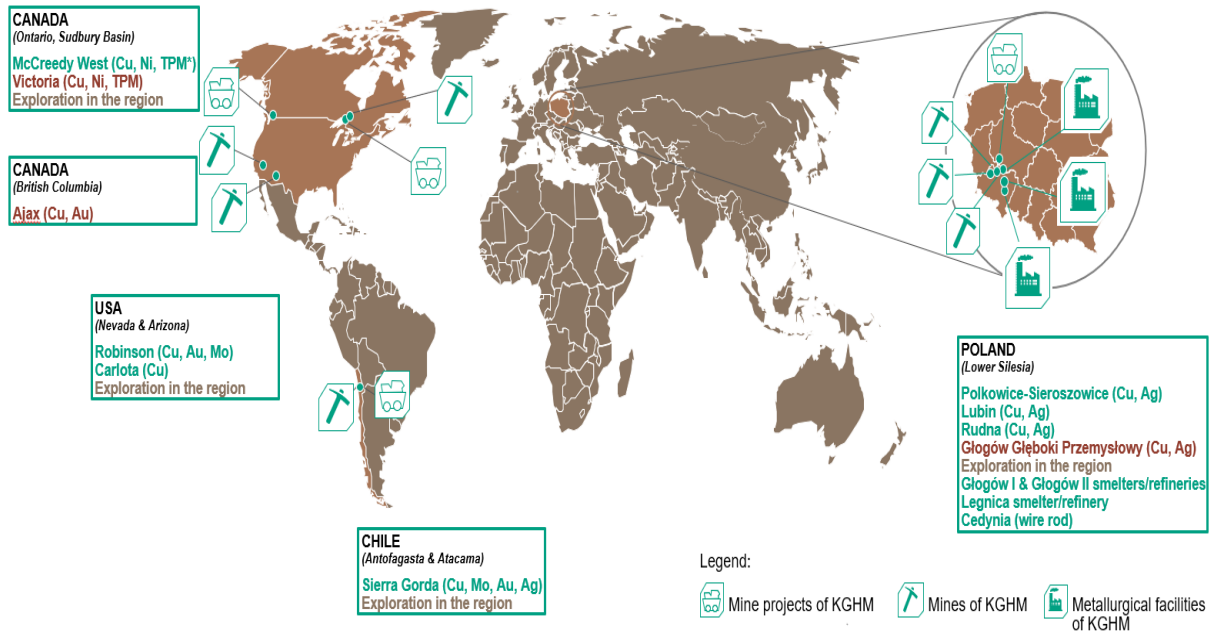
Diagram 5. Simplified flowchart of the core business of the KGHM INTERNATIONAL LTD. Group



## 1.6 MAJOR ASSETS

The KGHM Polska Miedź S.A. Group holds geographically diversified mining assets (copper ore mines with associated minerals, such as silver, molybdenum, nickel, gold and other precious metals) located in Poland, the USA, Chile and Canada as well as metallurgical facilities in Poland. The key international asset – the Sierra Gorda mine, which is a joint venture of KGHM INTERNATIONAL LTD. and 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.

Diagram 6. 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.
Type of mine	underground
Main ore type	copper ore
Associated metals	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.

Mining of the deposit is conducted using room-and-pillar methods with natural roof settlement, using blasting technology. 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.
Type of mine	underground
Main ore type	copper ore
Associated metals	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 1250 meters. Mining is conducted using room-and-pillar methods with natural roof settlement with hydraulic backfill, using blasting technology. 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.
Type of mine	underground
Main ore type	copper ore
Associated metals	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.

Mining is conducted using room-and-pillar methods with natural roof settlement with hydraulic backfill, in the vicinity of the support pillar of the town of Lubin, using blasting technology.

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.
Type of metallurgical plant	smelter/refinery
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 produces crude lead (around 30 thousand tonnes annually), silver (around 1400 tonnes), gold (around 2 tonnes) and sulphuric acid (over 550 thousand tonnes).

#### Legnica Copper Smelter and Refinery

Location	Lower Silesia, Poland
Ownership	KGHM Polska Miedź S.A.
Type of metallurgical plant	smelter/refinery
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 based on shaft furnace technology. Apart from electrolytic copper, the plant also annually produces around 30 thousand tonnes of refined lead and also around 100 thousand tonnes of sulphuric acid, as well as copper sulphate and nickel sulphate.

#### Cedynia Wire Rod Plant

Location	Lower Silesia, Poland
Ownership	KGHM Polska Miedź S.A.
Type of metallurgical plant	processing
End product	copper wire rod and Cu-OFE rod
Production in 2022	260.9 kt of copper wire and 17.0 kt of Cu-OFE 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 from 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 around 265 thousand tonnes annually and around 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 metals	gold and molybdenum
Type of orebody	porphyry/skarn
End product	copper and gold concentrate, molybdenum concentrate
Payable copper production in 2022	46.8 kt
Life of mine	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 2130 meters a.s.l., near highway no. 50.

The mine is comprised of 3 large pits: Liberty, Tripp-Veteran and Ruth. Currently, Ruth is in operation. The sulphide ore is extracted by conventional methods, and is then enriched through flotation. The end product is copper and gold concentrate, and separately 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
Life of mine	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. Surrounding the mine is mountainous, desert terrain.

Copper ore extraction by the Carlota mine is by conventional methods typical for open-pit metals mines, i.e. the ore is mined by blasting and then is transported by haulage trucks. In 2018 mining re-commenced in the Eder South area, while in 2021 mining commenced in the Eder North area.

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.

On 30 June 2022 the criteria described in IFRS 5 were re-assessed, based on which Carlota Copper Company was classified as held for sale. As a result of the analysis conducted, the Management Board of the Parent Entity on 30 June 2022 reclassified the company's assets and liabilities as continued activities, due to the fact that their sale was not highly probable. The process of selling the mining assets of Carlota Copper Company was not completed.

In accordance with IFRS 5.27, immediately following reclassification the recoverable amount of the assets of Carlota Copper Company was determined. There were no significant differences compared to the carrying amount as at 30 June 2022.

In November 2022 the process of selling Carlota Copper Company was renewed, though in the opinion of the Management Board of the Parent Entity it is not sufficiently advanced as to be able to state that the sale is highly probable. Therefore, as at 31 December 2022 the company's assets and liabilities associated with them are not recognised as held for sale.

## CANADA

### Sudbury Basin

Location	Sudbury, Ontario, Canada
Ownership	100% KGHM INTERNATIONAL LTD.
Type of mine	underground
Main ore type	copper, nickel, platinum, palladium and gold ore
Type of orebody	footwall/contact Ni
End product	copper and nickel ore with precious metals
Payable copper production in 2022	2.5 kt
Life of mine	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, though since April 2019 mining has only been conducted in the underground McCreedy West mine, due to the fact that the Morrison/Levack mine has been 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.

### 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, nickel and precious metals ore
Forecasted annual production	16 kt of nickel, 18 kt of copper
Life of mine	14 years

This project is located in the Canadian province of Ontario, around 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 two shafts to access the deposit (a production shaft and a ventilation shaft).

Based on analytical work performed in 2017, the current 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 a second shaft for production.

In 2022, work continued on project terrain connected with preparing selected elements of the surface infrastructure for further development of the project. Amongst others the construction of a headframe for one of the shafts was completed, there was progress in the construction of the foundations of the lifting machinery building, construction of the water treatment plant was completed, while work continues on a mine water reservoir. Engineering work also continued on the construction of a production shaft, as well as actions aimed at maintaining good relations and cooperation with key stakeholders in the Project.

### 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
Forecasted annual production	53 kt of copper, 114 thousand ounces of gold
Life of mine	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 processing plant, with associated infrastructure. Up to 2016 work had been carried out on a Feasibility Study for the project, setting out the preliminary economic conditions for the venture.

In compliance with Canadian law, the Ajax project underwent the Environmental Assessment process. In 2017 the Ministers of Environment and of Energy, Mines and Petroleum Resources of British Columbia (provincial authorities) decided against the granting of an Environmental Assessment Certificate for the Ajax project. In 2018 the Government of Canada, through the Governor-in-Council (federal authorities), issued a negative decision regarding the Ajax project.

As a result of the decision not to grant an EA Certificate, in 2022 work continued which was mainly related to monitoring and securing of the project terrain in accordance with law in force.

## CHILE

### Sierra Gorda mine and Sierra Gorda Oxide project

Location	Region II, Chile
Ownership <sup>11</sup>	55% KGHM INTERNATIONAL LTD, 45% South32
Type of mine	open pit
Main ore type	copper ore
Associated metals	molybdenum, gold
Life of mine	26 years for the current deposit based on phase 1 of the investment, including actions to remove 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 kt 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%
Life of mine	26 years

The Sierra Gorda mine is located in the Atacama desert, in the Sierra Gorda administrative area in the Antofagasta region, in northern Chile, approx. 60 km south-west of the city of Calama. The mine is situated at an altitude of 1 700 meters a.s.l. and 4 km from the town of Sierra Gorda.

On 1 July 2015 the Sierra Gorda mine commenced commercial production (since then it has prepared statements of profit or loss). 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.

Sierra Gorda concentrated on implementing an optimisation program aimed at improving the work of the mine, processing plant, infrastructure and tailings storage facility.

In the fourth quarter of 2021, an agreement was signed between KGHM Polska Miedź S.A. and the then-joint venture partner of Sierra Gorda S.C.M. – Sumitomo (Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation) involving the sale of the SG Oxide project to Sierra Gorda S.C.M., wherein the date of the sale was set as 1 January 2022. Cash payment was made on 4 March 2022 with the gains from the sale amounting by 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 production capacity of approx. 30 thousand tonnes/year. At present most of the oxide ore planned for processing has already been excavated and is currently stored near the site of the future plant.

### Franke mine

On 26 April 2022 subsidiaries of KGHM INTERNATIONAL LTD., i.e. Franke Holdings Ltd. and Centenario Holdings Ltd. signed an agreement for the sale of 100% of the shares of the company Sociedad Contractual Minera Franke (SCMF), being the owner of the Franke mine in Chile, to the company Minera Las Cenizas S.A. for the initial-negotiated purchase price of USD 25 million.

## 1.7 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, and 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. – the company secures part of the energy needs of KGHM Polska Miedź S.A.;
- POL-MIEDŹ TRANS Sp. z o.o – main logistics company in the Group.

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

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.

<sup>11</sup> On 22 February 2022 the sale of 45% of the shares of Sierra Gorda S.C.M. by Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation to South32, an Australian mining group with its registered head office in Perth, was completed. The transaction took place on the basis of sales agreements entered into on 14 October 2021.

In terms of the amount of capital engaged, the shares of the company TAURON Polska Energia S.A., listed on the Warsaw Stock Exchange, represent a significant and long-term investment. As at 31 December 2022 the share of KGHM Polska Miedź S.A. in the share capital of TAURON Polska Energia S.A. amounted to 10.39%. The value of the shares of TAURON Polska Energia S.A. held by KGHM Polska Miedź S.A. amounted by PLN 386 million.

## 1.8 MAIN EFFICIENCY INDICATORS

Table 5. Key non-financial indicators of KGHM Polska Miedź S.A. for the years 2021-2022

	2022	2021
<b>Society</b>		
Maintaining position in WIG-ESG (previously the RESPECT Index)	YES	YES
Maintaining 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 as well as 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
<b>Resource efficiency</b>		
Ore extraction (wet weight) per mine employee [tonne]	2 565	2 540
Production of electrolytic copper per Company / metallurgical employee [tonne]	31/162	31/160
Copper smelting yields [%]	98.08	98.33
<b>Zero harm</b>		
LTIRF <sub>KGHM</sub> (Lost Time Injury Frequency Rate KGHM)	5.1	5.6

## 1.9 MACROECONOMIC ENVIRONMENT AND MARKET TRENDS

### MACROECONOMIC ENVIRONMENT

2022 was another tough year for the global economy. Following the experience of the pandemic, who would have imagined that, just beyond the borders of the European Union, a full-scale armed conflict caused by Russia's aggression against Ukraine would erupt. And when the Western world had emerged from the problems associated with COVID-19, the virus struck the world's economy again through the realisation of China's different health policy. The event beyond Poland's eastern border affected, to quite a large degree, the shape of the global commodities market, in particular the energy markets. A substantial portion of the global increase in prices resulted from the rise in prices of energy carriers, which are frequently an intrinsic cost factor for the entire economy, including in the metals mining and processing sectors.

The initial reaction to the Russian armed invasion of Ukraine was an increase in commodities prices based on fears of a decrease in their availability and the potential for interruptions in supply. Such interruptions have a noticeable impact on the markets and prices of certain commodities (mainly nickel, aluminium and palladium, but also copper).

Energy prices, which have remained very high for several months have however turned out to be a challenge for the global economy, while the inflation which they among other factors have generated, spurred the world's largest central banks to react and led to a change in the monetary policy rhetoric by 180 degrees. As a result, this led to a rapid rise in the cost of money in the world aimed at restricting rapidly rising price pressure. The high inflation readings and increases in interest rates led to expectations of economic slowdown or even recession in selected parts of the world.

Europe was affected to a larger degree by the increase in prices of energy carriers. As a result the European currency visibly weakened versus the American dollar which, supported by the decisive tightening of monetary policy by the Fed, appreciated in value compared to most other currencies. This strengthening of the USD had a negative impact on commodities denominated in this currency, as they become more expensive in domestic currencies.

At the same time, China adopted a fairly restrictive approach to the SARS-CoV-2 pandemic, resulting in a series of lockdowns in the Chinese economy, the world's largest consumer of commodities. The restriction in activity also affected copper processors in China and led to lower consumption of the red metal, because of which the price of copper decreased in the second half of the year, reaching its minimum in July of 7 000 USD/t. Citizen protests in China and the authorities' loss of control over the spread of the Omicron variant led to a long-awaited reaction by the authorities towards the zero-COVID policy, with the consequence of changes in the existing health policy conducted by Beijing being higher copper prices in the last quarter of 2022. Nonetheless, the health situation in China is difficult to evaluate, while the long-expected economic recovery in China has been deferred.

According to recent data of Cochilco, a Chilean institution dealing with the copper market, annual production of copper in Chile fell in 2022 to its lowest level in 16 years and amounted to 5.3 million tonnes. It means a drop of 5.4% y/y and it is the

lowest annual production in Chile since 2006. This decrease is connected with a lower production by some of the world's largest copper producers, including Codelco, Collahuasi, Los Bronces and Los Pelambres. Lower-than-expected mine production (interruptions to production, project delays) is a stabilising factor in the copper market's fundamental situation. Initially it was expected that there would be a substantial surplus in production due to an expected economic slowdown and production from new mine projects.

The continuation of copper prices at a relatively high level was also caused by the record low level of inventories in the main exchanges, the lowest in many years. Moreover, according to data of CRU International, a similar situation exists in Chinese duty-free warehouses, where inventories in the final weeks of 2022 were at their lowest since the start of recording such data.

Diagram 7. Forecasts of real GDP growth per the International Monetary Fund from January 2023 versus previous forecasts (source: World Economic Outlook)<sup>12</sup>

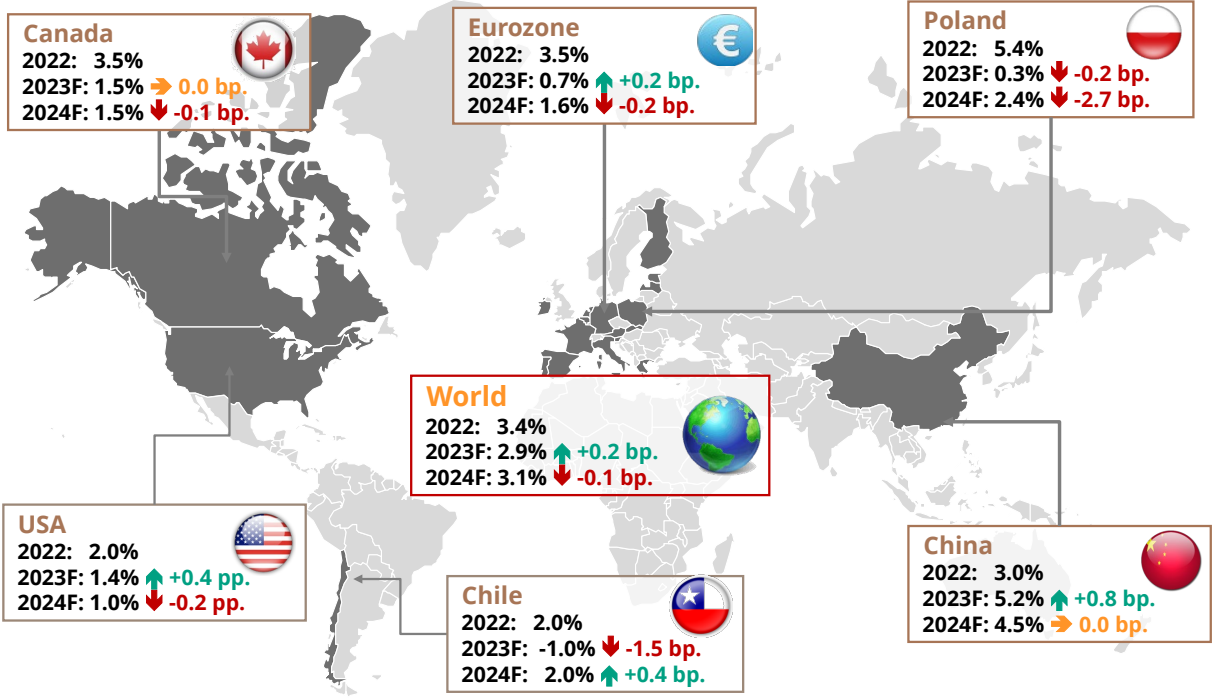
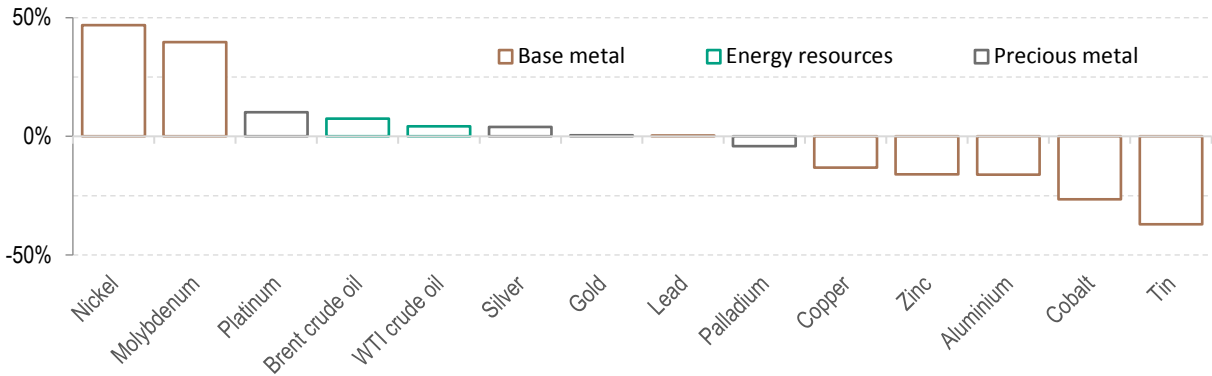


Chart 1. Change in commodities prices in 2022 (first vs last day of the year) (source: Refinitiv, KGHM Polska Miedź S.A.)

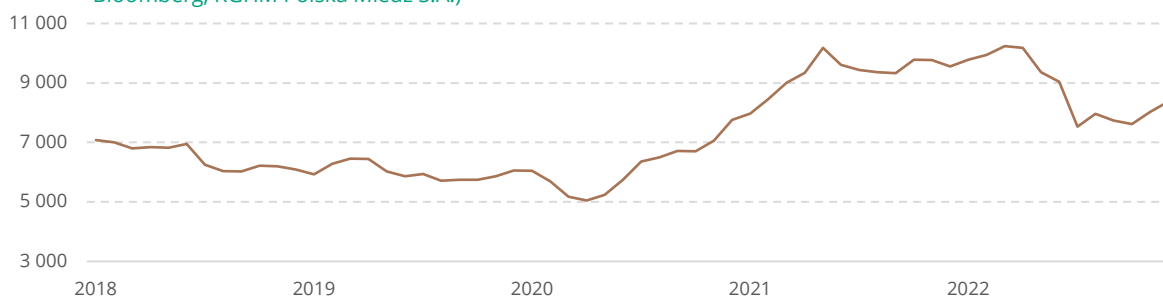


The average annual price of copper (cash settlement on the LME) in 2022 amounted to 8 797 USD/t. The highest price was recorded on 7 March. At that time it amounted to 10 730 USD/t, and set a historic record. The lowest level was recorded on 15 July. On that day the price of copper amounted to 7 000 USD/t. Taking into consideration the cash settlement price, copper in 2022 fell by 13% (the closing price on the first versus last day of the year). It is also worth noting that 2022 was a

<sup>12</sup> Forecasts (F) of real GDP growth per the International Monetary Fund - World Economic Outlook – January 2023 compared to October 2022; for Chile the data are from October 2022, and are compared to April 2022

record year in terms of copper prices denominated in the Polish złoty. The average price in 2022 amounted to 39 037 PLN/t (daily LME prices calculated after the NBP fixing).

Chart 2. Copper price (average monthly) per the London Metal Exchange in the years 2018-2022 (in USD/t) (source: Bloomberg, KGHM Polska Miedź S.A.)



At the start of 2022, in an environment of heightened risk being the result first of threats, and then an actual Russian invasion of Ukraine, the price of silver, following its sister gold, recorded a rapid increase, reaching its maximum level for 2022 of over 26 USD per ounce. From that moment silver began a falling trend, reaching its 2022 minimum on 1 September of around 17.50 USD/oz. Similarly, whether in the case of an increase or a decrease, silver followed gold, which was negatively impacted by a tightening of monetary policy by the Fed and higher interest rates, which strengthened the American dollar. An additional burden for silver, resulting from tightened monetary policy both within and outside of the USA, the negative impact of rising global inflation and pandemic lockdowns in China, was the weakening of global industrial production, raising fears about demand for silver. The average price of this metal according to the London Bullion Market Association (LBMA) in 2022 fell by 13.5% and amounted to 21.73 USD/oz t versus 25.14 USD/oz t in 2021.

Chart 3. Silver price (average monthly) per the London Bullion Market Association in the years 2018-2022 (in USD/oz t) (source: Bloomberg, KGHM Polska Miedź S.A.)



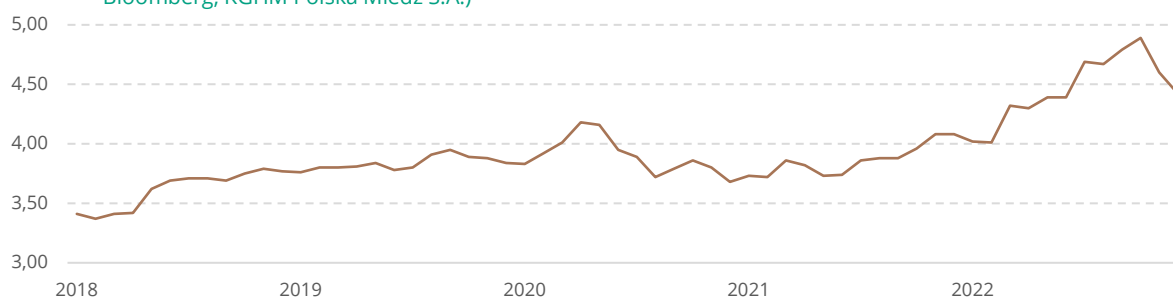
The price of molybdenum until May remained at a level of around 19 USD/lb, in August it fell below 14 USD/lb, but from this moment it systematically rose, to end the year at 26.13 USD/lb. The reason for the drop in August were the fears regarding demand for the metal, especially from Chinese stainless steel producers, which nevertheless turned out to be unfounded. Meanwhile, the somewhat later fears about lower supply from South America due to logistical interruptions and limitations in mine production became an impulse for substantial rises in prices, especially in the last weeks of the year. The average price of the metal in 2022 amounted to 18.51 USD/lb and was 17% higher than the average for 2021 (15.82 USD/lb).

Chart 4. Molybdenum price (average monthly) per Platts (in USD/lb) in the years 2019-2022 (in USD/lb) (source: Platts, KGHM Polska Miedź S.A.)



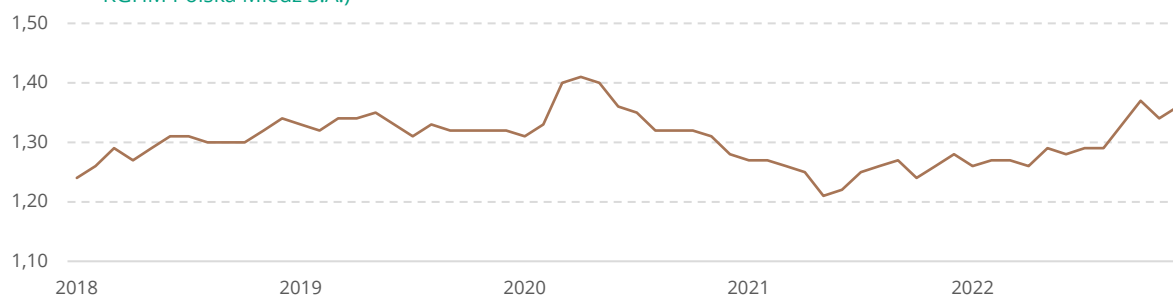
Quotations of the Polish złoty, both in comparison to the euro as well as the American dollar, continued to be under the influence of events related to the Russian invasion of Ukraine. In the first months of the year, the Polish złoty was under the impact of heightened volatility, despite attempts to stabilise the PLN through the intervention of the National Bank of Poland (NBP). The NBP continued its tightening of monetary policy, similarly to the actions of other central banks in the region, thanks to which the PLN did not undergo further depreciation. The maximum price of the PLN versus the euro of around 4.96 was recorded on 7 March, while the maximum of 5.04 to the USD was reached on 28 September. The Polish złoty ended 2022 at around 4.40 to the USD (NBP fixing at 30 December 2022). The average USD/PLN exchange rate (per the NBP) in 2022 amounted to 4.4615 and was higher by 15.44% than in 2021 (3.8647 USD/PLN).

Chart 5. USD/PLN exchange rate (average monthly) per the National Bank of Poland in the years 2018-2022 (source: Bloomberg, KGHM Polska Miedź S.A.)



In 2022 the Canadian dollar weakened versus the American dollar, taking into consideration the quotations of this currency pair in the first and last days of the year. This devaluation versus the USD was due to a general global trend of USD strengthening. The average USD/CAD exchange rate (per the Bank of Canada) in 2022 amounted to 1.3013 and was 3.8% higher than the rate recorded in 2021 (1.2535).

Chart 6. USD/CAD exchange rate (average monthly) per the Bank of Canada in the years 2018-2022 (source: Bloomberg, KGHM Polska Miedź S.A.)



The USD/CLP exchange rate during the year systematically weakened. The average annual USD/CLP exchange rate (per the Bank of Chile) in 2022 amounted to 872, meaning a weakening of the local currency as compared to the USD by 14.9% (759 in 2021).

Chart 7. USD/CLP exchange rate (average monthly) per the Bank of Chile in the years 2018-2022 (source: Bloomberg, KGHM Polska Miedź S.A.)

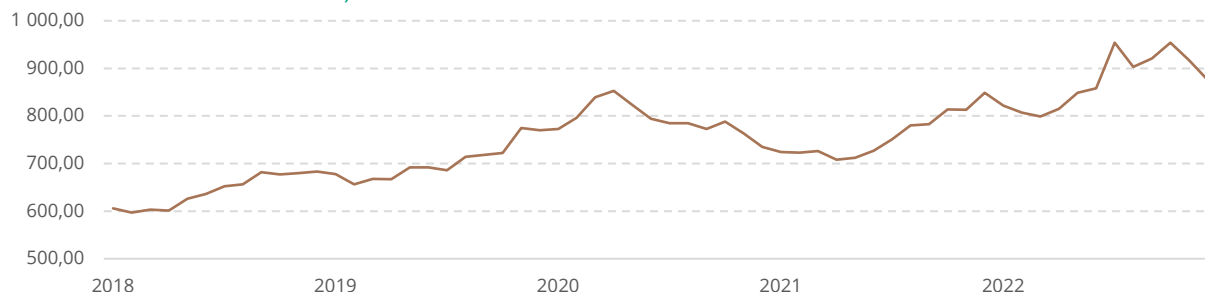




Table 6. Market conditions significant for the operations of the KGHM Polska Miedź S.A. Group in the years 2021-2022 – average prices

	Unit	2022	2021	Change (%)	IVQ'22	IIIQ'22	IIQ'22	IQ'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

## ANALYSIS OF THE GLOBAL MARKET FOR THE GROUP'S BASIC PRODUCTS

The primary products of the KGHM Group, i.e. copper concentrates, cathodes, copper wire rod and silver in the form of bars and grains, are traded on the highly-competitive global market as well as in reference to the commodity markets. Markets for the individual products offered by KGHM have varied rules and customs concerning trading and standard prices. Their incomparability is also due to the characteristics of products, which impacts their usage and the diversity of market participants.

### Copper

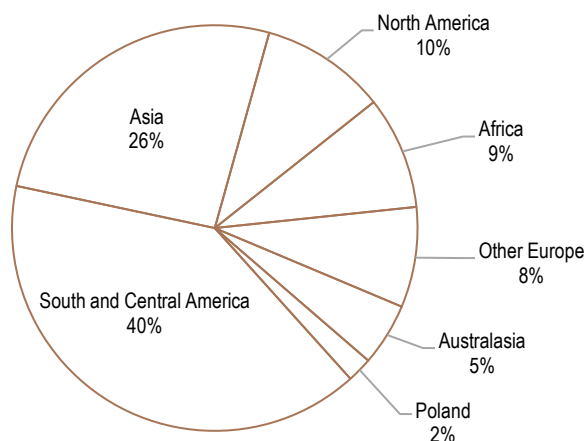
The primary products offered by the companies of the KGHM Group are concentrates, cathodes and copper wire rod. They are the result of various stages of processing copper ore and recycling of copper scrap. For all of these products, the price benchmark (i.e. the global benchmark of copper prices for physical sales contracts of copper-bearing materials and products) is stock market quotations, with the cash settlement of the London Metal Exchange (LME) being most commonly used. Less commonly used are alternative quotations of copper on the stock exchanges in New York (COMEX) and the Shanghai (Shanghai Futures Exchange -SHFE). Grade "A" type refined copper cathodes, with a copper content of at least 99.99%, are quoted on the LME (under the standard BS:EN 1978:1998 - Cu-CATH-1). In order to be able to apply stock exchange prices to purchase/sale transactions of the products to which this quality standard is not applied (i.e. all types of copper-bearing materials such as copper concentrates, copper scrap or more processed products like copper wire rod), market participants have developed a premium and discount system, which adjusts stock quotations. It allows setting of a market price for a product which takes into account its processing stage, its physical state and chemical makeup, as well as costs of transport and insurance to an agreed delivery destination and the current availability of the metal in a given location.

### Copper concentrates

Copper concentrate is a product made by processing and enriching copper ore, which usually has a relatively low metal content and is not suitable for direct metallurgical processing. Usually, copper content in concentrate varies from percentages in the teens to several tens of percent, which enables further processing in copper smelters and refineries. The cost of transporting products with a lower copper content (for example copper ore) basically eliminates them from trade in the global market (with certain exceptions). Therefore it may be assumed that copper concentrate is the first product of processing copper ore that may be generally traded. As a result of metallurgical processes copper is produced as well as the by-products of processing (mainly precious metals, sulphuric acid, lead etc.). The main participants of the concentrate markets are mines supplying the product on the market and smelters and refineries, for which the concentrates are materials for production. Trading companies also play a role in the international trading, intermediating in the purchase/sale transactions and offering additional services expected by the parties. In 2022, the total global production of copper in copper concentrate is estimated at 18.2 million tonnes (according to CRU).



Chart 8. Geographical breakdown of global copper concentrates production in 2022 (source: CRU, KGHM Polska Miedź S.A.)



Copper concentrates require processing into refined copper, which leads to incurring processing costs and the incomplete recovery of metals at individual production stages. Therefore, the transaction price should have a set of discounts as compared to quoted prices for refined copper. The benchmark of these discounts (for TC/RC) is determined during negotiations with the main producers of concentrates (Freeport McMoRan, Antofagasta) and their customers (mainly Chinese and Japanese smelters and refineries).

Companies of the KGHM Group participate in the copper concentrate markets mainly by selling concentrate from Sierra Gorda in Chile and from Robinson in the USA. At the same time, the Company purchases copper concentrates from the market with characteristics suitable for more efficient utilisation of the production capabilities of the smelters and refineries in Poland.

#### Copper cathodes

Refined copper in the form of copper cathodes is the end product of the smelting and refining processes to which the copper-bearing materials are subjected (including concentrates, copper blister, anodes and copper scrap). Primary commodities exchanges (including the LME, SHFE and INE) enable cathodes to be registered (Grade A type, with a copper content of at least 99.99% under the BS:EN 1978:1998 - Cu-CATH-1 standard), and therefore their trading on exchanges and through LME-approved warehouses. The copper cathodes produced by KGHM are registered on the LME, SHFE and INE under the brands HML, HMG-B and HMG-S. Unregistered cathodes are also traded on the physical market (for example those that do not meet quality parameters or the minimal yearly production conditions set by exchanges). One example of unregistered cathodes produced by KGHM is the Carlota brand. The main participants in the cathodes market are mining and smelting companies producing copper in the form of cathodes and wire rod plants and other companies engaged in copper processing, which use cathodes to produce wire rod, other rods, flat bars, pipes, sheets and tapes. Similarly as in the case of copper concentrates, trading companies and financial institutions intermediating in the cathodes trade also participate in the market. In 2022, CRU estimated total global production of refined copper at 24.6 million tonnes.

It is a standard practice on the Grade "A" copper cathodes market to add a producer's premium to the prices set by global exchanges. Its level allows the producer to cover the cost of transport and insurance to the agreed delivery destination, and it also includes the premium for quality (of a given cathodes brand) and supply-demand situation on a given market.

The companies of the KGHM Group participate on the cathodes market mainly by selling cathodes from the Group's Polish assets. The Głogów Copper Smelter and Refinery produces cathodes of the HMG-S and HMG-B brands, while the Legnica Copper Smelter and Refinery produces cathodes of the HML brand, registered on the exchanges in London (LME) and in Shanghai (SHFE and INE). Moreover, the KGHM Group offers cathodes produced through the leaching and electrowinning (SX/EW) process in Chile and the Franke mine (until April 2022) and in the Carlota mine in the United States. Production of refined copper by companies of the KGHM Group amounted to 593 thousand tonnes in 2022, which represents approx. 2.4% of global production.

Chart 9. Geographical breakdown of global refined copper production in 2022 (source: CRU, KGHM Polska Miedź S.A.)

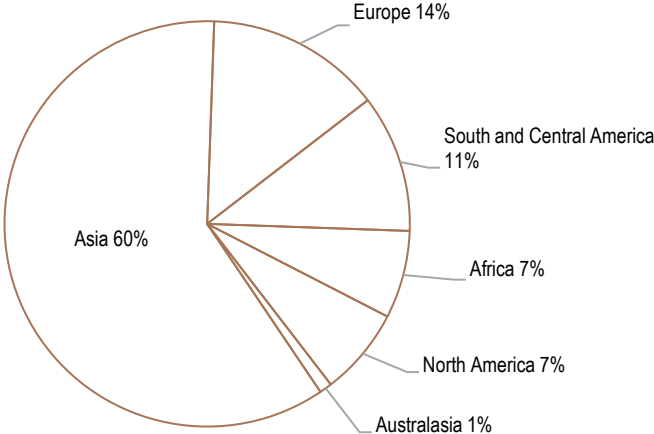
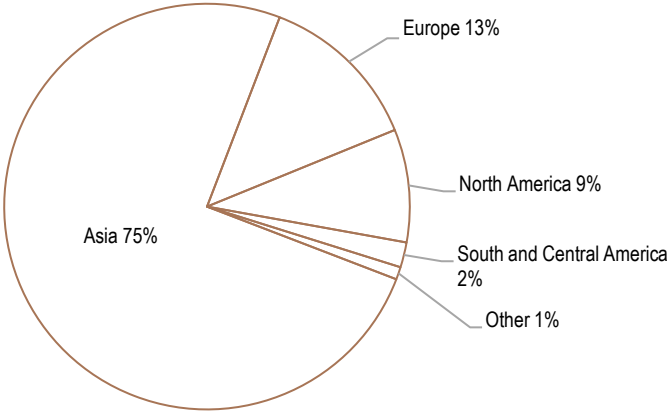


Chart 10. Geographical breakdown of global refined copper consumption in 2022 (source: CRU, KGHM Polska Miedź S.A.)



**Copper wire rod**

Copper wire rod is manufactured in the continuous process of melting, casting and drawing in plants processing refined copper. The material used in this production cycle is mainly copper in the form of cathodes, although higher-grade copper scrap may also be used. Wire rod is a half-finished product used in the production of single wires and strands used to produce conducting cores in cables and electric wires (for example: enamelled cable, car cables, power cords etc.) Similarly as for copper cathodes, trading companies are also involved in trading of half-finished products, apart from companies with production facilities (wire rod plants and companies processing wire rod into cables and bundled wires). The wire rod market, due to the quality characteristics of the product, is more of a local market, which also means that it is highly competitive and demanding. In 2022, total global production of copper in the form of wire rod is estimated by CRU at 19.7 million tonnes.

Chart 11. Geographical breakdown of global copper wire rod production in 2022 (source: CRU, KGHM Polska Miedź S.A.)

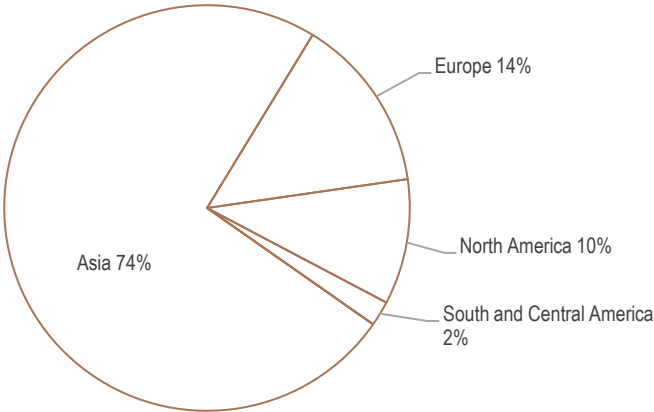
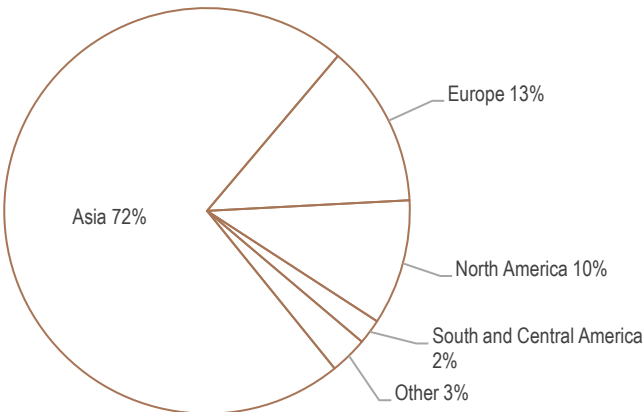


Chart 12. Geographical breakdown of global wire rod consumption in 2022 (source: CRU, KGHM Polska Miedź S.A.)



Wire rod’s price structure, apart from the copper quotations on the London Metals Exchange, also includes a producer’s fee (added to cathodes) and the refining charges due to the costs of processing cathodes into wire rod. KGHM Polska Miedź S.A. offers wire rod which is produced in the Cedynia Wire Rod Plant in Orsk.

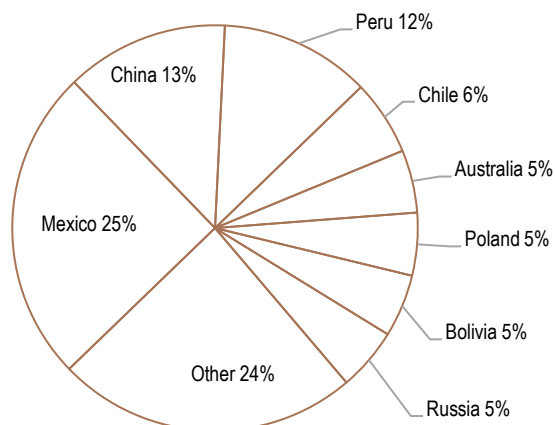
Copper wire rod and wires are utilised in numerous sectors of the modern economy, while the products created from them (cables and bundled wires) account for approx. 63% of world copper consumption. The vast majority of wire rod and wires (estimated at over 10 million tonnes annually), is used in construction and infrastructure. Distribution of electricity, building wiring and transmission as well as distribution networks are the most dominant subsectors. Amongst the most popular products manufactured from wire rod and wires are power lines, cables in the electrical installations in buildings and winding wires (together approx. 80%).

In 2022, production of wire rod and wire by KGHM Polska Miedź S.A. amounted to 284.8 thousand tonnes, or nearly 11% of European production. This result makes the Company one of Europe’s leading producers of these copper half-finished products.

**Silver**

Approximately 72% of global metallic silver production is a by-product of mining ores of other metals. Silver, due to its unique physical characteristics, is used in the jewellery, electronics and electrical industries, as well as in medicine, optics, the energy industry and many others. It is also applied in the latest technological solutions, among others in infrastructure, the automotive industry and photovoltaics. In total, industry utilises approx. 50% of global silver production. It is also a valued investment metal. According to Metals Focus preliminary estimates, in 2022 global production of mined silver amounted to 26 thousand tonnes.

Chart 13. Geographical breakdown of global mined silver production in 2022 (source: Metal Focus – preliminary data, KGHM Polska Miedź S.A.)



Usually, participants in the silver market make use of London Bullion Market Association quotations when setting the price for silver in physical transactions, after adjusting for current market conditions.

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, KGHM produced 1338 tonnes of silver, making the Company one of the world's leading producers of silver. This metal in the form of bars is registered under the brand KGHM HG and has a registered certificate on the NYMEX (New York Mercantile Exchange) as well as Good Delivery certificates issued by the London Bullion Market Association. Silver is supplied in the form of grains to the jewellery and metals industries, which produce alloys containing silver. Silver in the form of bars (ingots) is mainly purchased by financial institutions.

#### 1.10 **COMPETITIVE ADVANTAGES OF THE KGHM POLSKA MIEDŹ S.A. GROUP**

The broad scope of activities of the KGHM Polska Miedź S.A. Group, the unique comprehensiveness of our mining and processing operations on a global scale, the integration of our operations, our focus on innovation and financial stability, along with our extensive in-depth experience and long-term Strategy, combined with extension of the value chain, broad product portfolio and access to rich deposits, allow the KGHM Group to offer products and services that satisfy the expectations of even the most demanding buyers.

##### **GLOBAL REACH OF OPERATIONS**

Over the recent decades, KGHM Polska Miedź S.A. has become a global mining and processing entity with presence on four continents. On the one hand, such a large scale of operation substantially curtails the risk of disturbance in the continuity and quality of production, while on the other hand, it facilitates the continuous transfer of knowledge and experience between its various units. Its mobility policy enables it to post the most prominent experts in the KGHM Group wherever their expert knowledge is needed to derive business benefits. The key for success is also a diversified and constantly enlarged product portfolio. For over a decade, KGHM Polska Miedź S.A. has owned mining assets not only in Poland but also in Canada, the USA and Chile.

KGHM is part of the elite group of companies which can claim a full value chain, including mining, smelting/refining and processing.

##### **ACCESS TO ITS OWN RICH, SECURE DEPOSITS IN POLAND AND ABROAD**

KGHM Polska Miedź S.A. holds a geographically diversified portfolio of mining projects. It has production facilities in Europe and North and South America. The global copper ore resources controlled by KGHM – over 40 million tonnes – guarantee KGHM an important position in the global mining sector. KGHM mines and processes precious natural materials. At its heart is one of Europe's largest copper ore deposits, located in southwestern Poland, which is also rich in associated metals. Apart from the rich deposits on which KGHM operates, the Company continues its exploration and assessment work in order to develop and expand its resource base. A broad range of exploration work is conducted, i.e. exploration and geological appraisal, which may 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 life.

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## **A FULLY-INTEGRATED PRODUCTION PROCESS WITH A COMPLETE CHAIN OF MINING AND PROCESSING NATURAL RESOURCES – FROM ASSESSMENT AND EXPLORATION TO SALES**

Production in 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.

A description and diagrams of the production process in KGHM Polska Miedź S.A. and KGHM INTERNATIONAL LTD. Is presented in section [1.5. Production process](#).

A fact worth noting is that KGHM Polska Miedź S.A. has been rapidly developing and implementing certain elements of the circular economy concept in its operations. To this end, it has been making progress in the areas of recycling and further improving the utilisation of post-production waste as a so-called secondary source of raw materials.

### **UNIQUE KNOW-HOW AND SKILLS**

During its more than 60 years of history, KGHM Polska Miedź S.A. has acquired extraordinary human capital, experience, knowledge and skills that have enabled the Company to transform its business from a local mining company into an international group acting as a major player in the global market for non-ferrous metals. The skills developed by our employees are and will be used in the future as one of the fundamental assets for winning a competitive edge in the industry and for building a strong position of Poland as an industrial centre.

The focus on sustainable development – commitment to actions involving the climate and natural environment, social responsibility and corporate governance – plays an important role in the above processes. Thanks to its transparent and comprehensive activities (as well as its commitment to stakeholder relations), the Company is perceived as committed not only to developing its own business activities, but also to making a significant contribution to the common good. More on this subject may be found in section [2.4. Management of ESG issues](#).

The Company has received many prestigious awards and prizes, granted both during international competitions (including: Award of the State Mining Union of Chile for the Sierra Gorda mine, the Nevada Excellence in Mine Reclamation Award for the Robinson mine in the USA for restoration of the Lane City Waste Rock Facility (WRF), as well as Polish ones (such as for actions related to communicating with investors and its presence on the capital market).

### **MORE THAN 60 YEARS OF EXPERIENCE IN UNDERGROUND COPPER MINING**

The global mining industry is dominated by open-pit mining; underground mining is a much rarer form of sourcing raw materials. KGHM mines copper ore in three underground mines: Lubin, Rudna and Polkowice-Sieroszowice. The extraction of copper ore, its processing and production of a finished product that is fit for sale is a difficult and complex process. The Company has many years of unique experience and know-how in this area, which is sought after by experts from around the world.

Underground mining has many advantages in terms of environmental footprint and climate action. Since most of the work is carried out underground, there is much less impact on the landscape and natural environment. This form of operation is also less burdensome on the surroundings and local communities. The processes of reclamation of post-mining areas and the activities required to restore them for people and nature are also easier. KGHM has unique knowledge associated with the work carried out at great depths, extracting copper ores and other precious metals from underground mines. In 2022, KGHM advanced work on deepening the key GG-1 shaft to a depth of over 1.34 km, which is a European record in shaft sinking. This is a strategic investment for the mining of copper in Poland related to the utilisation of a new copper ore deposit in the Deep underground (Głogów Głęboki-Przemysłowy) area.

KGHM carries out innovative research and development projects (associated among others with the testing of battery-powered mining machines, the robotisation of production and auxiliary processes, broadband data transmission in the underground mines), which are aimed at increasing the efficiency of processes and work safety. In spite of unfavourable natural conditions, the Company operates successfully thanks to innovative, advanced technologies.

### **A RICH PORTFOLIO OF PRODUCTS / MINERALS**

The strength of the KGHM Group lies in its geographically-diversified mining assets which operate in Europe (Poland), North America (USA and Canada) and South America (Chile), which extract copper ore, associated minerals and precious metals. In its facilities located in Poland its activities are also based on smelting, refining and processing. The deposit mined by KGHM in Poland is one of the largest copper deposits in the world that will allow the company to continue its activity for several decades. KGHM also produces silver, gold, molybdenum, nickel, rhenium, lead, platinum metals and rock salt.

KGHM is famous for its metal production, however it is also worth noting that other products are also produced in its technological processes – these include crude 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 extremely rare metal used mainly in the aircraft and petrochemical industries.

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## **EXTENSION OF THE VALUE CHAIN**

The main business model of the KGHM Polska Miedź S.A. Group is divided into seven areas: the exploration and evaluation of deposits, mining and restoration of deposits, ore enrichment, smelting and refining (including recycling), processing and sales of finished products. The core business so organised enables optimisation and the efficient management of natural resources, while at the same time minimising waste, in accordance with the Circular Economy concept.

KGHM Polska Miedź S.A. not only has an extensive product portfolio, but also considerable potential for extending the value chain, which it is gradually tapping into. KGHM cooperates with its Group companies to implement the concept of intensifying the acquisition of copper-bearing scrap to use it as feedstock in KGHM's metallurgical furnaces, increasing the production of recycled copper. By diversifying backwards, 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 thousand tonnes of copper scrap was processed, which was recycled in line with the Circular Economy concept. By increasing production, the Company at the same time strives to increase the share of highly processed products in the KGHM Group's total sales.

Diversification allows it to increase the flexibility of finished products offered to customers. In addition to the base product of cathodes, KGHM produces the aforementioned processed copper products in the form of wire rod and wire. KGHM continues to develop and implement innovative products. Such activities include, for example, low-loss power cables featuring copper and silver alloys.

## **INNOVATION**

Work on innovative solutions is conducted at various business levels, by drawing on cooperation with independent entities and consortia, scientific centers and appreciating the creative potential and ingenuity of our own employees. All these activities will ultimately contribute to, among others, the increased effectiveness of R&D efforts, higher innovation, reduced production costs, stimulation of implementation activity, improved occupational health and safety, effective environmental protection activities and in the context of sustainable development, as well as searching for new deposits. KGHM Group employees are the most familiar with specific needs and are able to identify areas and solutions that translate into better performance and greater safety, improved ergonomics of their work and protection of the environment. For this reason, within the framework of activities, various opportunities to manage knowledge and build synergies on cooperation within the KGHM Polska Miedź S.A. Group are constantly looked for. An example of an activity supporting employee innovation is the Inventors Market, which in November 2022 was introduced in all of the Company's Divisions. In accordance with the Company's Inventing Bylaws, also sought after are solutions of a technical or technical-organisational nature as regards technology, but also in the area of workplace environment, in particular improving occupational health and safety.

In 2022 the second edition of the CuValley Hack was held – a hackathon organised by KGHM Polska Miedź S.A. and KGHM Centrum Analityki sp. z o.o. under the Dolina Miedziowa (Copper Valley) program. 250 people took part in the hackathon, where teams presented 40 projects (three projects acquired under the second edition are in the process of being implemented in KGHM).

## **PARTNERSHIP WITH COMPANIES AND INSTITUTIONS**

KGHM builds permanent partnerships with renowned domestic and international companies and institutions. The Company is a member of numerous domestic and international organizations, including employer organizations, economic associations, sector societies, foundations and other entities representing the European mining industry. KGHM engages in ongoing dialogue with technological experts, universities, suppliers, governments, social groups, leaders of industry and citizen social organisations at all stages of the lifecycles of their projects. Through ongoing cooperation with stakeholders and exchanges of opinions, KGHM takes an active role in social development, becoming at the same time 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 is comprised of entities with unique and significant competencies, which is required for the broadly-defined operational assurance of the core production line, but also skills that secure future development prospects, continuity of electricity supply or know-how in technology development. These entities provide services which are indispensable to KGHM, such as underground construction services, the performance of mining work (PeBeKa S.A.), manufacture and maintenance of mining machinery and equipment (KGHM ZANAM S.A.), activities supporting the Circular Economy based for example on the supply of copper scrap, production of road aggregate (KGHM Metraco S.A.) and securing a portion of KGHM's energy needs ("Energetyka" Sp. z o.o.), or rail transport and rolling stock maintenance services (POL-MIEDŹ TRANS Sp. z o.o.). The Group also comprises entities engaged in supporting and complementary activities, such as: comprehensive research and development services (KGHM CUPRUM Sp. z o.o. – Centrum Badawczo-Rozwojowe), work involving advanced data analysis and the implementation of new technology (KGHM Centrum Analityki Sp. z o.o.), various laboratory tests and analyses (CBJ sp. z o.o.), health care services (Miedziove Centrum Zdrowia S.A., Polska Grupa Uzdrowisk) and even catering services (PHU „LubinpeX” Sp. z o.o.).

An important group is comprised of subsidiaries playing a key role in activities involving Sustainable Development and ESG, in particular connected with environmental protection. The KGHM Group is implementing a variety of development initiatives based on the Circular Economy concept (GOZ), aimed at limiting environmental impact. Thanks to subsidiaries such as KGHM Metraco S.A. and Centrozłom Wrocław S.A., KGHM Polska Miedź S.A. has guaranteed supplies of copper scrap in this highly competitive and unstable market. Additionally, the development of complementary activities enable the KGHM Group to reduce the costs of buying concentrates.

The scope of the Group's operations is very broad and diverse, but at the same time integrated and adapted to market challenges, which offers significant competitive advantage for the whole Group.

## FINANCIAL STABILITY

One of the pillars of growth of the KGHM Group is to ensure the Group's financial stability and implement systemic solutions aimed at increasing the Group's value. As part of enhancing its competitive advantage in this respect, KGHM Polska Miedź S.A. strives to base the KGHM Group's financing structure on long-term instruments, shorten the cash conversion cycle and manage the KGHM Group's market and credit risk effectively. These actions improve the liquidity of the Company and the KGHM 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 a number of significant long-term investment projects to be planned and implemented.

### 1.11 STAKEHOLDERS AND EXTERNAL RELATIONS

GRI 2-29

#### MAP OF STAKEHOLDERS OF THE KGHM POLSKA MIEDŹ S.A. GROUP

In the first half of 2022, based substantively on the methodology of Johnson&Scholes, the process of updating the identification and mapping of the Stakeholders of the KGHM Polska Miedź S.A. Group was performed. The first stage was to break down the Stakeholder groups. This was done, similarly as in prior years, with the aid of questionnaires, filled out by representatives of senior management in the individual entities of the KGHM Polska Miedź S.A. Group, representing the various activities conducted therein. In the second stage the degree of interest was assessed – the perception of Stakeholders towards the organisation and of the organisation towards the Stakeholders, as well as their levels of mutual impact. The results of this research enabled the identification of four Stakeholder categories, broken down under the Johnson&Scholes matrix for the KGHM Polska Miedź S.A. Group. One of these was Key Stakeholders, representing the most influential and important Stakeholders for the Group. It was determined that this category includes all of the current Key Stakeholders of KGHM, but also that the individual companies of the KGHM Group, including the Parent Entity, should be treated separately.

Table 7. Map of Key Stakeholders of the KGHM Polska Miedź S.A. Group in 2022

Stakeholder type	Specification
<b>Key stakeholders</b>	
Employees, including trade union members	Also including former employees and potential employees
Owners	Parent Entity - KGHM Polska Miedź S.A. and Group companies
Representatives of local and national administration	Local governments of the municipalities, in which the company operates; State Treasury
Local community members	Social groups that are not non-government organizations, or e.g. social assistance centres
Suppliers	Suppliers of the entire value chain, including partners in JVs in which KGHM has shares
Clients	Domestic and international
Regulators	Including, among others, the legislator, the judiciary, standardization/metrological units
Stock exchange environment	Shareholders, bondholders, rating agencies
Supervisory authorities	E.g. the Polish Financial Supervision Authority, the National Labour Inspectorate, certification entities, entities granting sector rights (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
<b>Other Stakeholders</b>	
Media	All types, domestic and international
Competitors	Domestic and international, e.g. chambers of commerce, International Copper Association
Indigenous people	This refers to the KGHM Group, mainly the First Nations of North America
Trade organisations	Domestic and international
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

A good relationship with stakeholders based on mutual understanding and trust is crucial for the KGHM Polska Miedź S.A. Group, as an organization which exerts a significant impact on its economic, social and natural environment, of which it is fully aware and for which it accepts responsibility. Cooperation, as one of the Company's values, is the basis for its success in business and social activities. The Group builds relationships with Stakeholders based on partnership and complete transparency, with an awareness of their importance in its long-term strategy and sustainable approach to business. The basis of this process is dialogue geared towards learning about mutual expectations and capabilities and implementing agreements.

KGHM carries out an effective informational policy and dialogue based on partnership with its key Stakeholders. Responding to their needs has an impact on the image and perception of KGHM as a reliable and well-managed economic entity.

Table 8. Examples of actions by the KGHM Polska Miedź S.A. Group towards selected key stakeholder groups in 2022

<p><b>Employees</b></p> <p>KGHM's priority is the health and safety of employees, their professional development and the constant improvement of working conditions</p>	<p>Examples of communication channels and tools applied in 2022:</p> <ul style="list-style-type: none"> <li>- meetings and consultations with employee representatives regarding important decisions or events,</li> <li>- the Internet, internal publications and television, newsletters, 921 centrally published information on Intra/Extranet, 331 videos (news) in KGHM TV, 22 publications of semi-monthly CUrier newspaper,</li> <li>- company events, competitions, employee volunteering, trainings, engagement research (17 internal competitions),</li> <li>- publications in local and national media regarding activities and projects implemented by the Company.</li> </ul>
<p><b>Administration representatives</b></p> <p>The Company cooperates with all levels of administration in the use of local resources, as well as employee and environmental policy. KGHM organizes consultations and information meetings with representatives of the areas where it operates or intends to operate.</p>	<p>Examples of communication channels and tools applied in 2022:</p> <ul style="list-style-type: none"> <li>- meetings and consultations,</li> <li>- traditional correspondence and e-mail</li> <li>- the Internet.</li> </ul>
<p><b>Members of the local communities</b></p> <p>KGHM conducts an extensive dialogue with local communities. The result is carrying out activities in the scope of infrastructure development by: supporting local social organisations, as well as science, culture and sports organizations. Out of concern for the health of employees and residents of the region, the campaigns promoting an active lifestyle are organized.</p>	<p>Examples of communication channels and tools applied in 2022:</p> <ul style="list-style-type: none"> <li>- publications in local media and social media (in 2022: 1005 publications on the KGHMtoMy page on Facebook, 515 publications on LinkedIn), the naMiedzi mobile phone app,</li> <li>- meetings, conferences seminars and sporting events sponsored by KGHM,</li> <li>- CSR programs, e.g. Eco-Health,</li> <li>- participation of representatives of KGHM in events and ceremonies organized in the municipalities and districts of the Copper Belt.</li> </ul>
<p><b>Shareholders and the stock market environment</b></p> <p>KGHM, as a public company, develops additional forms of dialogue with capital market participants. It conducts an open and effective information policy based on, among others, electronic media at the local and national level. It organizes meetings and study visits for analysts and fund managers.</p>	<p>Examples of communication channels and tools applied in 2022:</p> <ul style="list-style-type: none"> <li>- General Meetings of Shareholders,</li> <li>- regulatory filings and periodic reports, newsletter,</li> <li>- conferences, meetings and study visits, Investor Days,</li> <li>- the Internet and social media, press releases posted on the website <a href="http://kghm.com">kghm.com</a>.</li> </ul>
<p><b>Media</b></p> <p>KGHM builds good relations with the media by providing them with precise, comprehensive information about the current situation of the Company and the actions taken.</p>	<p>Examples of communication channels and tools applied in 2022:</p> <ul style="list-style-type: none"> <li>- press conferences, teleconferences,</li> <li>- meetings between journalists and company representatives, study visits,</li> <li>- press releases and information (in 2022, 103 press releases were issued),</li> <li>- the Internet and corporate website <a href="http://kghm.com">kghm.com</a>,</li> <li>- direct contacts of KGHM and representatives of the media.</li> </ul>
<p><b>Contractors</b></p> <p>KGHM is in daily contact with the contractors in order to monitor their needs and the level of satisfaction with the service in commercial relations.</p>	<p>Examples of communication channels and tools applied in 2022:</p> <ul style="list-style-type: none"> <li>- conferences and trade fairs,</li> <li>- meetings, traditional and electronic correspondence,</li> <li>- the corporate website <a href="http://kghm.com">kghm.com</a>.</li> </ul>



## 1.12 SHAREHOLDERS AND THE CAPITAL MARKET

### SHAREHOLDER STRUCTURE OF KGHM POLSKA MIEDŹ S.A.

As at 31 December 2022 and as of 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 by 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 any 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 shares. 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 of 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:

Table 9. Shareholder structure of KGHM Polska Miedź S.A. as of 31 December 2022

shareholder	number of shares/votes	interest in the share capital/total number of votes
State Treasury <sup>13</sup>	63 589 900	31.79%
Nationale-Nederlanden Otwarty Fundusz Emerytalny <sup>14</sup>	10 104 354	5.05%
Aviva Otwarty Fundusz Emerytalny Aviva Santander <sup>15</sup>	10 039 684	5.02%
Other shareholders	116 266 062	58.14%
<b>Total</b>	<b>200 000 000</b>	<b>100.00%</b>

On 5 January 2023 the Company was informed of the merger of the companies 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 number of shares of KGHM Polska Miedź S.A. held on the accounts of funds managed by TE Allianz Polska S.A.: Allianz Otwarty Fundusz Emerytalny, Allianz Polska Dobrowolny Fundusz Emerytalny and Drugi Allianz Polska Otwarty Fundusz Emerytalny, amounted to 12 241 453 shares, representing 6.12% of the share capital of the Company.

The Company's shareholder structure as of the date this report was signed was as follows:

Table 10. Shareholder structure of KGHM Polska Miedź S.A. as of the date this report was signed

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 <sup>16</sup>	12 241 453	6.12%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	10 104 354	5.05%
Other shareholders	114 064 293	57.04%
<b>Total</b>	<b>200 000 000</b>	<b>100.00%</b>

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.

Following is the geographic distribution of the shareholder structure of KGHM Polska Miedź S.A. The data is based on research into the Company's shareholder structure performed in February 2023.

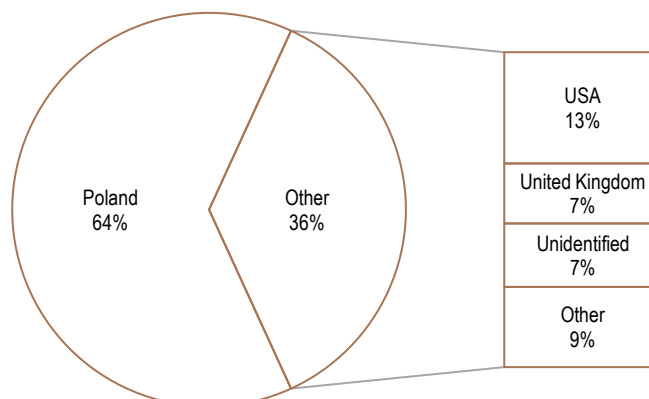
<sup>13</sup> based on a notification received by the Company dated 12 January 2010

<sup>14</sup> based on a notification received by the Company dated 18 August 2016

<sup>15</sup> based on a notification received by the Company dated 17 July 2018

<sup>16</sup> Total on the accounts 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.

Chart 14. Geographic shareholder structure of KGHM Polska Miedź S.A. as of the date this report was signed (%) (Source: CMiZi, February 2023)



The Management Board of the Company is unaware of any agreements which could result in changes in the proportion of the Company's shares held by present shareholders in the future and bondholders. Similarly, the Management Board is unaware of any agreements between bondholders, which could result in changes in the number of bonds held by them.

Based on information held by KGHM Polska Miedź S.A., as of 31 December 2022 and as of the date this report was signed, neither the Members of the Management Board nor of the Supervisory Board of the Company held shares of KGHM Polska Miedź S.A. or rights to them.

Based on the knowledge of the Company, as of 31 December 2022 and as of the date this report was signed, none of the Members of the Management Board held shares of the related entities of KGHM Polska Miedź S.A.

Amongst the Members of the Supervisory Board of the Company, as of 31 December 2022 and as of the date this report was signed, only Wojciech Zarzycki held 10 thousand shares of PKO BP S.A. with a total notional value of PLN 10 thousand. Based on the knowledge of the Company, none of the other Members of the Supervisory Board of the Company hold shares of the related entities of KGHM Polska Miedź S.A.

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

#### **BONDS OF KGHM POLSKA MIEDŹ S.A. ON THE CATALYST MARKET**

On 27 May 2019 an issue agreement was signed under which the Management Board of KGHM Polska Miedź S.A. established a bond issue program 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 Organizers 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, bearer bonds Series A and Series B of KGHM Polska Miedź S.A. were introduced to the alternative trading system on the Catalyst. The first day of trading of the bonds on the Alternative Trading System was set at 3 October 2019.

Detailed information is available on the Company's website, [kghm.com](http://kghm.com) in the section Investors – Shares and bonds – Bonds.

#### **KGHM POLSKA MIEDŹ S.A. ON 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 – 182.20 PLN – 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 of PLN 84.22. At year's end the Company's share price began to rise, and at the close of trading on 30 December amounted to 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 PLN 8 387, 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.

Chart 15. 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)

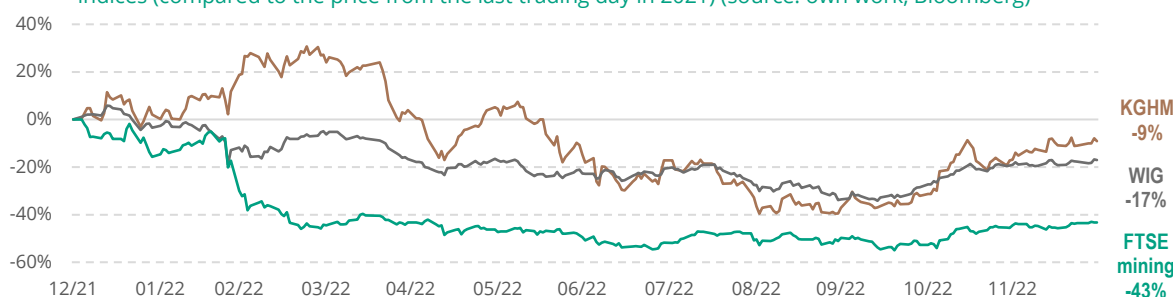


Table 11. Key share price data of the Company on the Warsaw Stock Exchange in the years 2021-2022 (Source: own work, WSE Statistic Bulletin for 2021 and 2022, Bloomberg)

Symbol: 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	million PLN	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 regarding the appropriation of profit for the year 2021 in the amount of PLN 5 169 million, the earned profit was appropriated as follows: as a shareholders dividend in the amount of PLN 600 million (3.00 PLN/share) while the amount of PLN 4 569 million was transferred to the Company's reserve 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 of the Company's shares 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. For KGHM Polska Miedź S.A., as a global company operating on four continents, it is a priority to ensure equal access to information to all members of the global capital markets. KGHM Polska Miedź S.A.'s actions are aimed at maintaining regular communication and transparent dialogue with analysts, institutional and individual investors as well as of ensuring conformance with regulatory legal obligations. 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. During this period, activities aimed at maintaining relations with investors using a hybrid format were successfully engaged in. The main actions taken by the Company were as follows:

<b>Domestic and international investor conferences</b>	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.
<b>Results conferences</b>	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, <a href="http://www.kghm.com">www.kghm.com</a> , in the section Investors.
<b>Capital Market Days</b>	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.
<b>WallStreet 26 conference</b>	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.
<b>Investor chats</b>	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.
<b>Quarterly IR Newsletter</b>	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.
<b>KGHM IR profile on LinkedIn</b>	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.
<b>IR Release</b>	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, sell-side reports on KGHM Polska Miedź S.A. were published by nine sell-side analysts based in Poland and eight based abroad.

Table 12. Brokerages which prepare 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	

#### REGULATORY FILINGS PUBLISHED AFTER THE BALANCE SHEET DATE

- Announcement on a crossing of the 5% threshold in the total number of votes.
- Information on the Member of the Management Board of the Company appointed as of 21 December 2022 by the Supervisory Board of the Company.
- Preliminary production and sales data of the KGHM Polska Miedź S.A. Group for December 2022 and for January 2023.
- Update of the Climate Policy by the Management Board of KGHM Polska Miedź S.A.

## 1.13 KEY PARTNERSHIPS AND SUPPORTED INITIATIVES

GRI 2-28

Currently, representatives of the company participate in the works of 44 entities of this type, including: 26 operating in the country and 18 operating at the international level (local, European and global).

Table 13. National organisations of which KGHM Polska Miedź S.A. is a member

	Year of accession
<b>Professional organisations</b>	
Association of Accountants in Poland	1975
Association of Non-Ferrous Metals Engineers and Technicians	2005
<b>Sector organisations</b>	
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
<b>Organisations operating on the energy market</b>	
Chamber of Industrial Power Engineering and Energy Recipients	2006
<b>Economic organisations</b>	
Polska Miedź Employers' Association	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
<b>Environmental organisations</b>	
Polish Chamber of Ecology in Katowice	2002
Polish Eco Development Chamber of Commerce	2011
<b>Understandings, Alliances, Academia</b>	
Economic Security of Poland Consortium	2014
Polish Committee for Standardization	2018
MACROKLASTER – Technologies in Public Security	2022

Table 14. International organisations of which KGHM Polska Miedź S.A. is a member

	Year of accession
<b>Raw material organisations</b>	
International Copper Study Group	1996
London Bullion Market Association	2000
International Copper Association	2007
International Lead and Zinc Study Group	2012
<b>Sector organisations</b>	
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
<b>Organisations operating on the energy market</b>	
Nucleareurope	2022
<b>Mining organisations</b>	
Euromines	2005
European Technology Platform on Sustainable Mineral Resources	2010
Consejo Minero Chile	2014

<b>Agreements, Alliances, Academia</b>	
European Innovation Partnership	2014
EIT on Raw Materials – European Institute of Innovation and Technology	2018
European Raw Material Alliance	2020

## 1.14 AWARDS AND DISTINCTIONS

In 2022, the Company and the Group were appreciated and awarded on numerous occasions. The award of the Golden Card is of the high importance as it was granted once again, for the years 2023-2024. The Central Institute for Labour Protection – the National Research Institute awarded KGHM with the Card of the Safe Work Leader. The Company received the first Safe Work Leader Card in 2000, and the first golden card in 2002. Since then, the Company has continuously maintained its position as a leader in safe work. KGHM informs about the awards and distinctions granted on its website [media.kghm.com/en/awards](https://media.kghm.com/en/awards).

### 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 in 2022;
- 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 Polska Miedź Employers' Association - 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 activities related to communicating with investors and being present on the capital market:

- 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,
- 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,
- 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.

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

## 2 CORPORATE GOVERNANCE

					
Corporate governance	Strategy	ESG	Risk management	Human rights	Supply chain

### 2.1 MANAGEMENT STRUCTURE OF KGHM S.A. AND THE KGHM S.A. GROUP

GRI 2-9   GRI 2-19   GRI 2-20   GRI 2-21

A description of the management structure of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group, including:

- the principles for appointing and dismissing the Members of the Management Board,
- the Management Board's principles of functioning,
- a breakdown of the duties of the Members of the Management Board,
- biograms of the Members of the Management Board,
- changes in the composition of the bodies of the Parent Entity,
- rights of the Management Board as regards the issuance or buyback of the Company's shares,
- the principles for appointing and dismissing the Members of the Supervisory Board,
- the Supervisory Board's principles of functioning,
- the duties of the Members of the Supervisory Board and their independence, and
- the Committees of the Supervisory Board,

are described in detail in subsection 2.15. Corporate Governance statement.

#### **REMUNERATION OF THE PARENT ENTITY'S BODIES AND OF OTHER KEY MANAGERS OF THE GROUP**

##### **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 "Policy of remuneration of Management Board and Supervisory Board Members of KGHM Polska Miedź S.A." in the templates for the management services contracts for the Company's Management Board (set forth in the form of resolutions, separately for the President of the Management Board and for the Vice Presidents of the Management Board).

The management services contracts were signed for the time Members of the Management Board serve in the Management Board, within one term. This means that the termination of a contract will occur on the final day on which the function is served, with no notice period and without the need to take additional actions.

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.

##### **Management Goals of the Management Board of KGHM Polska Miedź S.A. for 2022**

Based on the Statutes of KGHM Polska Miedź S.A., the Bylaws of the Supervisory Board, the management services contracts, resolution no. 8/2016 of the Extraordinary General Meeting and the Act on the terms of setting the remuneration of individuals managing certain companies, the Supervisory Board set Management Goals for the Management Board of KGHM Polska Miedź S.A. for 2022.

Individual groups of goals describe:

- management goals whose execution is a contingent condition to receive variable remuneration,
- management goals for individual members of the Management Board per the duties assigned,
- management goals involving the achievement of key strategic management projects.



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

Table 15. Potentially-due remuneration of Members of the Management Board of KGHM Polska Miedź S.A. for 2022

Last name	First name	Position	Potentially-due variable remuneration for 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
Chłudziński	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);
- a 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.



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### 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 "Policy of remuneration of Management Board and Supervisory Board Members of KGHM Polska Miedź S.A." 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 Partnerships and Companies 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).

## 2.2 CORPORATE GOVERNANCE

### GRI 2-24

Legal basis and corporate governance regulations, as well as a set of corporate governance principles and the scope of its application are included in section [2.15. Statement on the application of Corporate Governance](#).

### POLICIES IN FORCE WITHIN KGHM POLSKA MIEDŹ S.A. AND THE KGHM POLSKA MIEDŹ S.A. GROUP

In the KGHM Polska Miedź S.A. Group the following policies are in force, introducing global, unified standards which have been adapted to the laws applicable in all of the jurisdictions in which the KGHM Polska Miedź S.A. Group operates. Information on the implemented and applied standards and operating principles of the KGHM Polska Miedź S.A. Group may be found on the corporate website of KGHM Polska Miedź S.A. „Policies and Codes”: <https://kghm.com/en/investors/esg/policies-and-codes>. Following is a list of only some of them, representing a general framework for the functioning of basic systems in the management processes of the KGHM Polska Miedź S.A. Group.

Table 16. Selected Policies in force within KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group

Document name	Document description
<b>Compliance Management Policy in the KGHM Polska Miedź S.A. Group</b>	The Compliance Management Policy in the KGHM Polska Miedź S.A. Group serves as the framework of the compliance management system and an organisation-wide approach, based on recognised international standards and industry best practices. The adopted solution to the creation of the compliance system has been tailored to the specific nature of the Group and is an important business tool used to prevent the occurrence of events that could result in the imposition of sanctions. 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.
<b>Competition Law Policy in the KGHM Polska Miedź S.A. Group</b>	The purpose of the Competition Law Policy is to establish an operational framework for a system that will enable 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.
<b>Procurement Policy in the KGHM Polska Miedź S.A. Group</b>	The aim of the Procurement Policy is to establish the overarching principles that should be followed by all participants of the procurement process in the KGHM Polska Miedź S.A. Group, as well as the general regulations of this process. The Policy specifies supervision measures limiting the risk of irregularities in the procurement process.
<b>Anti-corruption Policy in the KGHM Polska Miedź S.A. Group</b>	The Anti-corruption Policy establishes basic principles and standards, whose goal is to ensure compliance with the anti-corruption regulations applicable in the jurisdictions in which the KGHM Polska Miedź S.A. Group operates and voluntary commitments to counteract corruption. The Group applies a zero tolerance policy towards corruption and bribery. The Policy includes a declaration by the top management of their full commitment to activities related to the maintenance and continuous improvement of the implemented Anti-Corruption Management System, compliant with the requirements of the PN-ISO 37001:2016 standard.
<b>Responsible Supply Chain Policy in the KGHM Polska Miedź S.A. Group</b>	The Responsible Supply Chain Policy is aimed at guaranteeing the selection only of responsible suppliers and at ensuring that the goods and services purchased by the KGHM Polska Miedź S.A. Group are not contributing to financing terrorism, and are manufactured or provided in accordance with basic human rights, labour standards, environmental protection and counteracting corruption.
<b>Security Policy in the KGHM Polska Miedź S.A. Group</b>	The Security Policy sets forth joint principles and goals for the entities and organisational units of the KGHM Polska Miedź S.A. Group related to safety and preventing losses. Pursuant to its clauses, all of the Group's employees act in accordance with basic principles: professional integrity, diligence in the discharge of professional duties, loyalty towards the employer, a results oriented approach, courage, teamwork, accountability, mutual responsibility for safety and preventing losses and avoidance of actions harmful to the employer.

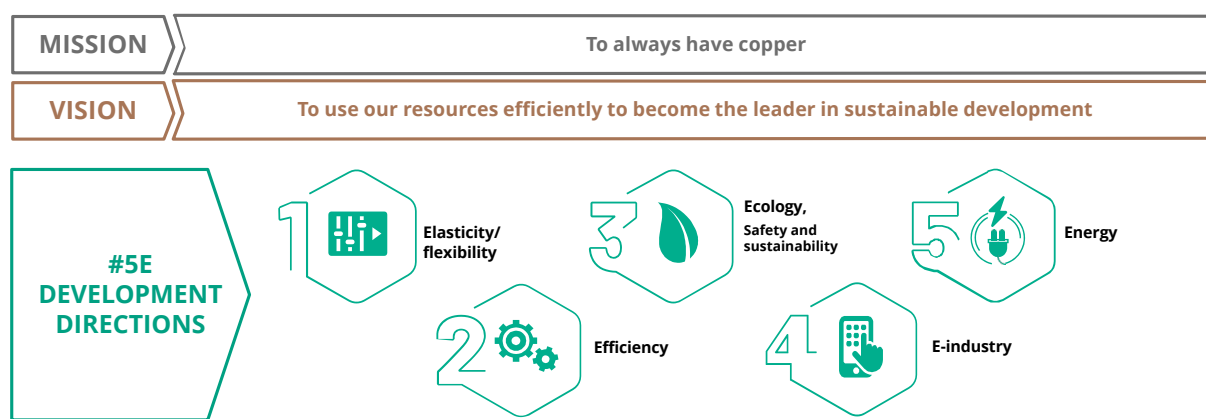
## 2.3 STRATEGY OF KGHM POLSKA MIEDŹ S.A.

### STRATEGY DESCRIPTION – BASIC ELEMENTS OF THE STRATEGY OF KGHM POLSKA MIEDŹ S.A.

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. The Company's Strategy reflects the macroeconomic environment and the geopolitical situation affecting the mining sector. A special place in the planned activities is occupied by the green transformation based on renewable energy and modern technologies.
















The Strategy does not alter the Company's existing approach to its business activities. The Parent Entity continues to act responsibly and to think long-term about the Company's future. At the same time the Company's mission and vision remain unchanged. The goals of the Strategy are ambitious, but attainable. To 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.

Diagram 8. 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.

Diagram 9. 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
 <b>1 Core business</b>		 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
 <b>2 New activities</b>		 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)		
 <b>3 Supporting activities</b>		 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		
 <b>4 Health</b>		 Development of pro-health activities and health resorts as a contribution to extending the length and quality of life of citizens				
 <b>5 Prosociality</b>		 Growth based on sustainability and safety				

These pillars have been assigned individualised main goals as well as key performance indicators. The base year of 2020 was identified consciously and intentionally to ensure consistency with the base of the Climate Policy as well as to show the effects over a full decade. The key assumptions of the pillars are presented below.

### I 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.

Main goal	Goals for 2030:	Base level (2020)
<b>Strengthen the position of the KGHM Polska Miedź S.A. Group as a global player in the mining and metallurgy sector</b>	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 tonnes 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

### II Pillar - New activities, comprised of the following elements:

- To be one of the leading, environmentally-friendly electricity producers, supporting Poland's energy transformation.
- 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).

Main goal	Goals for 2030:	Base level (2020)
<b>Diversification and aiming at sustainable development by building internal generation capacity from low-emission sources</b>	1. Energy produced – min. 50% of consumption	22% of consumption (694 GWh)
	2. A reduction in estimated CO <sub>2</sub> emissions resulting from electricity consumed – 1.0 million tonnes of eCO <sub>2</sub>	1.9 million tonnes of eCO <sub>2</sub> (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 wire, OFE-Cu granules) and other metals in the total sales of the Group) – 10%	2%

### III. Pillar - Supporting activities, 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.

Main goal	Goals for 2030:	Base level (2020)
<b>Redefine the way that existing assets supporting the core business are utilised</b>	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%

#### IV. 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.

Main goal	Goals for 2030:	Base level (2020)
<b>Development of the spa assets held as a contribution to extending the length and quality of life for society as a whole</b>	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 <sup>17</sup>

#### V. Pillar - Prosociality, comprised of the following elements:

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

Main goal	Goals for 2030:	Base level (2020)
<b>Growth based on the idea of sustainable development and safety</b>	Support for the fair transformation of the mining sector.	Not applicable
	Number of volunteer projects advanced – 30.	25
	Level of support for the arts, sport and health approx. PLN 48 million.	approx. PLN 38.5 million

#### DEVELOPMENT DIRECTIONS OF THE KGHM POLSKA MIEDŹ S.A. GROUP

##### Policy regarding the development directions of the KGHM Group

During the reporting period being discussed, policy regarding the development directions of the KGHM Group was continued. Further actions were also taken aimed at adapting the Group's organisational functioning model to the business model of KGHM Polska Miedź S.A. and the market environment. In terms of the domestic companies, development policy was also aimed at cooperation between the Group's entities and at eliminating overlapping areas of competence in terms of individual entities.

With respect to implementation of the Strategy of KGHM Polska Miedź S.A., as regards the Group's international companies, a variety of reorganisational actions were undertaken aimed at integration of KGHM INTERNATIONAL LTD. in Canada with the Company's activities in Poland and the transfer of some of the business functions of KGHM INTERNATIONAL LTD. to Poland. In 2022, these actions were continued, mainly in terms of developing uniform internal regulations, procedures and the standardisation of solutions in individual areas of the Company's activities. In addition, internal actions were undertaken aimed at advancing development scenarios for individual international assets in the Company's portfolio. On 26 April 2022 an Agreement to sell the shares of S.C.M. Franke 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

In the case of the companies in Poland, the primary development goal is to ensure continuity and safe working conditions in the core business of KGHM Polska Miedź S.A. and at integrating the KGHM Group around the idea of sustainable development, including the implementation of development initiatives under the Circular Economy aimed at limiting the environmental footprint. As regards the international part of the Group, the Company is focused on maximising the value of the portfolio of assets owned.

##### Investment goals

Investment projects planned and approved for advancement in 2022 support the achievement of strategic goals in all areas of the Strategy. Maintaining cost-effective domestic production in 2022 was possible by 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 de-watering systems;
- construction of air cooling systems;
- construction of the Tailings Segregation and Compacting Station at the Źelazny Most Tailings Storage Facility;
- modernisation and renovation during the maintenance shutdown of the Głogów II Copper Smelter and Refinery.

<sup>17</sup> 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.

Taking into consideration the development of KGHM Polska Miedź S.A. by enhancing the efficiency and flexibility of the KGHM Group in terms of its Polish assets, investments which will be advanced include:

- 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 Hybrid Legnica Smelter and Refinery,
- construction of photovoltaic power plants.

Moreover, following the idea of sustainable development, in 2022 investment projects were continued, such as those adapting the metallurgical installations to BAT conclusions for the non-ferrous metals industry and to restrict emissions of arsenic (BATAs). In 2022, a further six installations were brought into operation.

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

## **ADVANCEMENT OF THE STRATEGY IN 2022 - BEST PRACTICE AND KEY ACHIEVEMENTS IN THE IMPLEMENTATION OF THE STRATEGY**

### **Best practice in the Strategy of KGHM Polska Miedź S.A.**

In the Strategy implementation process, KGHM takes advantage of the best practices developed over years of experience. The Company ensures that the Strategy is comprehensive and complementary. It covers all of the Company's activities and, for many years now, it has broadly addressed sustainable development and ESG topics.

Because of the dynamic changes in the macroeconomic environment that are strategically important for the copper mining, smelting and processing industry, KGHM has been performing comprehensive and regular analyses of its surroundings and identifying megatrends, while at the same time running its own internal reviews of the Business Strategy. Based on the results of these activities, 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 makes sure that the flexible business Strategy is a living organism responding to changes in real time and adapting to market challenges, while also maintaining consistency in long-term activities. KGHM uses a dedicated internal procedure to also monitor and oversee the Strategy implementation work through the lens of Strategic Programs, which are gradually implemented in successive periods. The Strategic Programs are aimed at achieving the key objectives of the KGHM Strategy and allow attention to be focused on the tasks that create the most value in the Company.

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

During the reporting period being discussed, KGHM Polska Miedź S.A. advanced the „Strategy of the KGHM Polska Miedź S.A. Group to the year 2030 with an outlook to 2040”, approved in January 2022. Based on the adopted Strategy, the Company endeavoured to maintain stable production in its domestic and international assets, and a level of costs guaranteeing financial security while ensuring safe working conditions and minimising its impact on the environment and surroundings, pursuant to the idea of sustainable development. KGHM is advancing a variety of initiatives and strategic programs which are crucial to ensuring the continuity of the core business and development.

In the context of the impact of the Russian aggression against Ukraine on the implementation of the Strategy, no significant negative consequences have been recorded and neither they are expected. The risk of disrupting the business continuity of the Group is assessed as low. Rising prices of goods and services may turn out to be potentially negative, which may result in an increase in the overall costs of implementing the Strategy. Consequently, the Company 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.

**Table 17. Key achievements of the KGHM Polska Miedź S.A. Group in advancing the strategic activities in individual strategic directions of development in 2022**

<b>Efficiency</b>	
<b>Production in Poland and abroad (accrued)</b>	<ul style="list-style-type: none"> <li>– 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</li> <li>– Payable copper production abroad:               <ul style="list-style-type: none"> <li>▪ Sierra Gorda: 90.8 thousand tonnes (on a 55% basis),</li> <li>▪ Robinson: 46.8 thousand tonnes,</li> <li>▪ Carlota: 4.1 thousand tonnes,</li> <li>▪ Franke: 2.8 thousand tonnes (production to date of sale of the mine, i.e. 26 April 2022),</li> <li>▪ Sudbury Basin: 2.5 thousand tonnes.</li> </ul> </li> <li>– Metallurgical production of KGHM Polska Miedź S.A. amounted to 586 thousand tonnes.</li> <li>– Production of silver amounted to 1 327 tonnes</li> </ul>



<b>Continued advancement of the Deposit Access Program</b>	<ul style="list-style-type: none"> <li>– 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.</li> <li>– Work continues on tenders aimed at tasks related to building the GG-2 „Odra” Shaft, involving shaft site drilling and research</li> <li>– The task „Area management concept for the Gaworzyce shaft” was completed, finalising the purchase of property for the investment</li> <li>– The task „Area management concept for the Retków shaft” was completed</li> <li>– 41 kilometers of tunnelling were excavated in the Rudna and Polkowice-Sieroszowice mining areas. All of the work carried out under the Mine Projects Group enables the successive opening of new mining areas</li> <li>– Work continued on building and developing the Surface-based 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 40MW power capacity</li> <li>– The technical handover of the first part of the Ice Water Transportation System was completed. Construction continues on building part 2 of the System</li> </ul>
<b>Development of the Żelazny Most Tailings Storage Facility</b>	<ul style="list-style-type: none"> <li>– 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</li> <li>– 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</li> </ul>
<b>Maintenance shutdown of the Głogów II Copper Smelter and Refinery</b>	<ul style="list-style-type: none"> <li>– 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</li> </ul>
<b>R&amp;D initiatives to enhance the efficiency of the core production business</b>	<ul style="list-style-type: none"> <li>– R&amp;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</li> <li>– The second edition of the CuValley Hack Hackathon was held under the Dolina Miedziowa initiative, aimed at seeking innovative, ready-to-implement solutions</li> <li>– Information technology to collect and transfer knowledge was developed</li> </ul>
<b>Use of external financing for R&amp;D&amp;I projects</b>	<ul style="list-style-type: none"> <li>– 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</li> </ul>
<b>Intellectual property</b>	<ul style="list-style-type: none"> <li>– Proceedings are underway to obtain legal protection for selected trademarks</li> <li>– The word-figurative trademark „KGHM” was registered on the territory of China</li> <li>– 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</li> <li>– 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</li> <li>– Proceedings are underway in the Patent Office of the Republic of Poland for the granting of patents for five inventions announced for protection</li> </ul>
<b>Flexibility</b>	
<b>Extension of the value chain</b>	<ul style="list-style-type: none"> <li>– 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</li> </ul>
<b>Hybrid Legnica Smelter and Refinery</b>	<ul style="list-style-type: none"> <li>– A preliminary business model for the Hybrid Legnica Smelter and Refinery 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</li> </ul>
<b>Exploration projects with respect to exploring for and evaluating copper ore deposits</b>	<ul style="list-style-type: none"> <li>– 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-Grodziszcze”. The „Retków-Grodziszcze” deposit was separated from the exploration concession „Retków-Ścinawa”. In March 2022 the concession for the „Głogów” area was altered</li> <li>– Geological work continued within the Synklina Grodziecka and Konrad concession areas</li> </ul>



	<ul style="list-style-type: none"> <li>– Analytical and conceptual work was carried out on synergies in concession work between KGHM's neighbouring geological concession areas in the „Bytom Odrzański” concession</li> <li>– Within the Kulów-Luboszyce concession area exploration work continued using surface-based drillholes</li> <li>– In the Radwanice concession area, evaluation work was carried out using underground mine workings, and surface-based geophysical research was performed</li> </ul>
<b>Realisation of exploration projects with respect to exploring for and evaluating other deposits</b>	<ul style="list-style-type: none"> <li>– 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</li> <li>– 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</li> </ul>
<b>Continuation of development projects in the international assets</b>	<ul style="list-style-type: none"> <li>– 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</li> <li>– 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</li> <li>– 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</li> </ul>
<b>CuBR venture</b>	<ul style="list-style-type: none"> <li>– Under the four editions of the Venture competition, co-financed by the National Centre for Research and Development (NCBR) and KGHM, 25 R&amp;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</li> </ul>
<b>Implementation Doctorates Program</b>	<ul style="list-style-type: none"> <li>– 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</li> </ul>
<b>Financial stability</b>	<ul style="list-style-type: none"> <li>– 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</li> <li>– 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</li> <li>– 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 2022 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 customers, setting credit limits, securing receivables and non-recourse factoring</li> </ul>
<b>Ecology, safety and sustainable development</b>	
<b>Continuation of the Occupational Health and Safety's Improvement Program in KGHM Polska Miedź S.A.</b>	<ul style="list-style-type: none"> <li>– LTIFR ratio of KGHM Polska Miedź S.A.: 5.05 (lower than the amount recorded for the same period of 2021 by 0.59). Number of workplace accidents: 149 or lower by 16 compared to the 12 months of 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</li> <li>– The Company was awarded the title Gold Card Leader of Workplace Safety for the years 2023 – 2024 for achievements in improving OHS</li> <li>– The Workplace Safety Management System PN ISO 45000:2018 introduced in the Company was positively assessed by external auditors during a periodic review</li> <li>– 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</li> <li>– 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</li> </ul>

	<ul style="list-style-type: none"> <li>– Documentation required to commence the investment project Workplace Environment Reports Generator was prepared</li> <li>– The „Human Rights Policy in KGHM Polska Miedź S.A.” was adopted</li> </ul>
<p><b>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)</b></p>	<ul style="list-style-type: none"> <li>– 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</li> <li>– 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 convertor furnaces at the Głogów Copper Smelter and Refinery; an installation to remove particulates containing arsenic from gases from the installation for the granulation of copper at the Legnica Copper Smelter and Refinery</li> </ul>
<p><b>Environmental policy and pro-environmental activities</b></p>	<ul style="list-style-type: none"> <li>– A decision was received on recognising the acid waste generated by the metallurgical facilities of KGHM Polska Miedź S.A. as a by-product</li> <li>– 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</li> <li>– Freely-acquired rights for 2022 were distributed to KGHM Polska Miedź S.A.</li> <li>– Certification by the Copper Mark for the Głogów Copper Smelter and Refinery and the Legnica Copper Smelter and Refinery was maintained</li> <li>– The balance of scope 1, 2 and 3 greenhouse emissions for 2021 by the KGHM Polska Miedź S.A. Group was calculated</li> <li>– The environmental footprint and carbon footprint of some of the products of KGHM Polska Miedź S.A. was analysed</li> <li>– 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</li> </ul>
<p><b>E-Industry</b></p>	
<p><b>Continued advancement of projects to automate the production lines of the Mining Divisions of KGHM Polska Miedź S.A.</b></p>	<ul style="list-style-type: none"> <li>– 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</li> <li>– The anti-collision system was integrated as well as the system for locating and identifying machinery and people in the underground mines</li> <li>– Robotisation of production and auxiliary processes continued. Work continues on building a CuXRF robot to scan for copper content at the working faces</li> <li>– 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</li> <li>– 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)</li> <li>– 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)</li> </ul>
<p><b>KGHM 4.0 program</b></p>	<p>Advancement of the KGHM 4.0 Program was continued, divided into two main areas:</p> <ul style="list-style-type: none"> <li>– In the area of ICT (Information and Communication Technology) and Cybersecurity: <ul style="list-style-type: none"> <li>▪ 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</li> </ul> </li> <li>– In the area of Digitalisation of business processes: <ul style="list-style-type: none"> <li>▪ 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 clients</li> <li>▪ 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</li> <li>▪ In terms of the project „Optimisation of the Production Planning and Settlement Process”, in 2022 work on the implementation of nine tasks was completed</li> <li>▪ 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</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>▪ In terms of the project „Improvement and automatization of the accounting processes in CUK (accounting services center)” advancement of over 20 initiatives, aimed at enhancing the efficiency of the Company’s accounting and reporting processes, was completed</li> </ul>
<b>Energy</b>	
<b>Development of solar energy</b>	<ul style="list-style-type: none"> <li>– 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</li> <li>– Actions continued involving construction of the Obora I Sandpit 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</li> <li>– 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</li> <li>– 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</li> <li>– A project was initiated to commence preparations to build a photovoltaic power plant on the grounds of the Cedynia Wire Rod Plant</li> <li>– 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</li> </ul>
<b>Development of wind energy, including offshore</b>	<ul style="list-style-type: none"> <li>– 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</li> <li>– Analyses commenced on the possibilities of building wind farms on Company property and discussions continued with entities in possession of interesting projects for sale</li> </ul>
<b>Development of hydrogen technology</b>	<ul style="list-style-type: none"> <li>– 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</li> </ul>
<b>Development of nuclear energy</b>	<ul style="list-style-type: none"> <li>– 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</li> <li>– 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)</li> <li>– 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</li> </ul>
<b>Power Purchase Agreements (PPAs)</b>	<ul style="list-style-type: none"> <li>– 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 Solartechnik (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</li> </ul>
<b>Self-generation of electricity</b>	<ul style="list-style-type: none"> <li>– In 2022, 11.71% of the Parent Entity’s need for electricity was met by its own internal sources, including RES</li> </ul>

## 2.4 MANAGEMENT OF ESG ISSUES

GRI 3-3 material topic: Management of sustainable development and ESG risks

GRI 2-22

GRI 2-23

### KGHM POLSKA MIEDŹ S.A. STRATEGY AND SUSTAINABLE DEVELOPMENT

#### Sustainable Development Areas of KGHM Polska Miedź S.A.

KGHM Polska Miedź S.A. is a global company, open to development aimed at ensuring its stable operation for many decades to come for the benefit of present and future generations.

KGHM has adopted a focus on the concept of sustainability, protection of the environment and climate – both to prevent climate change and to effectively adapt to climate change. This is reflected in the internal regulations adopted within the Company and in the action it undertakes. KGHM's strategy is executed based on the sustainable development concept, with special focus on its commitment to health and safety, environment and community.

In the Strategy of the KGHM Polska Miedź S.A. Group to the year 2030 with an outlook to 2040, described in detail in subsection [2.3. Strategy of KGHM Polska Miedź S.A.](#), an additional, fifth element - "Energy" - was added, ultimately creating the "5Es" Strategy, 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.

Diagram 10. Sustainable Development Areas of KGHM Polska Miedź S.A.



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## 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.

## ESG in investor relations of KGHM Polska Miedź S.A.

The Company continues its participation in processes related to ESG (Environmental, Social & Corporate Governance) and, in accordance with the adopted Strategy of the KGHM Polska Miedź S.A. Group to the year 2030 with an outlook to 2040, engages in communicating in this area with the capital market, investors and rating agencies. An expression of our concern for stakeholders is the creation and continuous development of our ESG section under Investors tab on the Company's corporate website, 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 KGHM Polska Miedź S.A.. Our commitment is expressed among others by the granting of certificates to two of our metallurgical plants under the prestigious Copper Mark program and our efforts to implement the procedures announced in the climate policy. In 2022, the Company also published the Human Rights Policy adopted by the Management Board, at the same time accepting responsibility for protecting and respecting these rights. To ensure the highest due diligence, transparency and compliance with best practice for listed companies, the Investor Relations Team 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 200™ for 2022, the Company 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.

## 2.5 CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS (SDGS)

### SUSTAINABLE DEVELOPMENT GOALS AND ACTIONS UNDERTAKEN TO ACHIEVE THEM

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:

Diagram 11. 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 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 Human Rights Policy was also audited in 2022 in terms of maintaining the Copper Mark certification by the Company, with a positive result. The 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 international and broad 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 the 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, seeking methods for



its continuous improvement, also through innovation, research and development activities (SDG 9). The Company is also trying to focus its activities on efficient resource management (while striving to eliminate waste in accordance with the Circular Economy 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:

### KGHM POLSKA MIEDŹ S.A.'S SUSTAINABLE VALUE CHAIN

Diagram 12. KGHM Polska Miedź S.A.'s sustainable value chain



On 16 November 2021, the Management Board of KGHM Polska Miedź S.A. adopted a resolution approving for application the "KGHM Polska Miedź S.A. Climate Policy", a document setting out the Company's greenhouse gas emission goals in the horizon of 2030 and 2050 and the scope and degree of changes required to achieve them. The provisions of the document are described in section [3.1. Approach to the management of environmental impacts and climate protection](#).

The KGHM Polska Miedź S.A. Climate Policy will directly support 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 roadbuilding aggregates from copper scrap.

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), described in detail in section [3.5 Energy transformation - projects implemented by KGHM](#).

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.



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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.

## 2.6 RISK MANAGEMENT

GRI 3-3 material topics: Management of sustainable development and ESG risks

GRI 2-12

GRI 2-13

GRI 2-16

### COMPREHENSIVE RISK MANAGEMENT SYSTEM IN THE KGHM POLSKA MIEDŹ S.A. GROUP

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 Company publishes key documents concerning risk and risk management on its website <https://kgm.com/en/investors/corporate-governance/risk-management>, while those of only an internal nature are published through internal IT systems available to employees.

Publicly-available documents on the subject of corporate risk management may also be addressed to various external stakeholder groups in terms of establishing business relationships. Operational documents developed at individual stages of the risk management process are addressed to those persons who are directly engaged in carrying out this process within the KGHM Polska Miedź S.A. Group.

Each year, the process of managing corporate risk is subjected to an efficiency audit compliant with the guidelines of "Best Practice for GPW Listed Companies 2021".

Risk factors in various areas of the KGHM Polska Miedź S.A. Group's operations are continuously identified, assessed and analysed in terms of their possible limitation. Key risk factors in the KGHM Polska Miedź S.A. Group undergo in-depth analysis in order to develop a Risk Response Plan and Corrective Actions. Other risk factors undergo monitoring by the Department of Corporate Risk Management and Compliance, and in terms of financial risk by the division of the Executive Director for Financial Management.

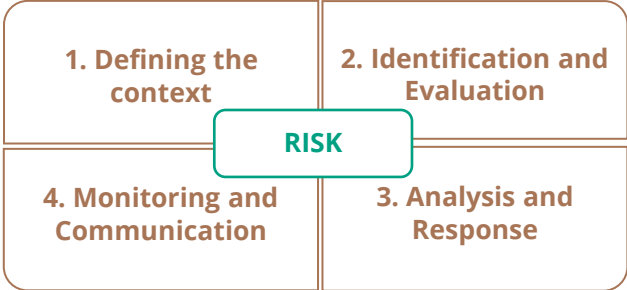
The reporting of key types of corporate risk in the KGHM Polska Miedź S.A. Group is performed cyclically to the Management Board of KGHM Polska Miedź S.A. and to the Audit Committee of the Supervisory Board of KGHM Polska Miedź S.A.

In order to unify the approach to the systematic identification, evaluation and analysis of the risk of a loss of compliance, defined as adherence to the requirements arising from existing laws (external and internal) or from voluntarily-assumed legal obligations and standards (including ethical standards), since 2020 a Compliance Management Policy for the KGHM Polska Miedź S.A. Group together with a Procedure and Methodology for managing compliance in KGHM Polska Miedź S.A. as adopted by the Management Board of KGHM Polska Miedź S.A. has been in force. The process of managing compliance, which is connected with the process of managing corporate risk within the KGHM Group, is an important business tool for the prevention of events which could lead to the imposition of penalties.

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 Procedure and Methodology of managing compliance in KGHM Polska Miedź S.A. The prepared documentation of the comprehensive business continuity management system sets forth the principles and requirements to build the robustness of KGHM as regards catastrophic events by sorting out and unifying the existing approach to management of the risk of loss of operational continuity of the core production business and preparing for unforeseen events.

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:

Diagram 13. Corporate risk management process in the KGHM Polska Miedź S.A. Group



<p><b>STEP 1</b> <b>Defining the context</b></p>	<p>The first step in the process is comprised of three actions: defining the external context, the internal context and the risk management context.</p> <p>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.</p> <p>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.</p> <p>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.</p>
<p><b>STEP 2</b> <b>Identification and Evaluation</b></p>	<p>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.</p> <p>Following its identification, each corporate risk is evaluated using a Risk Evaluation 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:</p> <ul style="list-style-type: none"> <li>- <b>finance</b> – impact of the effects of a given risk in its financial aspect by applying value ranges.</li> <li>- <b>strategy</b> – evaluation of the risk’s impact on the ability to achieve strategic goals.</li> <li>- <b>reputation and stakeholders</b> – 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.</li> <li>- <b>health and safety</b> – direct impact on health and safety and human life.</li> <li>- <b>natural environment</b> – impact of the materialisation of risk on the natural environment, the functioning of the ecosystem and the time required to restore the disturbed balance.</li> <li>- <b>regulations and laws</b> – 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.</li> <li>- <b>operational continuity</b> – 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.</li> </ul> <p>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.</p>
<p><b>STEP 3</b> <b>Analysis and Response</b></p>	<p>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.</p> <p>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.</p> <p>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.</p>

**STEP 4**

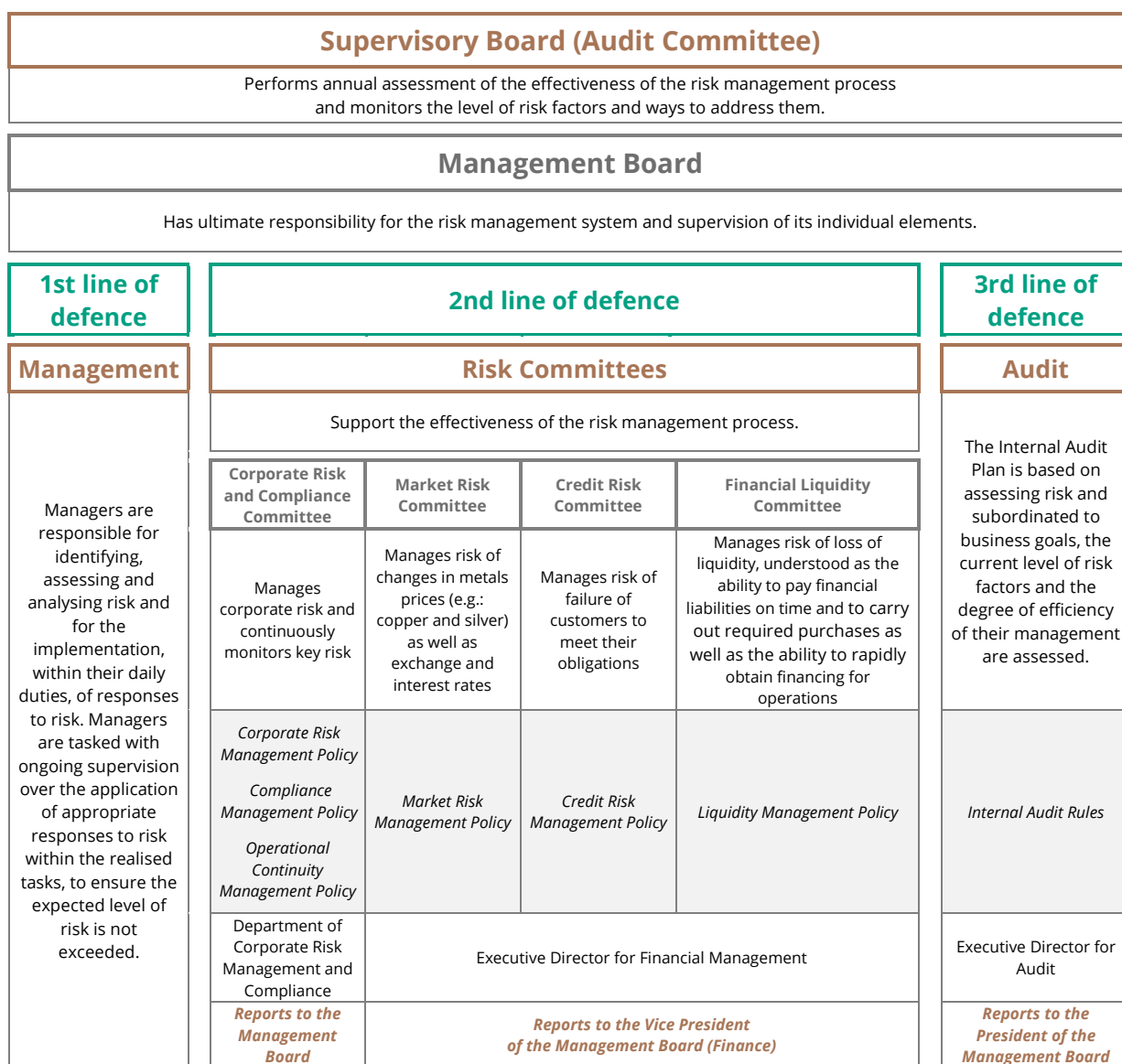
**Monitoring and Communication**

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.







Diagram 14. Organisational structure of risk management in KGHM Polska Miedź S.A



## CORPORATE RISK – KEY RISK AND RISK FACTORS AND THEIR MITIGATION

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). In subsection 3.3, we describe a climate risk management strategy in more detail and indicate that our activities and such an approach in this area is the result of, among others, the Company's pursuit of operational excellence and the mission of acting in regard to the principles of sustainable business. 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 sources of threats, is divided into the following 6 categories: **Technological, Value chain, Market, External risk, Internal risk and Climate**. Several dozen sub-categories have been identified and defined for each of these categories, covering particular areas of the operations or management. The KGHM Polska Miedź S.A. Group applies due diligence when undertaking actions aimed at minimising exposure to risk by lowering vulnerability to individual risk factors and reducing the probability of the materialisation of events which such factors could induce. The KGHM Polska Miedź S.A. Group, as part of the improvement of the corporate risk management process, applies a two-track approach consisting not only of limitation of the risk and minimisation its negative effects, but also in optimisation of the ability to take on risk and the effectiveness of the tools used and their profitability.

Diagram 15. Risk categories in the Risk Model of KGHM Polska Miedź S.A. and their definitions

	<p><b>Technology</b></p> <p>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.</p>
	<p><b>Value chain</b></p> <p>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.</p>
	<p><b>Market</b></p> <p>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.</p>
	<p><b>External risk</b></p> <p>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.</p>
	<p><b>Internal risk</b></p> <p>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 anti-corruption, a company's interests, or efforts to ensure against loss of trust, and the integrity, availability and authenticity of informational assets.</p>
	<p><b>Climate</b></p> <p>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).</p>

Following is a description of the key risk factors in the KGHM Polska Miedź S.A. Group in 2022, broken down into individual categories along with means for their mitigation, including identification of specific risks for the Parent Entity and the KGHM INTERNATIONAL LTD. Group. A key risk is future uncertain events having the greatest impact on the achievement of the

business goals of the KGHM Polska Miedź S.A. Group, reflecting an evaluation of vulnerabilities, i.e. the ability of the organisation to limit the possibility of the occurrence of risk and the impact of its materialisation.

The tables below uses the following abbreviations: for the KGHM Polska Miedź S.A. Group – KGHM Group, for the KGHM INTERNATIONAL LTD. Group – KGHM INTERNATIONAL Group, for KGHM Polska Miedź S.A. – the Parent Entity.

Table 18. Risk category – Technology, in the Risk Model of KGHM Polska Miedź S.A.

Risk and description of risk factors	Mitigation
<p><b>(Parent Entity)</b></p> <p><b>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.</b></p> <p>Sources of risk include potential breakdowns of key elements of the core production line and failure to adapt technology to production requirements, which could affect the availability of metallurgical infrastructure. An important risk factor is the need to maintain the production of concentrates in an amount and quality required to optimise the utilisation of the metallurgical facilities. Exposure to risk is also associated with the need to ensure required utilities to maintain the expected level of infrastructure availability.</p>	<p>Optimum utilisation of infrastructure, maintaining an appropriate selection of concentrates, R&amp;D initiatives and advancement of programs and projects to adapt metallurgical structure and technology to ensure higher processing capacity for own concentrates, imported copper-bearing materials and purchased scrap. Actions are continuously undertaken aimed at guaranteeing the technical efficiency of production continuity and servicing systems. The skills of people controlling processes are constantly being improved, including employees responsible for warehouses, tanks and distribution networks. A maintenance policy is applied, breakdown procedures have been developed and suppliers are continuously monitored within the scope set forth in instructions and agreements. Actions undertaken are aimed at maintaining the availability of metallurgical equipment at the expected level and improving the productivity parameters of metallurgical infrastructure, as well as limiting the negative impact of this risk on operations.</p>

Table 19. Risk category – Value Chain, in the Risk Model of KGHM Polska Miedź S.A.

Risk and description of risk factors	Mitigation
<p><b>(KGHM Group)</b></p> <p><b>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.</b></p> <p>An ineffective process of monitoring and providing early warning to management staff on deviations from the budget and financial plans may impede or delay the appropriate early identification of deviations in respect of forecasted results, at the same time shortening the time for taking appropriate corrective actions. Sources of risk are related to the possibility of ineffective mechanisms to control these processes.</p> <p>In 2022, an important factor impacting exposure to risk was the general uncertainty on financial markets related to the armed conflict in Ukraine, which slowed down the expected economic recovery in the country and world given the improved situation with the COVID-19 pandemic. The lack of an end to the war in Ukraine continues to remain a key factor implying either a potential global economic recovery or resulting in a global recession, in particular in connection with the potential appearance of a subsequent wave of the COVID-19 pandemic.</p>	<p>Forecasts related to specific areas of the operations prepared by appropriate specialised units and ensuring the uniformity of operating plans with strategic plans. Cyclical reporting of execution on forecasts in all critical areas. Regular contacts with and systematic streamlining of the communication process together with setting criteria enabling the identification of symptoms of potential deviations from the expected results of the KGHM Group.</p> <p>Evaluation of key risk factors, on which the coronavirus pandemic and/or the war in Ukraine has an impact, were subjected to specific analysis by the ongoing monitoring of selected information in terms of production, sales, supply chains, management of personnel and finances, aimed at supporting management processes in conditions of heightened uncertainty.</p>
<p><b>(KGHM INTERNATIONAL Group)</b></p> <p><b>Risk related to the precision of estimated costs of decommissioning certain mines.</b></p> <p>With respect to risk factors related to the precision of estimated costs of decommissioning certain mines, there are questions related to the need to meet obligatory environmental conditions connected with realistic concepts for such liquidation. There is also the risk that the company will have to cover restoration costs more quickly than initially assumed, which could lead to the necessity to update the estimated costs of in this regard.</p>	<p>Estimated costs of restoration and mine decommissioning based on expert reports and providing guarantees of future environmental obligations related to the decommissioning and restoration of mining areas in accordance with existing laws and regulations. Work is also underway to extend the Life of Mine of individual active mines, which should enable a decrease and/or delay in their decommissioning costs and optimisation of cash flow to allow potential restoration costs to be covered.</p>

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**(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.**

The risk of changes in the evaluation and management of ore resources involves, among others, geological factors related to the reliable estimation of resources or mining conditions. Risk factors related to the limited reliability and completeness of data, based on which new resource projects are evaluated, may lead to the taking of less than optimal decisions on advancing or suspending projects.

Input data for models are collected in accordance with geological documentation possessed, which is prepared pursuant to laws in force as well as reviewed and consulted internally with experienced staff. The results of current work undergo particular analysis and preliminary project assumptions are updated. Expenditures incurred on exploration and evaluation enable the estimation of mineral resources and investigation of geological-mining conditions aimed at planning further mining activities.

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**(Parent Entity)**

**Risk of the inability to store mine tailings or restrictions thereof.**

The Parent Entity is exposed to the risk of a lack of sufficient tailings storage capacity at the "Zelazny Most" Tailings Storage Facility. Risk factors involve the management and control of the facility, maintaining the technological regime and meeting environmental requirements. Another source of risk are external factors with respect to administrative bodies and the requirement to obtain the necessary administrative decisions for the functioning of the facility. Exposure to risk is also related with potential unplanned shutdowns resulting from infrastructure breakdowns, which could impact the continuity of the Core Business.

Operating in accordance with the operating instructions. Cooperation with a Team of International Experts (TIE) and a General Designer and National Geotechnical Expert. Applying observational methods based on assessing the geotechnical parameters obtained on the basis of evaluations of the results of monitoring, enabling conclusions to be drawn about the functioning of the expanded facility. Systematic supervision and control over the entire "Zelazny Most" Tailings Storage Facility, including cyclical detailed analysis of all risk factors affecting the facility's stability. Ensuring that all legal and administrative requirements are met. Ongoing monitoring of procedures conducted by administrative bodies.

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**(KGHM Group)**

**Risk related to the lack of availability of required energy sources.**

The KGHM Group is exposed to the risk of lack of availability of utilities for its operations. Potential disruptions in the supply of key power sources is mainly related to risk on the part of external suppliers and breakdowns of their distribution infrastructure. Risk is also related to the suspension of delivery of power supplies as a result of long-lasting droughts, leading to periodically lower water levels in rivers, which could cause restrictions in the operations of power plants belonging to KGHM's suppliers. Amongst internal factors, the most important involve questions of maintaining operations, utilisation and investments and modernisation work.

Ensuring back-up systems for the supply of critical utilities and ongoing assessment of the security of the power network. Conducting a variety of investments aimed at strengthening energy security. A framework agreement with suppliers of utilities to increase the security of supplies. Systematic limitation of energy consumption under the implemented Energy Management System compliant with ISO 50001:2018. Planned increase in the efficiency and flexibility of the KGHM 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") in accordance with the Strategy of the KGHM Polska Miedz S.A. Group to the year 2030 with an outlook to 2040.

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**(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.**

The KGHM Group is exposed to risk related to the technological potential and efficiency of its infrastructure to meet the needs of the production process. By utilising infrastructure required to maintain its operations, KGHM is exposed to the risk of industrial breakdowns resulting in unplanned shutdowns. Such breakdowns could result both from natural hazards, i.e. catastrophic natural events and *force majeure*, as well as internal factors dependent on the KGHM Group (on-going operations, maintaining operations, key suppliers, servicing).

Preventive management of key infrastructure elements affecting production continuity. Appointment of a taskforce and expert teams with respect to counteracting breakdowns of infrastructure. Ongoing analysis of geotechnical risk and the verification of planned recoveries. In terms of ICT (information-communication technology) separating groups of projects related to reducing technological debt. Gradual replacement of older technology with newer solutions, reflecting the corporate architecture standard.

In 2022, the process continued of implementing a comprehensive system to manage operational continuity compliant with the ISO 22301:2019 standard, which establishes procedural frameworks at the level of the entire organisation aimed at applying a joint approach to building solutions ensuring operational continuity and enabling its return.

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**(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.**

The KGHM Group is exposed to the risk of external and internal factors, such as metals prices, exchange rates, costs of supply of purchased metal-bearing materials, the level of TC/RCs and selling premiums and costs of services and utilities. This risk is also related to the estimation of costs of provisions for the restoration of mining terrain based on existing law for the territories in which the KGHM Group operates.

Ongoing control of processing costs, monitoring the market situation, optimising costs, including supplies of purchased metal-bearing materials, hedging transactions and management of the net position. Creating multi-year plans and budgets enabling the achievement of profitability under conditions prevailing on the market. Evaluation of key risk factors, on which the coronavirus pandemic and/or the war in Ukraine has an impact, were subjected to specific analysis by the ongoing monitoring of selected information in terms of production, sales, supply chains, management of personnel and finances, aimed at supporting management processes in conditions of heightened uncertainty.



A critically related risk is the rise in operating costs activities due to further increases in the prices of energy carriers (as well as due to the conflict in Ukraine).

In 2022, an important factor impacting exposure to risk was the general uncertainty on financial markets related to Russia's aggression against Ukraine, which slowed down the expected economic recovery in the country and world given the improved situation with the COVID-19 pandemic in the second half of 2022. Uncertainty as to the potential continuation of increases in the prices of fuels and energy carriers may continue to be the main factor generating further increases in basic operating costs.

In terms of increases in the prices of energy carriers, KGHM Polska Miedź S.A., as one of Poland's largest consumers of electricity, has for many years been diversifying its sourcing of power according to an effective strategy developed over the years, reflecting its own generation. Purchases are made under bilateral contracts, framework agreements with many suppliers and on the Polish Power Exchange (Towarowa Giełda Energii). The policy of purchasing electricity and natural gas has for years been realised under a Permanent Committee for the purchase of electricity, natural gas and property rights.

**(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)**

The KGHM Group, due to its well-developed sales and services structure, is exposed to the risk of interruptions to the continuity of these processes, mainly due to external factors. Sources of risk are changes in demand for certain product groups and on individual geographic markets, production restrictions, transport and logistical interruptions (especially in terms of international transport), *force majeure* (extreme weather phenomena) and operational restrictions due to laws introduced at the domestic and international level. This risk has a substantial impact on a decrease the revenues generated by the KGHM Group, and consequently lower operating profits.

In 2022, an important factor impacting exposure to risk was the general uncertainty on markets related to the armed conflict in Ukraine, which slowed down the expected economic recovery in the country and world given the improved situation with the COVID-19 pandemic in the second half of 2022. The lack of an end to the war in Ukraine continues to remain a key factor implying either a potential global economic recovery or resulting in a global recession, in particular in connection with the potential appearance of a subsequent wave of the COVID-19 pandemic.

In the first half of 2022 the COVID-19 pandemic had the greatest impact on the Group's secondary activities involving hotel and spa services.

Ongoing monitoring of the situation prevalent amongst customers, enabling a rapid response to customer needs (such as regular teleconferences, the availability and mobilisation of employees, the utilisation of various channels to exchange information and react to interruptions), analysis of the situation's impact on customers and logistics in individual customer countries as well as transit routes, rapid changes in the structure of sales (changes of sales in individual assortments, amongst customers from individual sectors and on individual geographic markets enabling reaction to potential changes in demand in individual consumer sectors). Diversification made to customer portfolios, providing the possibility to neutralise smaller orders from some customers by selling more to others, participation in the spot market (enabling immediate product allocation given actual customer demand) apart from the main strategy based on carrying out long-term and annual contracts on the basis of long-term business relationships.

Those companies providing hotel and spa services fully realised their sales plans while maintaining a sanitary regime and regulatory restrictions as to permissible frequency in hotel facilities.

Table 20. Risk category – Market, in the Risk Model of KGHM Polska Miedź S.A.

Risk and description of risk factors	Mitigation
<p><b>(KGHM Group)</b></p> <p><b>Market risk related to volatility in metals prices and risk of changes in exchange rates and interest rates.</b></p> <p>Market risk is understood as the possibility of a negative impact on the results of the KGHM Group resulting from changes in the market prices of goods, exchange rates and interest rates, as well as changes in the value of debt securities and in the share prices of listed companies.</p> <p>In 2022, an important factor impacting exposure to risk was the general uncertainty on financial markets related to the armed conflict in Ukraine, which slowed down the expected economic recovery in the country and world despite the improved situation with the COVID-19 pandemic in the second half of 2022.</p> <p>The lack of an end to the war in Ukraine continues to remain a key factor implying either a potential global economic recovery or resulting in a global recession, in particular in connection with the potential appearance of a subsequent wave of the COVID-19 pandemic.</p>	<p>This risk is actively managed by the Parent Entity, in accordance with the Market Risk Management Policy. One of the basic techniques for managing market risk in the company are hedging strategies utilising derivatives. Natural hedging may also be observed, related to the existence of a negative correlation between the price of copper and the USD/PLN exchange rate, as well as the copper price and the prices of gold and silver, which mitigates the negative effects of price fluctuations.</p> <p>Information on the impact of COVID-19 and/or the war in Ukraine on the functioning of the Company and Group is described in detail below.</p> <p>Further information on market risk is presented later in this section.</p>



**(KGHM Group)**

**Credit risk related to trade receivables.**

The KGHM Group sells some of its products with deferred payment terms, as a result of which there may arise the risk of late payments from customers for delivered products.

In 2022, an important factor impacting exposure to risk was the general uncertainty on financial markets related to the armed conflict in Ukraine, which slowed down the expected economic recovery in the country and world given the improved situation with the COVID-19 pandemic in the second half of 2022. The lack of an end to the war in Ukraine continues to remain a key factor implying either a potential global economic recovery or resulting in a global recession, in particular in connection with the potential appearance of a subsequent wave of the COVID-19 pandemic.

This risk is actively managed by the Parent Entity, in accordance with the Credit Risk Management Policy. Exposure to credit risk is limited by evaluating and monitoring the financial condition of customers, setting credit limits and applying creditor security. The companies of the KGHM Group have been working for many years with a large number of customers, which affects the geographic diversification of trade receivables.

Information on the impact of COVID-19 and/or the war in Ukraine on the functioning of the Company and Group is described in detail below.

Further information on market risk is presented later in this section.

**(KGHM Group)**

**Liquidity risk.**

The risk of loss of liquidity is understood as the ability to pay liabilities on time and carry out required purchases as well as to rapidly obtain financing for the operations.

In 2022, an important factor impacting exposure to risk was the general uncertainty on financial markets related to Russian's aggression against Ukraine, which slowed down the expected economic recovery in the country and world given the improved situation with the COVID-19 pandemic in the second half of 2022.

This risk is actively managed in the Parent Entity, as well as in the short, medium and long term time horizons, in accordance with the existing Financial Liquidity Management Policy.

Information on the impact of COVID-19 and/or the war in Ukraine on the functioning of the Company and Group is described in detail below.

Further information on market risk is presented later in this section.

Table 21. Risk category – External Risk, in the Risk Model of KGHM Polska Miedź S.A.

Risk and description of risk factors	Mitigation
<p><b>(KGHM Group)</b></p> <p><b>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.</b></p> <p>The KGHM Group is exposed to the risk of natural hazards and <i>force majeure</i> and related insufficient geological knowledge of the rock mass. Key risk factors which affect the materialisation of such risk also involve the results of periodic analyses of the mining situation and the state of hazard and applied measurement methods. Natural hazards associated with the underground mining of copper ore deposits arise in particular from mining tremors and their potential effects in the form of roof and wall collapses.</p> <p>These factors affect safety, as their occurrence can lead to serious or fatal injuries as well as damage to underground machinery, equipment and infrastructure, along with production downtimes, leading to restrictions to production.</p>	<p>Actions aimed at preventing rock bursts and roof collapses, such as systematic seismological observations, ongoing assessment of the rock mass and the marking off of areas of particular threat of roof collapse. Use of active methods of preventing rock bursts and roof collapses based on provoking dynamic events through mass blasting of mining faces and through blasting to release stress in the orebody or its roof.</p> <p>Preparation of reserve fields in the orebody which could handle limited production.</p> <p>Cyclical meetings of the KGHM Polska Miedź S.A. Team for Preventing Rock Bursts and Roof Collapses. Securing access to the functionality of mine geophysics systems prior to loss of data under the applied approach in the area of IT/OT systems.</p>
<p><b>(Parent Entity)</b></p> <p><b>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.</b></p> <p>KGHM is exposed to the specific risk of natural hazards and <i>force majeure</i> (gas-related geodynamic hazards and the occurrence of naturally-occurring hazardous gases) leading to restrictions in realising production plans and the advance of preparatory work. These factors affect safety, as their occurrence can lead to serious or fatal injuries as well as damage to underground machinery, equipment and infrastructure, along with production downtimes, leading to restrictions to production.</p>	<p>The risk of gas hazards occurring is being assessed and principles are being developed for working under the risk of such hazards. Individual employee safety measures are applied as well as equipment and means for reducing concentrations of hydrogen sulphides and neutralising oppressive odours.</p> <p>Preparation of reserve fields which could handle limited production.</p> <p>The creation of a KGHM Polska Miedź S.A. Team for Mine Ventilation and Air Cooling, whose job is to analyse and provide an opinion on tasks involving the recognition and prevention of gas threats and the threat of gas and rock bursts in the mines.</p> <p>Gas and gas-related geodynamic threats in all of the mines are evaluated on a cyclical basis at the meetings of the Mine Team for the Recognition and Prevention of gas threats and the threat of gas and rock bursts.</p>
<p><b>(Parent Entity)</b></p> <p><b>Risk of production restrictions due to unfavourable climatic conditions in the mines.</b></p>	<p>The use of solutions to counteract underground climate risk using neutral means (e.g. the use of short airways and directing air from the lowest temperature rock mass, high-speed air) and through the</p>

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KGHM is exposed to a specific risk related to climatic conditions restricting activities or increasing costs, related to geological conditions, the temperature of the air sent into the mines and the conditions prevalent in the underground mines.

use of central, workplace and personal air conditioning. The ongoing monitoring of microclimate parameters and the introduction of remote control and visualisation systems and monitoring (industrial cameras) in working areas subject to particularly unfavourable climatic parameters.

Securing access to the functionality of systems prior to loss of data under the applied approach in the area of IT/OT systems.

Decreasing external and internal losses and relative air moisture, as well as increasing air movement intensity. The use of shortened working time.

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**(Parent Entity)**

**Risk of loss of mine functionality due to underground water hazards.**

KGHM is exposed to the risk of natural hazards and *force majeure* in the form of underground water hazards resulting from breakdowns of the main dewatering equipment, human error (actions contrary to the project or technology) or mistaken geological conclusions.

Unfavourable hydrogeological conditions may result in restriction of activities (e.g. limited extraction) or higher costs related among others to the management of increased water inflow.

Research into hydrogeological conditions and water hazards, measuring water inflow to the mines, conducting mining operations pursuant with technology for the safe conduct of mining operations in underground mines. Systematic control of mining areas threatened by water inflow, control of water flow pathways and dams according to a set schedule. The preparation and updating of the Rescue Plan in case of water inflow. Development of regional pumps and the piping system, construction of water dams aimed at restricting water inflow, drilling exploratory holes to stabilise uncontrolled water inflow. To minimise the risk of uncontrolled underground water inflow, a project is continued called „Construction of a main dewatering complex in the region of the SW-4 shaft”, aimed at increasing the dewatering capabilities of the mines.

Securing access to the functionality of the system prior to loss of data under the applied approach in the area of IT/OT systems.

Monitoring of hydrotechnical conditions and the condition of technical facilities and infrastructure. Ongoing modernisation, maintenance, acting in accordance with operating instructions.

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**(KGHM Group)**

**Risk of exceeding the permissible emissions limits set forth in permits.**

The KGHM Group is exposed to the risk of impacting individual components of the natural environment resulting from the extraction of copper ore and its subsequent processing at all stages of production, which could result in exceeding permissible emissions limits.

In this regard actions are taken arising from the Air Protection Programs and R&D. Ongoing measurements are made of emissions levels compared to the limits set in the permits.

Work is being finalised with respect to adaptation of the technological installations of KGHM to the requirements of BAT conclusions for the nonferrous metals industry along with restriction of particulates emissions.

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**(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).**

Risk related to macro- and microeconomic factors involving political actions which result in privileges for a specific group of producers or the introduction of additional fees/legal restrictions. Risk related to unfavourable prices (volatility to the disadvantage of KGHM), high requirements in terms of market parameters for selling sulphuric acid and lower demand for the product on international markets, including as a result of the deterioration in the financial condition of a key customer.

In 2022, one of the factors affecting exposure to risk was the situation on the fertilizers market related to the war in Ukraine. The lack of an end to the war in Ukraine continues to remain a key factor implying either a potential global economic recovery or resulting in a global recession, in particular in relation to the potential emergence of a new mutation of the SARS-CoV-2 virus.

Increase the number of internal storage facilities at the metallurgical plants as well as of warehouses at the port of Szczecin. Search for new sales markets. Long term contracts. Payments to customers and incur transport costs. Search for alternative ways to manage the acid and utilise it in the Concentrators. In 2022, actions were continuously taken related to the situation on the fertilizers market as a result of the war in Ukraine involving volatility in levels of customer demand.

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**(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)**

The KGHM Group is exposed to the risk of interruptions in the management of the supply chain resulting mainly from external factors, resulting in an increase in supply chain sensitivity. These factors include unpredictable volatility in supply and demand,

Continuous contact is maintained with suppliers, which enables prompt reaction to delays by utilising the strategy of diversification of suppliers and directions of deliveries applied by the KGHM Group and by applying alternative solutions, for example by using substitutes, changes in production/assembly schedules. Also used are alternative supply channels, buffers in the form of warehouses, prior planning in terms of materials and components while maintaining the compatibility of applied infrastructure solutions. Moreover, a plan has been developed for the KGHM Group to maintain operational continuity in case of restrictions, production

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changes in supplier bases, technological changes, changes in inventory buffers and in timeframes for realising orders, dependency on suppliers, as well as logistical interruptions, *force majeure* and volatility in exchange rates and metals prices. The efficiency of global supply chains may also be impacted by high inflation.

In 2022, an important factor impacting exposure to risk was the general uncertainty related with the armed conflict in Ukraine, which slowed down the expected economic recovery in the country and world given the improved situation with the COVID-19 pandemic in the second half of 2022. The lack of an end to the war in Ukraine continues to remain a key factor implying either a potential global economic recovery or resulting in a global recession, in particular in relation to the potential emergence of a new mutation of the SARS-CoV-2 virus.

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**(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.**

The KGHM Group is exposed to the risk of actions which are harmful to KGHM taken by external entities participating in the processes of procurement, sales and investment. Threats are in the form of potential losses by the KGHM Group resulting from the intentional actions of external entities, i.e. collusion over minimum pricing, the insufficient technical and economic potential of contractors, falsification of documentation, fictional contractors, conflicts of interest. Other important risk factors include threats as regards all types of improprieties related to breaching anti-corruption and ethical standards (such as corruption, conflicts of interest, abuse, discrimination, illegality, nepotism) as well as breaches of human rights (such as child labour, forced work, modern slavery, women's rights).

suspensions or the temporary switch to a stand-by operating mode. As a result of the COVID-19 pandemic and/or the war in Ukraine, actions are systematically taken to eliminate sporadic instances of delays by suppliers due to lack of availability of components, logistical restrictions or delays by producers of materials and equipment or parts thereof.

Implementation of the Code of Ethics of the KGHM Polska Miedz S.A. Group as the main tool in the corporate culture of the KGHM Group, and other appropriate policies and procedures ensuring the efficiency of implemented principles and values. Meeting global corporate governance standards and increased stakeholder expectations, including above all those of customers and financial institutions. Application under the Responsible Supply Chain Policy of guarantees of the selection of responsible suppliers, especially in the case of acquiring so-called conflict minerals and ensuring that the goods and services acquired by the KGHM Group will not be used to finance terrorism, and that they will be manufactured or provided while respecting human rights, labour standards, environmental protection and counteracting corruption. Proactive monitoring and analysis of procurement processes in terms of identifying abuse and threats of corruption within the organisation and the supply chain, as well as undertaking actions with respect to ethics and counteracting corruption along with the implementation of corrective actions. Internal control with respect to the identification and uncovering of fraud, abuse and corruption in KGHM Group entities and the prevention of such based on the Internal Control Procedure in order to eliminate risk at the level of prevention. The management of compliance under a comprehensive compliance management system.

The KGHM Group has implemented an Anti-Bribery Management System (ABMS) compliant with the ISO 37001 standard, which resulted in the adoption of an Anti-Corruption Policy. Under the ABMS new procedures were implemented as regards corruption risk management, ensuring the compliance of actions taken by KGHM Group entities with the adopted Anti-Corruption Policy. These procedures regulate among others the rules for dealing with business gifts, suspected situations involving corruption or conflicts of interest. In each entity of the KGHM Group persons have been appointed to ensure anti-corruption compliance, and have been granted appropriate authority while at the same time maintaining their independence and impartiality.

In 2022, a „Human Rights Policy in KGHM Polska Miedz S.A.” was adopted, which supports the Company's existing regulations and procedures concerning aspects of human rights in accordance with the sustainable development model, such as the Code of Ethics, Code of Conduct, OHS Policy, Climate Policy and the Responsible Supply Chain Policy.

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**(KGHM Group)**

**Risk of loss of compliance with requirements (general laws in force, internal corporate regulations and voluntarily-adopted legal obligations and standards).**

The KGHM Group operates in unstable regulatory environments in many jurisdictions. A consequence of the need for technological and organisational adaptation to a variable legal environment (including environmental and tax requirements) may be higher costs of activities or their limitation. Risk of interruptions to operations or the need to reorganise work as a result of new laws may have a significant impact on the KGHM Group's activities (including the risk of switching to a low-emissions economy, a circular economy).

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 the membership of numerous organisations at the national and EU level). Cooperation with renowned law firms and the creation of specialised organisational units which monitor the regulatory environment. Taking preventive actions aimed at adapting to organisational, infrastructural and technological changes. 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 (including ethical standards), a Compliance Management Policy for the KGHM Polska Miedź S.A. Group together with a Procedure and Methodology for managing compliance in KGHM Polska Miedź S.A. are in force. 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.

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Table 22. Risk category – Internal Risk, in the Risk Model of KGHM Polska Miedź S.A.

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**Risk and description of risk factors**

**(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.**

The failure to adhere to occupational health and safety rules and procedures, as well as the employment of persons lacking an appropriate psychophysical predisposition, could be a source of potential accidents. Exposure to unfavourable natural conditions together with associated natural hazards requires, apart from the high requirements in terms of essential professional preparation, that employees possess appropriate qualifications in terms of health, physical ability and psychological fitness. Risk is also associated with the possibility of temporary production stoppages caused by serious accidents, which could potentially affect the operations of the KGHM Group financially, legally and image-wise. The KGHM Group is also exposed to the risk of professional illnesses as a result of the impact of the workplace environment on people. Enhanced exposure to risk is also associated with external factors in the form of sub-contractors and their safety culture.

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**Mitigation**

A detailed division of obligations between management and supervisory staff on the one hand and entities providing services to the Company on the other, to ensure safe working conditions and the proper coordination of work. Systematic discussion of workplace safety with the participation of representatives of sub-contractors and mining oversight authorities. Analysis of the causes of accidents, drawing conclusions and taking the necessary, possible corrective actions to avoid similar situations in the future. Engaging employees and sub-contractors in campaigns carried out in the KGHM Group aimed at improving OHS standards. Advancement of development initiatives based on the idea of sustainable development and safety and enhancing the Group's image as being socially responsible under the adopted Strategy. Actions consistent with the cycle of self-improvement in order to continuously seek and prepare for implementation the catalogue of initiatives aimed at further improvement of OHS and advancement of the long-term goal of the Company, „Zero accidents due to human and technical errors, zero occupational illnesses among our employees and contractors“. The Employee Safety Improvement Program „Think About The Consequences“ includes actions as regards behaviours, and is expanded each year by new goals. The result should be achieved by changes in employee behaviour and habits as regards occupational health and safety, as well as by improving the Occupational health and safety management system, aimed at preventing injuries and health-related problems amongst employees and ensuring a safe and hygienic workplace.

Optimisation of health care for employees, especially following workplace accidents and the systematic search for new organisational and technical initiatives enabling achievement of a high level of safety for employees in the divisions of KGHM Polska Miedź S.A. Threats are identified and professional risk is evaluated on a cyclical basis as well as in accordance with the needs of the moment, including those related to the SARS-CoV-2 virus pandemic.

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**(KGHM Group)**

**The risk of lack of acceptance by the public, local governments or other stakeholders for the conduct of development and exploration work.**

The KGHM Group is exposed to the risk of exposure to external factors involving the environment in which it operates and

Advancement of CSR Strategy and close cooperation with government bodies. Meetings and negotiations with stakeholders, informational campaigns, conferences, publications. Cooperation with academic and sector bodies and authorities in order to meet the highest communication-public relations standards. Caring about and paying due diligence to the identification of expectations and demands by the external environment. Establishing

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consequently, exposure to changes in the image of the organisation and its products or services. Risk of ineffective management of relations with stakeholders, which affects the willingness of the environment and the taking of actions towards the KGHM Group. In extreme cases, the materialisation of this risk may lead to the blocking of development plans. Risk related to the heightened expectations and awareness by stakeholders of questions related to sustainable development and corporate social responsibility, which could lead to higher operating and investment costs, and in extreme cases to their limitation. Variable consumer requirements, which is also connected with paying attention to the manner of production, and not only to the quality and price of the final good.

**(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)**

The risk of not being able to acquire and keep human resources, among others to support on-going operations and development projects. The KGHM Group is exposed to risk related to the availability of qualified staff in the market as well as on-going identification of staffing needs in terms of required qualifications and supplying them while reflecting staffing fluctuations. Of significance is access to qualified employees in the future in the context of an aging society and a market deficit of certain professions.

In the first half of 2022, an important factor affecting exposure to risk was the COVID-19 pandemic and the impact of its subsequent seasonal waves on the availability in particular of key employees necessary to maintain the continuity of the Core Business.

commercial and business relationships with entities who declare an attitude of caring about environmental protection and compliance with existing laws in this regard.

Advancing a number of initiatives and activities in the field of HR, identification of potential successors for key positions (including in terms of mobility) and preparations for advancement. On-going comparison of remuneration packages (including in relation to working conditions) to offers on the market. Cooperation with schools and universities to promote the company as an employer and to ensure qualified employees. Implementation of programs to develop employee skills and to secure funds for this purpose. Development of recruiting tools and the identification of key skills to advance the business goals of the KGHM Group.

Existing solutions in the KGHM Group undergo systematic ongoing analysis and evaluation in terms of ensuring employee safety and the implementation of additional solutions aimed at limiting the risk of spreading the SARS-CoV-2 virus amongst the staff. Continually updating developed operating procedures in case of the need to limit or cease production, concepts are prepared for new working systems enabling contact between working shifts as well as lists of employees/specialists and their substitutes, who are vital to ensuring the operational continuity of the Core Business. Maintaining procedures on what to do in the case of detection of SARS CoV-2 amongst the employees in line with the guidelines of appropriate governmental institutions.

**(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 KGHM Group, due to its well-developed IT structure, is exposed to the risk of a breach in the confidentiality, integrity, availability or authenticity of informational assets which have been collected, stored or processed on IT resources. The sources of this risk are both forces of nature (e.g. fires, construction catastrophes, downpours) as well as hazards arising from human activities (intentional or not). The KGHM Group is exposed to the risk of an unauthorised loss, change or destruction of critical data and information as well as loss of the possibility of the operational control of equipment and systems as a result of cybernetic attacks on the infrastructure of the KGHM Group. Such incidents could generate the risk of production shutdowns, leading to production and financial losses and claims due to the loss/disclosure of personal data. This risk has a large impact on the reputation of the KGHM Group.

Strict adherence to and application of principles arising among others from the IT Security Policy and from Facility Protection Plans. The systematic evaluation of risk of loss of the confidentiality, integrity, availability or authenticity or availability of informational assets which have been collected, stored or processed on IT resources. Ongoing monitoring of the usefulness of existing infrastructure as well as the analysis of and planning for the implementation of teleinformational solutions to increase security, in accordance with global trends and best practice in this regard. Implementation of security systems and adequate organisational solutions at various levels of the infrastructure, aimed at staying ahead of any decrease in the utility of systems at risk and minimising the potential losses of the KGHM Group.

KGHM Polska Miedz S.A. engages in a variety of investments to enhance the cybersecurity level of IT/OT systems as regards among others the investigation of incidents and data security.

In 2022, a Security Operation Center (SOC) was created. The main task of the new unit is to provide 24-hour first-line support to deal with cybersecurity incidents.

**(KGHM Group)**

**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.**

The KGHM Group is exposed to risk related to the advancement of projects and programs as a result of their improper management. The risk of changes in budgets, schedule, scope and deviations from the expected quality of project products and/or programs is

Improve standards in the management of portfolios and projects and implement a projects management system aimed at supporting the organisation in the planning and management of portfolios and projects. Standardisation of planning and preparation processes and in the advancement of investment projects, comprising such aspects as scheduling, preparing costs projections, technical designing, project review, investment handover documentation, risk analysis of projects/programs. Management of projects in accordance with international standards and conducting on-going monitoring of progress. On-going evaluation of the economic feasibility of existing and anticipated development projects.



related to a variety of factors of an internal nature involving both the methodological approach and the projected structure of management and supervision. Improperly selected tools and techniques, lack of established criteria and principles for evaluating projects, or inconsistency in their application or adherence to them may restrict or prevent the achievement of the KGHM Group's strategic goals. In terms of external factors, there remains the question of meeting legal and formal requirements which could generate deviations from the assumed schedule, and in extreme instances may halt the advancement of a project/program.

In 2022, KGHM Polska Miedź S.A. commenced an InvestCUP Development Program, dedicated to people involved in the preparation and realisation of projects, as a tool to raise their effectiveness by developing skills and enhancing employee engagement.

Table 23. Risk category – Climate, in the Risk Model of KGHM Polska Miedź S.A.

Risk and description of risk factors	Mitigation
<p><b>(KGHM Group)</b></p> <p><b>Climate risk related to the negative impact of climate change on the activities of the KGHM Group.</b></p> <p>The KGHM Group is exposed to the risk of climate change due to the negative impact of factors arising from specified events, in particular related to violent and chronic weather phenomena resulting from changes in the climate, such as storms, floods, fires or heat waves, as well as permanent changes in weather patterns, which could interrupt the value chain or the continuity of operations of the KGHM Group.</p> <p>This risk is related to changes in the conditions under which activities are conducted or to interruptions in the operations of the Core Business, as a result of climate change and adaptation to these changes. Permanent changes in weather patterns due to climate change may also in consequence may also lead to degraded working conditions and higher operating costs related directly to business activities.</p>	<p>The development and 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 primary goals and assumptions of the Climate Policy of KGHM Polska Miedź S.A. are presented in section <a href="#">3.1. Approach to the management of environmental impacts and climate protection</a>.</p> <p>An implemented and improved system of risk management, which also comprises management of climate risk, including the categorisation, identification, assessment and manner of dealing with this risk, along with plans for its mitigation.</p> <p>An implemented and improved system of compliance management, which also comprises management of the risk of loss of compliance with climate-related requirements.</p> <p>Continued implementation of a climate reporting system based on the Recommendations of the Task Force on Climate-Related Financial Disclosures from 2017.</p>

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#### **(KGHM Group)**

#### **Climate risk related to the transition to a low-emissions economy and resistance to climate change.**

The KGHM Group is exposed to risk arising from the need of the economy to adapt to gradual climate change, in particular by utilising low-emissions solutions. The temporary risk category comprises questions related to legal requirements, perceptions of customers and other stakeholders to climate questions, technological progress towards a low-carbon economy and changes in demand and supply for certain products and services, whose production is associated with negative climate impact.

This risk is related to changes in the conditions under which activities are conducted arising from climate changes and adaptation to these changes in the context of observed challenges presented to the mining and metallurgical sector.

Continued implementation of changes involving key business and management processes – in particular those related to or having an impact on restrictions by the Parent Entity in greenhouse gas emissions by among others changes in corporate governance and changes as regards indicators, whose goal is to introduce the process of measuring emissions for the KGHM Group in a manner fully compliant with GHG Protocol and implementation of the first indicators responsible for monitoring improvements in the business robustness model to climate change.

Detailed information on the subject of climate risk may be found in section [3.3. Approach to climate risk management](#).

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### **INFORMATION ON THE IMPACT OF COVID-19 AND/OR THE WAR IN UKRAINE ON THE COMPANY'S AND GROUP'S OPERATIONS**

The greatest impact on the operations and results of the KGHM Polska Miedź S.A. Group is from the Parent Entity and, to a lesser extent, the KGHM INTERNATIONAL LTD. Group.

#### **Key risk categories**

The most significant risk factors related to the COVID-19 pandemic and/or the war in Ukraine, impacting the Company's and the Group's activities 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.

Evaluation of the key categories of risk which are impacted by the coronavirus pandemic and/or the war in Ukraine underwent detailed analysis by the on-going monitoring of selected information in the areas of production, sales, supply chains, personnel management and finance, in order to support the process of reviewing the current financial and operating situation of the KGHM Polska Miedź S.A. Group. As a result, some of the aforementioned threats had a negative impact on the Group's operations and ultimately resulted in deviations from achievement of the budget targets for 2022 in terms of costs of the KGHM Polska Miedź S.A. Group. Details regarding the results of the operating segments may be found in [sections 8-11](#).

#### **Impact on the metals market and share price**

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.



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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.

#### **Impact on the fuels market, energy carriers and availability of raw and other materials**

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.

#### **Impact on the Group's spa activities**

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.

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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.

### **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.

### **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 RISK

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., FXN 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, the goal of which 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.

Table 24. Risk category – Market, in the Risk Model of the KGHM Polska Miedź S.A. Group

<b>Commodity risk, currency risk</b>	<p>In 2022, the Group was mainly exposed to the risk of the changes in the prices of metals it sells: copper and silver. Of major significance for the Parent Entity was the risk of changes in exchange rates, in particular the USD/PLN exchange rate. The Group's companies are additionally exposed to the risk of volatility in the prices of other metals. Market risk related to changes in metals prices arises from the formula for setting prices in physical metals sales contracts, which are usually based on the average monthly market prices for the relevant future month.</p> <p>In accordance with the Market Risk Management Policy, in 2022 the Parent Entity continuously identified and measured market risk related to changes in metals prices, exchange rates and interest rates (analysis of the impact of market risk factors on the Parent Entity's activities – profit or loss, balance sheet, statement of cash flows), and also analysed the metals, currencies and interest rates markets. These analyses, along with</p>
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assessment of the internal situation of the Parent Entity and the Group, represented the basis for taking decisions on the application of hedging strategies on the metals, currency and interest rates markets.

In terms of the realisation of the strategic plan of hedging against market risk, in 2022 the Parent Entity purchased put options on the currency market in the amount of USD 205 million to cover planned revenues from sales with maturities from April 2022 to December 2022, as well as collar options structures on the currency market in total for USD 400 million of planned revenues from sales in the period from August 2022 to December 2022 as well as collar options structures for USD 2 640 million for the period from January 2023 to December 2024.

As part of the execution of the strategic hedging plan of the Parent Entity against market risk, in 2022 implemented strategies to hedge planned revenues from copper sales. Seagull options strategies were entered into for the period from January 2023 to December 2023 for the total volume of 90 thousand tonnes. In addition, a hedged position on the copper market for this same period was restructured for the total volume of 12 thousand tonnes. In 2022, the Parent Entity did not implement hedging strategies on the silver market. Detailed disclosures on the actions taken in 2022 with respect to market risk management is presented in notes 7.5.1.2 and 7.5.1.3 of the consolidated financial statements.

As at 31 December 2022, the Parent Entity also held open CIRS (Cross Currency Interest Rate Swap) transactions for the notional amount of PLN 2 billion, hedging against market risk related to the issue of bonds in PLN with a variable interest rate. Debt due to bonds denominated in PLN generate currency risk due to the fact that most of the Parent Entity's sales revenue is denominated in USD.

In terms of managing currency risk, the Parent Entity applies natural hedging by borrowing in currencies in which it has revenues. The value of bank and investment loans as of 31 December 2022 drawn in USD, following their translation into PLN, amounted to PLN 3 435 million (as of 31 December 2021: PLN 2 980 million).

In 2022, none of the Group's mining subsidiaries implemented forward transactions on the metals and currency markets and did not hold open positions as of 31 December 2022. Risk related to changes in metals prices did however exist in the case of embedded derivative instruments in contracts for the purchase of metal-bearing materials.

Some of the Group's Polish companies managed the currency risk related to their core businesses by opening derivative transactions on the EUR/PLN and USD/PLN markets.

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#### Interest rate risk

Interest rate risk is the possibility of the negative impact of changes in interest rates on the Group's position and results. In 2022, the Group was exposed to such risk due to loans granted, free cash invested on deposits, the reverse factoring program and borrowings.

As at 31 December 2022, the following positions were exposed to interest rate risk by impacting the amount of interest income and costs:

- cash and cash equivalents: PLN 1 200 million,
- borrowings: PLN 2 656 million,
- trade and similar payables: PLN 18 million.

As at 31 December 2021, the following positions were exposed to interest rate risk due to changes in the fair value of instruments with fixed interest rates:

- receivables due to loans granted by the Group: PLN 21 million,
- borrowings: PLN 3 787 million.

As at 31 December 2022, the Parent Entity held open CIRS (Cross Currency Interest Rate Swap) transactions for the notional amount of PLN 2 billion, hedging against market risk related to the issue of bonds in PLN with a variable interest rate.

The Group uses financial instruments based on variable interest rates, which fall under the reference rates reform. As a result of the reform, publication of certain IBOR rates ceased from 1 January 2022 and the next ones will cease to be published from 30 June 2023.

The Group identified agreements which include clauses based on LIBOR and which will be changed once the reference rates are superseded. These are mainly borrowing and factoring agreements. In 2022 some of the bilateral financing agreements were annexed in order to introduce SOFR or CME Term SOFR rates. Negotiations are underway with other financial institutions aimed at replacing LIBOR with an alternative benchmark.

On 7 July 2022, an Act on crowdfunding for business and support for borrowers, which is a basis to change the WIBOR and WIBID rates applicable to instruments in PLN. As a result of legislative changes in September 2022, the Steering Committee of the National Work Group for reform of the reference rates selected WIRON as the target Risk-Free Rate (RFR) for the Polish financial market. Details on the replacement of current rates by an alternative one will be published in 2023, and the publication of old WIBOR and WIBID rates will end in 2025.

Until 2025, the IBOR reform will not have an impact on the interest rate applied in the Group's derivatives, because the CIRS transactions entered into (open cross currency interest rate swaps) and bonds issued by the Group are based on the WIBOR reference rate. In the case of this benchmark, until 2025 we are in the transitional period, during which adjustments to transactions entered into before the reform will not be required. After 2025, the IBOR reform may have an impact on cash flow hedging of variable interest of issued bonds (Tranche B) in the amount of PLN 1.6 billion, based on WIBOR 6M, that is CIRS transactions (cross currency swap) with maturity falling in 2029.

Detailed disclosure on the impact of the IBOR reform on the Group's financial instruments may be found in Note 7.5.1.4 of the consolidated financial statements.

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<b>Price risk related to the change in share prices of listed companies</b>	<p>Price risk related to the shares of listed companies held by the Group is understood as the change in their fair value due to changes in their quoted share prices.</p> <p>As at 31 December 2022, the carrying amount of shares of companies which were listed on the Warsaw Stock Exchange and on the TSX Venture Exchange amounted to PLN 421 million.</p>
<b>Result on derivatives and hedging transactions</b>	<p>The total impact of derivatives and hedging instruments (transactions on the copper, silver, currency and interest rate markets as well as embedded derivatives and USD-denominated loans designated as a hedge against a change in the exchange rate) on the Group's profit or loss for 2021 amounted to -PLN 361 million, of which:</p> <ul style="list-style-type: none"> <li>- PLN 182 million decreased revenues from contracts with customers,</li> <li>- PLN 220 million decreased the result on other operating activities, and</li> <li>- PLN 41 million increased the result on financing activities (including: PLN 60 million as an adjustment of interest on borrowings).</li> </ul> <p>Moreover, in 2022 other comprehensive income increased by PLN 1 671 million (impact of hedging instruments).</p> <p>As at 31 December 2022, the fair value of open positions in derivatives of the Group (on the metals, currency and interest rate markets and in embedded derivatives) amounted to PLN 357 million.</p>

## 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.

In 2022, the KGHM Polska Miedź S.A. Group was exposed to this risk, mainly in four areas:

**Table 25. Areas of credit risk in the Risk Model of the KGHM Polska Miedź S.A. Group**

<b>Credit risk related to trade receivables</b>	<p>The Group's companies have been cooperating for many years with a large number of customers, which affects the geographical diversification of trade receivables.</p> <p>The Parent Entity limits its exposure to credit risk related to trade receivables by evaluating and monitoring the financial standing of its customers, setting credit limits, using debtor security and non-recourse factoring. An inseparable element of the credit risk management process realised by the Parent Entity is the on-going monitoring of balance and aging of receivables and the internal reporting system.</p> <p>Buyer's credit is only provided to proven, long-term customers. In the case of new customers, an effort is made to ensure that sales are based on prepayments or trade financing instruments which wholly transfer the credit risk to financial institutions.</p> <p>In 2022, the Parent Entity secured its receivables by promissory notes, registered pledges, bank guarantees, corporate guarantees, mortgages and documentary collection. Moreover, the majority of customers who hold buyer's credit on contracts have ownership rights confirmed by a date certain.</p> <p>To reduce the risk of insolvency by its customers, the Parent Entity has a receivables insurance contract, which covers receivables from entities with buyer's credit which have not provided strong collateral or have provided collateral which does not cover the total amount of the receivables. Taking into account the collateral held and the credit limits received from the insurance company, as of 31 December 2022 the Parent Entity had secured 76% of its trade receivables (as of 31 December 2021: 84%).</p> <p>The concentration of credit risk in the Group is related to the terms of payment granted to key clients. Consequently, as of 31 December 2022 the balance of receivables from 7 of the Group's largest customers, in terms of trade receivables at the end of the reporting period, represented 58% of the trade receivables balance (as of 31 December 2021: 49%). Despite the concentration of this type of risk, it is considered that due to the availability of historical data and the many years of experience cooperating with clients, as well as above all due to the security used, the level of credit risk is low.</p>
<b>Credit risk related to cash and cash equivalents and bank deposits</b>	<p>The Group allocates periodically free cash in accordance with the requirements to maintain financial liquidity and limit risk and in order to protect capital and maximise interest income.</p> <p>Credit risk related to deposit transactions is continuously monitored by the on-going review of the credit ratings of those financial institutions with which the Group cooperates, and by limitation of the level of concentration in individual institutions. As at 31 December 2022, the maximum share of a single entity in terms of credit risk arising from financial institutions in which the Group has deposited funds amounted to 30% (as of 31 December 2021: 41%).</p>

<b>Credit risk related to derivatives transactions</b>	<p>All of the entities with which the Group enters into derivative transactions (with the exception of embedded derivatives) operate in the financial sector. These are mainly financial institutions, with a medium-high rating. According to fair value as of 31 December 2022, the maximum share of a single entity with respect to credit risk arising from open derivative transactions entered into by the Group and from net receivables due to settled derivatives amounted to 17% (as of 31 December 2021: 26%). Due to diversification of risk in terms both of the nature of individual entities and of their geographical location, as well as taking into consideration the ongoing monitoring of the rating of financial institutions with which it cooperates, the Group is not materially exposed to credit risk as a result of derivative transactions entered into.</p>
<b>Credit risk related to loans granted</b>	<p>As at 31 December 2022, the balance of loans granted by the Parent Entity amounted to PLN 8 785 million. The most important of these are long-term loans in the total amount of PLN 5 464 million granted to the company Future 1 Sp. z o.o. and to the KGHM INTERNATIONAL LTD. Group. Detailed information on the loans granted by KGHM Polska Miedź S.A. is presented in the Financial Statements, Note 6.2.</p> <p>As at 31 December 2022, the balance of loans granted by the Group amounted to PLN 9 623 million. The most important of these are short-term and long-term loans in the total amount of PLN 9 603 million, or USD 2 182 million, granted by the KGHM INTERNATIONAL LTD. Group for the financing of a mining joint venture in Chile.</p> <p>The loans granted in connection with the financing of a mining joint venture in Chile are subordinated to liabilities due to a loan in the amount of up to USD 700 million received by Sierra Gorda S.C.M. from Bank Gospodarstwa Krajowego. In order to guarantee the subordinating of owner loans to the debt granted by the Bank, a Subordination Agreement was entered into. Under this Agreement, there exists the possibility to repay the owner loans through the joint venture Sierra Gorda S.C.M., which is contingent on the acceptance of the Bank following the fulfilment of strictly-defined parameters in the Matching Agreement.</p> <p>Credit risk related to the loans granted to the joint venture Sierra Gorda S.C.M. is dependent on the risk related to mine project advancement and is assessed by the Management Board of the Parent Entity as moderate.</p>

### Management of financial liquidity risk

The management of capital in the Group aims at securing funds for development and at securing relevant liquidity.

**Table 26. Risk category – Liquidity risk, in the Risk Model of the KGHM Polska Miedź S.A. Group**

<b>Financial liquidity management</b>	<p>Management of the Group's liquidity is conducted in accordance with the Financial Liquidity Management Policy in the KGHM Group. This document describes the process of financial liquidity management in the Group, which is realised by the Group's companies, while its organisation and coordination as well as the supervision thereof is performed in the Parent Entity.</p> <p>The basic principles resulting from this document are:</p> <ul style="list-style-type: none"> <li>– the need to ensure stable and effective financing for the Group's operations,</li> <li>– constant monitoring of the Group's level of debt, and</li> <li>– effective management of working capital.</li> </ul> <p>External financing of the Group is based on the following pillars:</p> <ul style="list-style-type: none"> <li>– an unsecured, revolving syndicated credit facility, obtained by the Parent Entity in the amount of USD 1 500 million with a 5-year tenor with the option of extending for another 2 years (5+1+1). In the years 2020-2021 the Parent Entity obtained the consent of the syndicate's members to extend the tenor by another 2 years, or to 20 December 2026. The available financing limit during the period of extension will be USD 1 438 million,</li> <li>– two investment loans granted to the Parent Entity by the European Investment Bank in the amount of PLN 2 000 million and PLN 1 340 million with financing periods of up to 12 years from the date the instalments are drawn. Instalments under these loans, with agreements signed in 2014 and 2017, were paid out in accordance with the advancement of work on investment projects, co-financed by the Bank. As at 31 December 2022, the Parent Entity has drawn 6 loan instalments, which will be repaid in the years 2026-2031.</li> <li>– bilateral bank loans to the amount of PLN 3 255 million, supporting the management of liquidity of companies and the financing of working capital as well as the financing of investments, with maturities falling in 2029,</li> <li>– the bond issue program of the Parent Entity on the Polish market, based on an issue agreement dated 27 May 2019. On 27 June 2019 the first issue was made in the nominal amount of PLN 2 000 million, under which 5-year bonds were issued in the amount of PLN 400 million and 10-year bonds in the amount of PLN 1 600 million.</li> </ul> <p>Detailed information regarding available sources of financing and their utilisation in 2022 may be found in Section 6.6 of this report.</p> <p>The aforementioned sources of financing fully cover the liquidity needs of the Group. During 2022, the Group made use of external financing which was available from all of the above categories, while borrowings of the Group and bonds issued as of 31 December 2022 amounted to PLN 5 699 million.</p>
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## 2.7 ETHICS / ETHICAL FOUNDATIONS

GRI 3-3 material topic: Ethics and transparency		GRI 3-3 material topic: Respect for human rights	GRI 3-3 material topic: Customer satisfaction
GRI 2-25	GRI 2-26	GRI 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. KGHM builds its global position in the world as a reliable producer, trusted business partner and a company pursuing a sustainable development policy. All values must occur jointly.

Table 27. Values of KGHM Polska Miedź S.A.

<b>Zero harm</b>	<p>Zero harm is the top priority of the Company's value hierarchy:</p> <ul style="list-style-type: none"> <li>– The life and health of our employees is our priority.</li> <li>– Respect for the natural environment, in particular the resources we mine in a responsible manner.</li> <li>– The Company cares for the local communities within which it operates and maintains a dialogue with.</li> <li>– KGHM Polska Miedź S.A. puts emphasis on the continuity and stability of its operations.</li> </ul>
<b>Results driven</b>	<p>Attainment of results while focusing on KGHM's long-term success.</p> <ul style="list-style-type: none"> <li>– Ambitious targets and ongoing development.</li> <li>– Taking initiative and making extra efforts for the benefit of KGHM.</li> <li>– Solid work using the right tools.</li> </ul>
<b>Accountability</b>	<p>All Company Employees are jointly responsible for the actions taken for the benefit of our stakeholders:</p> <ul style="list-style-type: none"> <li>– Acting in a transparent and socially responsible manner, abiding by the standards of the Code of Ethics.</li> <li>– Accountability for our decisions, obligations and constant, stable development.</li> <li>– Building long-term relationships with our business and social partners.</li> </ul>
<b>Courage</b>	<p>The Company addresses new challenges:</p> <ul style="list-style-type: none"> <li>– Employees are brave and continually face new challenges.</li> <li>– Courageous decisions are made and new, innovative solutions are constantly sought for.</li> </ul>
<b>Teamwork</b>	<p>Teamwork is the basis for the Company's success:</p> <ul style="list-style-type: none"> <li>– In KGHM, teamwork is performed.</li> <li>– Respect for the views of others in a discussion.</li> <li>– Using the talents and experience of employees.</li> <li>– Diversity, including a multi-cultural environment, are valued in the Company.</li> </ul>

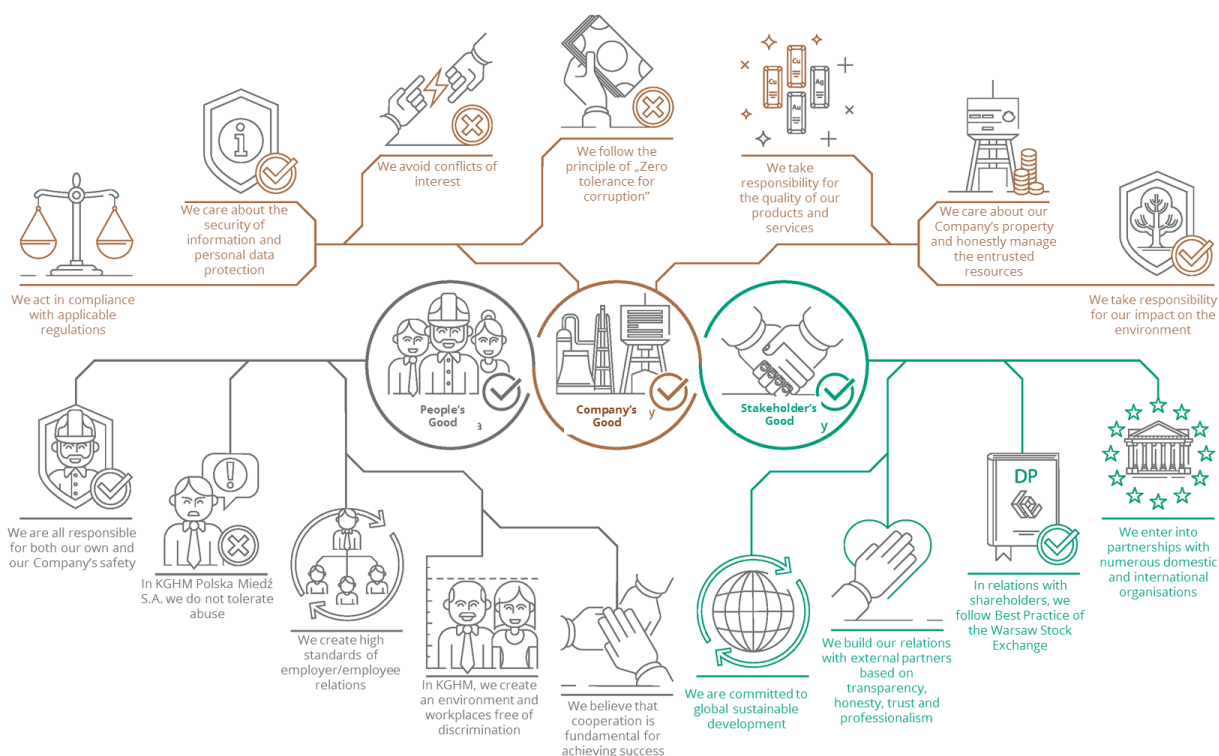
### KEY ETHICAL STANDARDS IN THE KGHM POLSKA MIEDŹ S.A. GROUP

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.

The Code of Ethics aims to ensure that the employees follow the highest standards based on the above values. It defines Key Ethical Standards which are implemented through the principles of ethical conduct.



Diagram 16. Ethical standards of KGHM Polska Miedź S.A.



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 satisfies global corporate governance standards as well as the increasing expectations of our stakeholders, including mainly our clients and financial institutions.

Relying on the best corporate governance practices, in the KGHM Polska Miedź S.A. Group the following principles, policies and instructions apply, which introduce global, unified standards adapted to the laws applicable in all jurisdictions in which the KGHM Polska Miedź S.A. Group operates:

- Anti-corruption Policy in the KGHM Polska Miedź S.A. Group,
- Security Policy in the KGHM Polska Miedź S.A. Group,
- Both documents are described in section [2.2. Corporate Governance](#).

### Organisation of the security and loss prevention system

In order to ensure the correct implementation of the adopted Security Policy and Anti-corruption 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 Anti-corruption 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 Anti-corruption 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 abuses, confidential channels for reporting of irregularities by so called Whistleblowers have been created, both within the company, as well as from outside of its structures. 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 both centrally, to the Ethics and Anti-corruption Procedures Unit, and locally, in each of the entities from the KGHM Group, to Ethics and Anti-corruption Representatives. 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 Anti-corruption Representative in the KGHM Group.

Since 2019, a platform for whistleblowers 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 development of the tool is another step in enhancing the process and responding to changing legal requirements connected with the entry into force of Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law. It will be a comprehensive solution, covering the entire report handling process and it will have built-in functionalities to ensure information security and personal data protection. Work is also being done on updating internal normative acts concerning receipt of reports from Whistleblowers and their protection, aimed at ensuring compliance with the EU Directive and domestic regulations on the protection of persons who report breaches of law (at present, a draft bill).

Moreover, employees have the opportunity to report to the Ethics and Anti-corruption Representative, available at each Group entity, in addition to the tool under development described above and the operating Ethics Line. Besides conducting regular training and information campaigns, the Representative provides consultations for employees. Moreover, mediation teams operate in some entities which enable resolving disputes and disagreements between employees before they escalate and need to be reported through an official channel. 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. However, these opportunities are dedicated exclusively to Group employees.

Chart 16. Number of reports of breaches of ethical principles in the KGHM Polska Miedź S.A. Group in the period 2018-2022

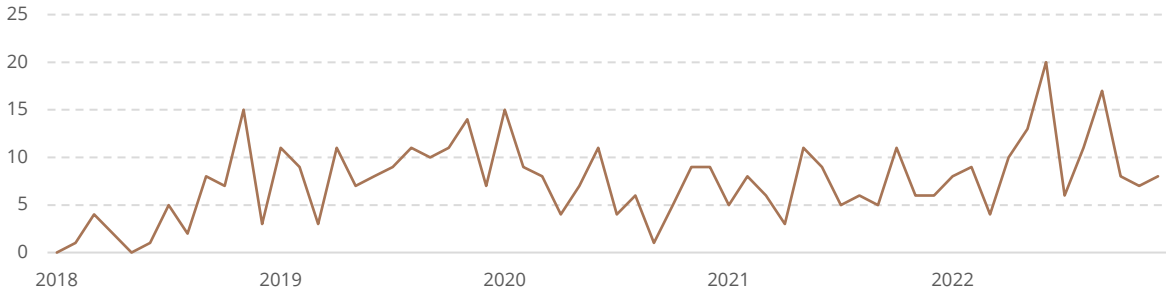


Diagram 17. Procedure followed in the event of a breach of ethical principles in the KGHM Polska Miedź S.A. Group



**KGHM POLSKA MIEDŹ S.A. 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.

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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](http://extranet.kghm.com)). The Codes are distributed in the printed version during training sessions held by the Ethics and Anti-corruption 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 public on [www.kghm.com](http://www.kghm.com), in the Investors/Corporate Governance/Code of Ethics and ESG Code of Conduct tab: [Policies and Codes | KGHM Corporate Website](#).

## 2.8 COUNTERACTING CORRUPTION

GRI 3-3 material topic: Ethics and transparency

GRI 205-1

GRI 205-2

GRI 205-3

In order to comply with the key anti-corruption 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 Anti-corruption 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. The decision was followed by a series of training workshops for employees, including training for prospective internal auditors and Representatives on the Anti-corruption Management System in accordance with PN-ISO 37001:2017. In connection with the implementation of the ISO 37001:2017 standard, in 2021 the KGHM Polska Miedź S.A. Group adopted the new Anti-corruption Policy. The implementation team supported by an external expert prepared, including updating of the existing and development of new anti-corruption regulations consistent with the requirements of the standard and designed to ensure the implementation of the existing Anti-corruption Policy. The new regulations have already been adopted by a resolution of the Management Board of KGHM Polska Miedź S.A. and are currently being implemented in all Group entities.

The basis for the Anti-corruption 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 Anti-corruption Policy and anti-corruption regulations.

Following the principle "prevention is better than cure", the KGHM Group manages corruption risk, identifying and eliminating factors which increase it by implementing adequate supervisory measures. Within the implemented AMS, a resolution adopted by the KGHM Polska Miedź S.A. Management Board introduced new procedures in the area of corruption risk management, ensuring compliance of activities performed by the entities from the KGHM Group with the adopted Anti-corruption Policy. The procedures define detailed standards of handling corruption activities, including giving and accepting business gifts, contacts with public officials, situations of conflicts of interest and events that may constitute corrupt offers. They also define the liability for violating the Anti-corruption Policy and anti-corruption regulations. Among the corporate regulations relating to the Anti-corruption Management System, a Risk Management Procedure has been implemented, which requires process owners to carry out a quarterly risk analysis for processes for which risks are assessed as higher than average, countermeasures are introduced to mitigate them.

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## **SUBSTANTIVE PROCEDURES OF THE ANTI-CORRUPTION MANAGEMENT SYSTEM**

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### **KGHM/ZSZ/SZDA/P-10 CORRUPTION RISK MANAGEMENT**

The aim of the procedure is to ensure that the performance of all the business processes in the KGHM Group complies with the adopted Anti-corruption 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.

### **KGHM/ZSZ/SZDA/P-11 HANDLING ACTIONS OF CORRUPTIVE NATURE**

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 Anti-corruption Policy. The regulations are applicable to all employees and representatives of the entities from the KGHM Group.

### **KGHM/ZSZ/SZDA/P-12 CORRUPTION RISK MANAGEMENT REFERRING SUPERVISED ORGANISATIONS AND BUSINESS PARTNERS**

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.

The procedure defines how to ensure performance of the Anti-corruption 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.

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.

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## **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 Anti-corruption 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.

## **EDUCATION AND COMMUNICATION ACTIVITIES**

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. In 2022, a total of 1 171 employees were trained during 199 meetings. Topical training is also organized. 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 Anti-corruption 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. The objective was to improve the abilities of the Representatives and to share knowledge. The Representatives are responsible for the organisation and performance of training sessions on ethics and anti-corruption in KGHM's companies.

In February 2022, due to the implementation of the Anti-corruption 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 the same year 2022, training courses were completed by 53 participants (this refers to those employed as of 31 December 2022). In 2022, activities aimed at creating a new online course, scheduled to be launched in the second quarter of 2023, were carried out.

**Table 28. 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
<b>GRI 205-1</b>	Number of plants assessed for corruption risks	11	128
	Number of members of supervisory bodies informed about anti-corruption policies and procedures	10	105
	Management Board - number of persons informed about anti-corruption policies and procedures	5	64
	Senior management - number of persons informed about anti-corruption policies and procedures	29	157
	Management staff - number of persons informed about anti-corruption policies and procedures	683	1311
	White-collar workers - number of persons informed about anti-corruption policies and procedures	4 426	8 287
	Blue-collar workers - number of persons informed about anti-corruption policies and procedures	13 235	20 702
<b>GRI 205-2</b>	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 anti-corruption policies and procedures	2 334	16 925
	Number of corruption cases resulting in dismissal or disciplinary punishment	0	2 <sup>18</sup>
<b>GRI 205-3</b>	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

## 2.9 HUMAN RIGHTS

GRI 2-25 | GRI 2-26 | GRI 3-3 material topic: Respect for human rights

KGHM Polska Miedź S.A. is a global organisation, aware of the role of respect of human rights in the modern world. As a Company with a key impact on the Polish economy, KGHM assumes its responsibility for the protection and respect of all internationally recognised human rights. 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.", which determined the Company's intentions in this area. The Policy is publicly available and known by employees and other persons working for the Company, the text of the document was also made available on corporate website: [KGHM Human Rights Policy | KGHM Corporate website](#).

<sup>18</sup> Corruption cases reported in 2022 relate to KGHM INTERNATIONAL LTD. An investigation was carried out to determine whether corruption had taken place. Upon the conclusion of the proceedings: one employee was subject to disciplinary action, another employee was dismissed.

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## **HUMAN RIGHTS POLICY IN KGHM POLSKA MIEDŹ S.A.**

In KGHM Polska Miedź S.A. 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.

KGHM Polska Miedź S.A. does much more to protect human rights than is required by domestic law. 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.

In KGHM Polska Miedź S.A. we stand up against all unethical actions towards people providing work, both within the Company and throughout the whole value chain. 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).

We recognise that the protection of human rights is strategically important. In order to ensure that all human rights are fully protected and that this Policy is up-to-date, continuous monitoring and analysis of the value chain is conducted.

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.

Despite the limitations specific for the mining, steel and metal refining industries, we strive for continuous improvement of attitudes. This Policy is supported by the Company's existing regulations and procedures which form part of this document.

As a result of the value chain analysis carried out, the most important human rights in the Company's operations include:

- 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.

### **The right to working conditions that meet health and safety requirements**

Occupational health and safety, due to the nature of the Company's activities, constitutes a priority of the adopted Human Rights Policy.

The protection of the right to decent working conditions that comply with health and safety requirements (Occupational Health and Safety Policy) is a specific action and a manifestation of concern for the health of all who are on the Company's premises.

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.



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## Human rights and the value chain

In KGHM Polska Miedź S.A. we do not undertake actions leading to obtaining business benefits while disregarding human rights.

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, Anti-Corruption 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.

## Social dialogue and human rights

We are in constant 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).

## TOOLS FOR IMPLEMENTATION

KGHM Polska Miedź S.A., expressing its highest concern for the protection of human rights within its organisation and towards all stakeholders on which it has a direct or indirect impact (local communities, contractors, clients, shareholders), enables the identification of irregularities in order to prevent violations, including the reporting of human rights violations, through a Whistleblower Platform which is accessible to all.

KGHM Polska Miedź S.A. provides protection for whistleblowers.

The protection of human rights is also implemented through the verification of individual reports by the HR Department units. The continuous dialogue with trade unions takes into account the possibility of working out joint solutions to identified risks and possible violations arising in the area of human rights protection.

In KGHM Polska Miedź S.A. we exercise due diligence in reporting on our activities, including non-financial activities. The status of implementation of this policy is reported on an annual basis. All employees of the Company are obliged to respect human rights. The Company also provides training concerning the protection of human rights to its employees.

All claims involving a breach of human rights as well as improprieties and inconsistencies with the law are made through the Whistleblower Platform as well as communicated to HR, undergo thorough analysis. If it is determined that a serious breach has taken place or probably taken place, state institutions and bodies are informed, appropriate to the type of breach. The Company also conducts internal explanatory investigations to identify the circumstances and causes of the alleged improprieties and to determine adequate corrective measures, including disciplinary and organisational actions towards those persons responsible for the breach. The purpose of the implemented methods is to continuously reduce the risk of breaches of the law and internal regulations, including of the Human Rights Policy and the Code of Ethics of KGHM Polska Miedź S.A.

## 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).



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## COUNTERACTING DISCRIMINATION

We create a workplace environment that is free of any 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 have been 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.

## 2.10 SUSTAINABLE SUPPLY CHAIN

GRI 2-6

GRI 3-3 material topic: Responsible supply chains

GRI 308-1

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.

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 <https://kghm.com/en/investors/esg/policies-and-codes>, and those of an internal nature only are published in internal IT systems accessible to employees.

Table 29. Values of selected GRI Standards illustrating the sustainable supply chain of KGHM Polska Miedź S.A. Group in 2022<sup>19</sup>

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

#### **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 anti-corruption principles. KGHM 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 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,

<sup>19</sup> The 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.

- 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 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. The Procurement Policy provides for exclusions for which the Policy is not applicable and whose implementation is based on separate internal normative acts or generally applicable laws.

#### **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.

#### **PROCUREMENT PROCESS CONTROL INSTRUCTION OF THE SUPPLY CHAIN SECURITY DEPARTMENT IN KGHM POLSKA MIEDŹ S.A. GROUP**

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 Safety 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.

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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.

In the last quarter of 2022, due to the extension of control activities to selected companies of the KGHM Polska Miedź S.A. Group and KGHM INTERNATIONAL LTD., work was initiated on updating the Procurement Process Control Instruction. The revised procedure will come into force in the first half of 2023.

## **2.11 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.

## **2.12 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. 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.

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## 2.13 DUE DILIGENCE POLICIES AND PROCEDURES

GRI 3-3 material topic: Ethics and transparency

GRI 2-27

### PROCEDURE FOR VERIFICATION OF COMPLIANCE WITH THE ETHICAL PRINCIPLES OF KGHM POLSKA MIEDŹ S.A.

As a socially responsible company, KGHM Polska Miedź S.A. applies due diligence procedures and attaches importance to:

- adherence to ethical standards and responsible business activities expressed, among others, in the prohibition of corruption, prevention of conflicts of interest, protection of the environment and responsibility for the product and its quality, counteracting money laundering and terrorist financing;
- respecting human rights, employee rights and occupational standards including those related to health and safety at work;
- compliance in terms of, among others, meeting its obligations to pay public tributes, refraining from entering into business relationships with entities subject to or originating from sanctioned territories, and aiming to combat illegal and unethical sourcing of raw materials from conflict and high-risk territories.

At the same time, KGHM Polska Miedź S.A. wants to cooperate with business partners who share the same values, and for this reason expects customers and suppliers to declare in writing their compliance with the aforementioned principles, by signing the so-called Customer Card and Supplier Card. The foregoing is an important part of the process based on the risk analysis of a given business relationship and the consequent decision on undertaking cooperation with the given partner.

### INTERNAL AUDIT RULES (FOR ETHICS) IN KGHM POLSKA MIEDŹ S.A.

The Internal Audit Department follows 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.

### INTERNAL CONTROL PROCEDURE OF THE SECURITY AND LOSS PREVENTION SECTION OF KGHM POLSKA MIEDŹ S.A.

Entities of the KGHM Polska Miedź S.A. Group implemented the Internal Control Procedure for the Security and Loss Prevention Section at KGHM Polska Miedź S.A. The Procedure defines how the Control Process is performed by the units of the Security and Loss Prevention Section, defines and assigns roles in the control process, delineates the framework of cooperation of its participants, and lists the scope of activities to be performed in the Process. Audits conducted by the Security and Loss Prevention Section comprise the identification and uncovering of fraud, improprieties, abuse, corruption, personal abuse and breaches of the Code of Ethics in the Group and allows for monitoring transparency of procurement processes. An amendment to the aforementioned procedure was developed in December 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.

### COMPLIANCE MANAGEMENT POLICY IN THE KGHM POLSKA MIEDŹ S.A. GROUP.

The Compliance Management Policy of 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 systematic identification, assessment and analysis of the risk of non-compliance or possible illegality with generally applicable law, internal corporate regulations and voluntarily adopted legal obligations and standards, including ethical norms, to ensure that the process produces a design and an implementation of measures ensuring compliance.

In order to standardize the approach to ensuring the compliance defined as the compliance with the requirements arising from the applicable legal (external and internal) regulations or voluntarily assumed legal obligations and standards, the Compliance Management Policy in the KGHM Polska Miedź S.A. Group and the Compliance Management Procedure and Methodology in KGHM Polska Miedź S.A., as adopted by the Management Board of KGHM Polska Miedź S.A., have been in effect since 2020. 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. In 2022, activities related to improving the effectiveness of the compliance system were carried out, among others, in the scope of implementing complementary IT solutions necessary for the implementation of the process and building effective tools for prioritising applicable legal requirements. The work to support and raise the 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 creates a functional framework for a system that will enable continued conformity with the competition laws which are applicable in all the countries in which the KGHM Polska Miedź S.A. Group operates. In this way, the Group accepts the commitment to compete in the markets in a legal and ethical manner and to prevent, counteract and detect any violations in accordance with the applicable law.

As part of the improvement of the standards of compliance with the competition law, since 2020 the Instructions to prevent violations under competition law have been in force, adopted by the Management Board of KGHM Polska Miedź S.A., in order to prevent violations arising from the competition law, extending and specifying 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 individual Policies is the relatively low number of cases of infringements of law and regulations. The GRI 2-27 indicator for this scope reflects the information reported by individual companies and the results of the questionnaire surveys conducted among the top management of Group companies, members of the Management Board and the 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 questionnaire surveys were conducted as part of the survey on minimum safeguards for the needs of taxonomy compliance assessment and covered: human rights, labour law, corruption and bribery, consumer protection, competition law, data protection, tax issues, environmental protection and energy law. The results of the questionnaire in relation to the Parent Entity, including the members of the Management Board and the Supervisory Board, indicate that there were no significant infringements in the scope covered by the questionnaires.

Table 30. Values of selected GRI Standards illustrating activities relating to compliance with the law and regulations in the KGHM Polska Miedź S.A. Group in 2022

GRI indicator	Issue	Result
GRI 2-27	Significant cases of non-compliance with the regulations	2
	Financial penalties	8
	Non-financial sanctions	0
	Number of penalties paid related to violation of law or regulations during the reporting period according to the time of incident	7
	Financial value of penalties paid related to violation of law or regulations during the reporting period according to the time of incident [PLN]	PLN 31 314.1

## 2.14 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 (General Data Protection Regulation) (hereinafter referred to as "GDPR").

The Policy has been adopted to ensure that data processing proceeds in compliance with the GDPR and other personal data protection regulations and to be able to demonstrate this compliance. The Policy applies to all the personal data processed in KGHM Polska Miedź S.A. for the purposes of the Company's activities. 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. The aim of these activities was to update the formal content of the documents systemically 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. Moreover, their purpose was also to make the procedures and practices actually applied 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.

The DPO expert Team operates in KGHM Polska Miedź S.A. with the aim of providing support in the fulfilment of duties imposed in the area of personal data protection.

The 15-member DPO Team consists of the Data Protection Officer and his/her co-workers as well as representatives of each Division and the Head Office.



The DPO Team continued to hold regular meetings every week at which the status of work was updated and issues were discussed connected with personal data protection at the Head Office and in the Divisions of KGHM Polska Miedź S.A.

The DPO team, in cooperation with the relevant KGHM departments, carried out detailed verification and updating of the processes within the Register of Processing Activities.

In 2022, activities were carried out to raise KGHM's employees' awareness of personal data protection, including the continuation of e-learning training in the scope of the GDPR. In addition, a number of awareness-raising activities were carried out for employees, for example the publication of articles, newsletters and a podcast on data protection rules.

**2.15 DECLARATION ON THE APPLICATION OF CORPORATE GOVERNANCE**

GRI 2-9	GRI 2-10	GRI 2-11	GRI 2-12	GRI 2-13	GRI 2-14	GRI 2-15	GRI 2-17	GRI 2-18	GRI 2-19
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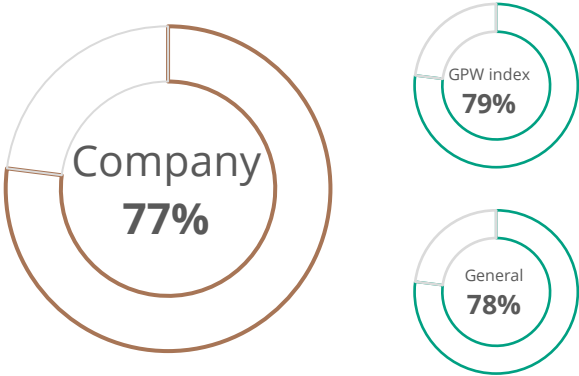
**INDICATION OF LEGAL BASIS AND COLLECTION OF CORPORATE GOVERNANCE PRINCIPLES WITH THE SCOPE OF ITS APPLICATION**

The following Statement on the application of Corporate Governance was prepared in accordance with § 70 sec. 6 point 5) of the Decree of the Minister of Finance dated 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state.

KGHM Polska Miedź S.A., whose shares are listed on the Warsaw Stock Exchange, in the period from 1 January 2022 to 31 December 2022, was compliant with the corporate governance principles described in the document „Best Practice for GPW Listed Companies 2021” (hereafter DPSN 2021), which was adopted by the Warsaw Stock Exchange Supervisory Board on 29 March 2021 by resolution No. 13/1834/2021. These principles are available on the official website of the Warsaw Stock Exchange dedicated to this subject at <https://www.gpw.pl/best-practice2021>, and on the corporate website of KGHM Polska Miedź S.A. in the corporate governance section, <https://kghm.com/en/investors/corporate-governance>.

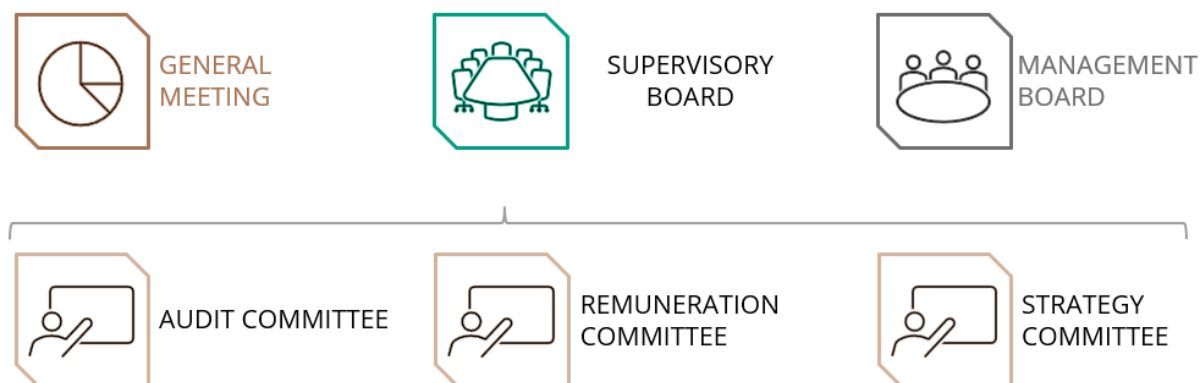
KGHM Polska Miedź S.A. is continually engaged in adapting to current trends in corporate governance and to market expectations, such as those expressed in DPSN 2021. KGHM Polska Miedź S.A. strives at every stage of its operations to apply the principles contained in DPSN 2021 to the greatest possible extent, taking into account the principles of proportionality and adequacy as well as sector-specific aspects.

Chart 17. 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.

Diagram 18. Corporate governance structure in KGHM Polska Miedź S.A.



### I – INFORMATION POLICY AND COMMUNICATION WITH INVESTORS

**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.**

KGHM Polska Miedź S.A., as a listed Company, systematically uploads to its website [www.kghm.com](http://www.kghm.com) current and key information of importance to investors as well as other questions related with corporate governance. The website's structure is clear and enables the rapid and intuitive location of all important information by separating the section on corporate governance, <https://kghm.com/en/investors/corporate-governance>.

KGHM Polska Miedź S.A. is aware of the importance of effective and efficient communication with current and potential shareholders and other capital market participants (e.g. investors, market analysts, the Warsaw Stock Exchange, the Polish Financial Supervision Authority), and consequently operates under a model of active communication to enable access to complete, and the most important, data about the Company, planned events and all other questions of importance to them. In advancing this goal, the Company has a separate section dedicated to investor relations (<https://kghm.com/pl/investors>). The Investor Relations section of the website is updated on an ongoing basis with vital information and documents. The section "Investors" includes among others regulatory filings and periodic reports, information on the shareholder structure, documents connected with general meetings, corporate governance, macroeconomic bulletins and also presentations and video material. Another form of communication with the market is the KGHM Investor Relations page on LinkedIn and the RSS (Really Simple Syndication) channel. The five subject channels operating under RSS enables information to be received using mobile technology regarding the Company's operations, current market information, the type and scope of activities engaged in and product offers for the entire market.

To satisfy investor expectations, the Company provides the following information on its website, among others:

- basic corporate documents, in particular such as the Company's statutes, bylaws of the general meeting, supervisory board, management board, adopted policies and best practice principles;
- regulatory filings and periodic reports, as well as information on the application of corporate governance principles, published based on the the Warsaw Stock Exchange Rules - the Company makes available its financial results compiled in periodic reports as soon as possible;
- the composition of the management board, supervisory board and supervisory board committees, the CVs of members of these bodies together with information on the meeting of independence criteria by supervisory board members, knowledge or skills possessed in the fields of accounting or financial auditing, as well as knowledge of the sector in which the Company operates;
- basic financial data of the Company for the period from 2014 (including among others statements of profit or loss, statements of cash flow, statements of financial position) in a form enabling the processing of this data by its users (xls);
- up-to-date investor presentations containing among others information on production, a description of the market environment of the sector in which the Company operates, a description of individual production assets, a description of sustainable development initiatives and the adopted strategy, as well as information on the dividend policy, the shareholder structure and the number of shares issued, recent and future events for shareholders;
- informational material prepared for investors, the media or for promotional purposes, mainly with respect to the strategy, activities and financial results;
- information on analyst recommendations regarding the Company in the categories „buy“, „hold“, „sell“, with contact data for analysts covering the Company;
- information operations on the Company's shares and changes in share capital;

- an investor calendar containing among others the dates of publication of financial reports, meetings with investors and press conferences as well as other events important for investors;
- cyclical online discussions with investors with an archive of chats and audio/visual material from Investor Day and Analyst Day;
- a list of frequently asked questions in the area of investor relations with Company answers; if an investor raises a question regarding the Company, the Company responds as soon as possible;
- in terms of the adopted business strategy, the Company provides information on the website on the elements of the strategy, measurable goals, including especially long-term goals, planned actions and progress in this regard, defined with the aid of financial and non-financial measures.

Taking into consideration the proper meeting or requirements set by the participants of the regulated market, KGHM Polska Miedź S.A. meets its informational obligations arising from laws in force and other requirements (e.g. the Warsaw Stock Exchange Rules).

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.

## II - THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

**KGHM Polska Miedź S.A., within the scope of the principles set forth in chapter II of the DPSN 2021, strives to achieve the highest standards in the exercise of duties by the Management Board and Supervisory Board of the Company and fulfilling them in an effective manner.**

### The Management Board of KGHM Polska Miedź S.A. (the Management Board)

#### 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 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 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 <https://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

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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 authorization 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 adopting the resolution.

Meetings of the management board and meetings and votes on resolutions adopted outside of the Management Board's meeting shall be minuted. Motions to the Management Board and other information and attachments submitted to the Members of the Management Board shall constitute appendices to the voting minutes. Submitting a dissenting opinion by a Member of the Management Board requires stating it in the minutes of the meeting with a possible, concise statement of motives.

#### **The breakdown of duties within the Management Board**

The scope of the Management Board's responsibilities includes all aspects of the Company's affairs, except for the instances reserved in the Commercial Partnerships and Companies 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.

A detailed description of the Management Board's scope of duties and obligations and the manner in which it functions as well as the catalogue of matters requiring resolutions of the Management Board may be found in the Bylaws of the Management Board of KGHM Polska Miedź S.A.

With the exception of matters exceeding the scope of ordinary management, Members of the Management Board shall manage the areas of the Company's activities specified in the "Organizational Regulations of KGHM Polska Miedź S.A. in Lubin" and in resolutions of the Supervisory Board on the assignment of responsibilities to a given Management Board Member. Within the scope of the competencies and responsibilities thus defined, each Member of the Management Board makes decisions independently regarding the area assigned to them. In case of doubt, a Member of the Management Board is obliged to submit the matter in question to the Management Board for resolution. A member of the Management Board should, in the performance of his/her duties, exercise due diligence required by the professional nature of their business and maintain loyalty to the Company.

#### **Diagram 19. Management Board structure and breakdown of responsibilities for running the Company's affairs as of 31 December 2022**

##### **Tomasz Zdzikot – President of the Management Board**



- 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) <sup>20</sup>
- 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

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<sup>20</sup> Acting Vice President of the Management Board (Development) – from 2 January 2023 function assigned to Miroslaw Kidoń

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**Mateusz Wodejko - Vice President of the Management Board (Finance)**



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

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



- 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)**



- 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

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



- 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

Following the reporting date, or 31 December 2022, the Management Board of the Company adopted a new Organisational Regulation of KGHM Polska Miedź S.A., while the Supervisory Board of the Company set forth the specific scope of duties for the Vice President of the Management Board (Finance) and made changes to the specific scope of duties for the President of the Management Board of KGHM Polska Miedź S.A. and for the Vice President of the Management Board (Corporate Affairs).

With respect to the President of the Management Board, the changes made involved transferring the scope of energy development projects to the Vice President of the Management Board (Finance), while activities involving the supply and development of ICT systems and services vital to the proper functioning of the Company and of the companies of the KGHM Polska Miedź S.A. Group was transferred to the area of competences of the President of the Management Board from the scope of duties of the Vice President of the Management Board (Finance).

The scope of duties involving the coordination of purchasing processes in the Group was transferred from the scope of duties of the Vice President of the Management Board (Development) to the duties of the Vice President of the Management Board (Corporate Affairs), while duties in the area of shaping relations with the external business and regulatory environment were transferred from the President of the Management Board to the Vice President of the Management Board (Corporate Affairs).

### **Biograms of Members of the Management Board**

#### **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.



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### **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.

### **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.

### **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.

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

Until October 2021 he served as President of the Management Board of Orlen Asfalt 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.

### Changes in the Management Board

Diagram 20. Composition of the Management Board of KGHM Polska Miedź S.A. in 2022

	1.01-21.02	22.02-14.03	15.03-9.08	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 <sup>21</sup>					Vice President of the Management Board (Development)	Acting President of the Management Board	President of the Management Board			
Marek Pietrzak	Vice President of the Management Board (Corporate Affairs)									
Mirosław Kidoń									Acting Vice President of the Management Board (International Assets)	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)									

### Powers of the Management Board to issue or buy back shares of the Company

The authority of the Management Board to pass decisions on the issuance or redemption of shares is statutorily limited. 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. A resolution of the General Meeting of KGHM Polska Miedź S.A. on the redemption of shares may be preceded by an agreement entered into with a shareholder whose shares are to be redeemed. In accordance with §29 sec. 1 point 6 of the Statutes of the Company, any increase in share capital or issuance of shares requires the approval of the General Meeting of KGHM Polska Miedź S.A. The same holds true for the issuance of bonds (§29 sec. 1 point 10 of the Statutes of the Company). The Management Board of the Company does not have the authority to increase the share capital or issue the shares of the Company under conditions specified in art. 444-446 of the Commercial Partnerships and Companies Code.

### The Supervisory Board of KGHM Polska Miedź S.A. (the Supervisory Board)

#### 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 Company employee-elected members. 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](http://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, to the meeting and adopt resolutions by an absolute majority of votes in the presence of at least one-half of the members of the Supervisory

<sup>21</sup> Tomasz Zdzikot also served as the Acting Vice President of the Management Board (Development) (from 4 November 2022 to 31 December 2022) and as Vice President of the Management Board (Finance) (from 6 December 2022 to 20 December 2022).

Board. 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.

Meetings of the Supervisory Board, meetings and votes on resolutions adopted outside of the Supervisory Board's meeting shall be minuted. Motions to the Supervisory Board, information and other attachments submitted to the Supervisory Board shall constitute appendices to the minutes of the meeting. Submitting a dissenting opinion by a Member of the Supervisory Board requires stating it in the minutes of the meeting.

During its meetings the Supervisory Board may also adopt resolutions in matters not included in the proposed agenda, if none of the Members of the Supervisory Board participating in the meeting express disagreement in this regard.

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.

#### Qualifications and independence of the Members of the Supervisory Board

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. (<https://kghm.com/en/investors/corporate-governance>). The Members of the Supervisory Board Rady should, in performing his/her duties, exercise the due diligence arising from the professional nature of his/her activities as well as loyalty towards the Company.

As at 31 December 2022 the Members of the Supervisory Board: Agnieszka Winnik-Kalemba, Wojciech Zarzycki, Andrzej Kisielewicz, Piotr Ziubroniewicz, Radosław Zimroz, Marek Wojtków submitted declarations, according to which they meet the criteria of independence, referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision, and have no actual and material relations with any shareholder who holds at least 5% of the total vote in the company (Principle 2.3. of DPSN 2021).

The Supervisory Board evaluated the submitted declarations regarding the fulfilment of independence criteria and adopted appropriate resolutions regarding verification of the declarations of members of the Supervisory Board's Audit Committee, which in the end determined that 6 of the 10 members of the Supervisory Board fulfil independence criteria.

Diagram 21. 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 Czczerski				
Bogusław Szarek				
Przemysław Darowski				
Bartosz Piechota				
Jarosław Janas				
Robert Kaleta				
Piotr Dydko				

#### 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.

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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 Cyrkiewicz's Law Office in Wrocław. In addition, was previously 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, the Local Government Assembly of the Wrocław Province. 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 SA, 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. He is a Member of the Association of Chartered Certified Accountants (ACCA), and since 2002 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 Audyt, 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 center 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.

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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). At present he is a Member of the Supervisory Board of PKO Bank Polski S.A.

#### **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, DOMEK/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.

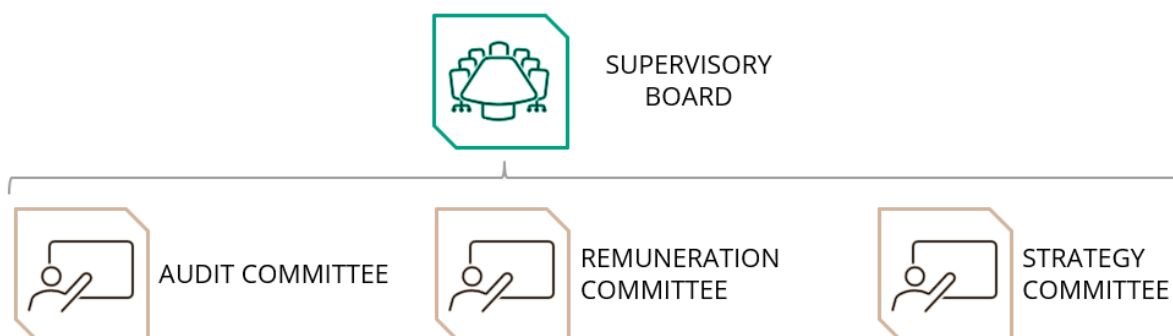
He is a graduate of the Faculty of Law and Administration at the University of Opole. He also graduated from Master of Business Administration.

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.

#### **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.

Diagram 22. 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.

Diagram 23. 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.

As at 31 December 2022 the majority of the Members of the Audit Committee, including its Chairman, met the independence criteria referred to in art. 129 sec. 3 of the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision. The Members of the Audit Committee that meet the criteria of independence are Agnieszka Winnik-Kalemba, Andrzej Kisielewicz, Marek Wojtków, Wojciech Zarzycki.



The qualifications of the Audit Committee's Members in the areas of accounting or the auditing of financial statements, as well as knowledge and skills in the sector in which KGHM Polska Miedź S.A. operates, resulted from the education, experience and professional practice of the Audit Committee's Members. Following is detailed information on their qualifications in the areas of accounting or the auditing of financial statements as well as their knowledge and skills in the sector in which KGHM Polska Miedź S.A. operates.

Wojciech Zarzycki was selected as a Member of Audit Committee possessing qualifications in the field of accounting or the auditing of financial statements. 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. He is a Member of the Association of Chartered Certified Accountants (ACCA), and since 2002 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 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 Audyt, conducting audits of the financial statements of insurance companies. From 2003 to 2005 he worked as an Accountant in the company Morison Finansista-Finlex.

Bogusław Szarek was selected as a member possessing knowledge and skills in the sector in which KGHM Polska Miedź S.A. operates resulting from many years of employment (since 1982) in KGHM Polska Miedź S.A. as well as being a member of the Supervisory Board of KGHM Polska Miedź S.A. since 2012, as a Member of the Supervisory Board of KGHM Polska Miedź S.A. elected by employees.

In 2022, there were 6 meetings of the Audit Committee. The absence of Audit Committee Members was incidental and did not affect its work. In 2022, the Audit Committee adopted one resolution to justify the absence of a Member of the Audit Committee at the meeting.

In 2022, the Audit Committee, during its meetings, became acquainted with information on, among others:

- market and corporate risk management in the KGHM Polska Miedź S.A. Group, including in detail in matters relating to key risk;
- financial and production results in the KGHM Polska Miedź S.A. Group;
- expenses related to consulting services, auditing financial and legal statements, marketing and advertising, cultivating traditions, representation and sponsorship;
- anti-corruption management system based on the international PN-ISO 37001 standard;
- assessment of the independence of the auditing firm in the provision of permitted non-auditing services;
- implementation of the audit plan for 2021 and the first half of 2022.

### 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.

Diagram 24. 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 Czczerski				
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.

Diagram 25. 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 Dydko				

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.

### FIRM AUDITING THE FINANCIAL STATEMENTS

The following are applicable in KGHM Polska Miedź S.A.:

- Policy of KGHM Polska Miedź S.A. for the selection of the auditing firm to conduct audits of the financial statements, adopted by Resolution No. 151/X/21 of the Supervisory Board of KGHM Polska Miedź S.A., dated 22 October 2021 (hereafter: "Selection policy")
- Policy for permitted non-auditing services to be provided by the auditing firm conducting audits of the KGHM Polska Miedź S.A. Group through entities associated with the auditing firm and through members of the auditing firm's network, adopted by the Resolution No. 152/X/21 of the Supervisory Board of KGHM Polska Miedź S.A. dated 22 October 2021 (hereafter: "Services policy").
- Procedure of KGHM Polska Miedź S.A. concerning the selection of the audit firm auditing the financial statements adopted by the Resolution No. 25/X/21 of the Supervisory Board's Audit Committee of KGHM Polska Miedź S.A. dated 4 October 2021 r. (hereafter: "Selection procedure").

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Main tenets of the Selection policy/ Selection procedure:

- maximum uninterrupted period of providing services by a given auditing firm of audits of the financial statements amounting to 10 years, followed by a grace period of at least 4 years, with the provision that the key certified auditor may not carry out the statutory audit for more than 5 years;
- transparency, accuracy and honesty in all procedures involving the selection of the auditing firm;
- equal opportunity for all of the auditing firms meeting the Company's requirements to be selected;
- appropriate substantive preparation and due diligence of persons selected within the Company to carry out the Selection policy/ Selection procedure;
- documentation of selection procedures performed and evaluation of offers in a manner which ensures the transparency of the actions taken.

Main assumptions of the Services Policy:

- limitation of the scope of permitted non-auditing services ordered from the auditing firm or a related entity thereof; maximum total remuneration for the services provided in this regard is limited to 70% of the average remuneration paid out during the last three financial years due to providing statutory auditing services;
- need to review the purpose and necessity for purchasing permitted non-auditing services from the auditing firm or a related entity thereof on an individual basis;
- active participation of the Audit Committee in the process of evaluating threats to and the security of the independence of the auditing firm in providing permitted non-auditing services;
- signing of an agreement and the providing of services, as well as any change in the scope of the services or remuneration thereof, will be possible only after the Audit Committee has provided the requisite consent.

The entity authorised to audit the financial statements of KGHM Polska Miedź S.A. for the years 2019-2024 is PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp.k. The selection of the auditing firm was made as a result of an organised procedure of selection, which met the existing criteria. The procedure was developed by the Audit Committee and complies with the requirements of:

- Regulation of the European Parliament and of the Council (EU) No. 537/2014 on detailed requirements for statutory audits of financial statements of public-interest entities;
- Act dated 11 May 2017 on certified auditors, auditing firms and public oversight;
- the Accounting Act of 29 September 1994.

In 2022, the following permitted non-audit services were provided to the Company by the audit firm examining its financial statements:

- an independent attestation service for managing the responsible gold and silver supply chain to confirm compliance with the requirements of the London Bullion Market Association ("LBMA");
- confirmation of the correctness of data calculation in order to meet the requirements of art. 52 sec. 3 of the Act dated 20 February 2015 on renewable energy sources;
- issuing an opinion for the purposes of exemption from excise duty on electricity in energy-intensive plants in accordance with art. 31d sec. 8 of the Act dated 6 December 2008 on excise tax;
- evaluation of the Remuneration Report of the Management Board and Supervisory Board of KGHM Polska Miedź S.A.,
- verification of selected loan agreements signed between KGHM Polska Miedź S.A. and the European Investment Bank;
- review of the financial statements for the first half of 2022.

In each case the Audit Committee evaluated the independence of the auditing firm and expressed its consent to the provision of these services.

Detailed information on remuneration of the entity entitled to audit the financial statements for the review and audit of financial statements and other remuneration is presented in note 12.10 of the separate and consolidated financial statements.

## **DIVERSITY POLICY**

### **GRI 3-3 material topic: Diversity and equal opportunities**

KGHM Polska Miedź S.A. applies best practice in promoting diversity with respect to its employees. As a global company, active on global markets, labour and employee relations standards are applied which are consistent with local laws in force, as well as with those defined by international institutions. Existing regulations and policies reflect the good of employees and mutual relations, based on best practice, regardless of the jurisdiction in which KGHM Polska Miedź S.A. operates.

KGHM Polska Miedź S.A. creates a non-discriminatory environment and workplace, and consequently no form of discrimination is tolerated, especially as regards gender, age, origin, nationality, citizenship, religion, political opinion and trade union membership.

KGHM Polska Miedź S.A. manages diversity by aiming at creating an organisational culture based on mutual respect, equal treatment, access to development opportunities and the utilisation of employee potential. The approach to management of diversity is defined by the „Declaration of Diversity of KGHM Polska Miedź S.A.”

Moreover, in KGHM Polska Miedź S.A. the process of recruitment is conducted with full respect to the principles of diversity and equal access to employment. All candidates meeting the criteria set forth for a given recruitment process are treated equally. The participants in this process adhere to the ban on discrimination. They endeavour to ensure a rational degree of diversity in the process of selecting employees, while maintaining the primacy of knowledge, substantive skills and social ability.

The management of diversity also applies to members of the Supervisory Board and the Management Board of KGHM Polska Miedź S.A. The management and supervisory board members are diverse in terms of gender, age and experience:

**Table 31. Principles in chapter 2 of DPSN 2021 partially applied or not applied in KGHM Polska Miedź S.A. in 2022**

<b>Structure of gender diversity</b>	<b>Women</b>		<b>Men</b>	
Supervisory Board of KGHM Polska Miedź S.A.	2		8	
Management Board of KGHM Polska Miedź S.A.	-		5	
<b>Structure of age diversity</b>	<b>&lt; 40 years</b>	<b>40-50 years</b>	<b>51-60 years</b>	<b>&gt; 60 years</b>
Supervisory Board of KGHM Polska Miedź S.A.	1	4	1	4
Management Board of KGHM Polska Miedź S.A.	-	3	2	-
<b>Employment in KGHM Polska Miedź S.A.</b>	<b>&lt; 5 years</b>	<b>5-10 years</b>	<b>11-20 years</b>	<b>&gt; 20 years</b>
Supervisory Board of KGHM Polska Miedź S.A.	7	1	-	2
Management Board of KGHM Polska Miedź S.A.	2	1	-	2

In accordance with the Statement on the Company's compliance with the corporate governance principles contained in Chapter of the DPSN 2021, the following principles regarding the management board and the supervisory board are partially applied or not applied:

**Table 32. Principles in chapter 2 of DPSN 2021 partially applied or not applied**

<p><b>Principle 2.1.</b> according to which, a company should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%</p>	<p><u>The principle is partially applied.</u> While the Company does not have a Diversity Policy as regards the Management Board and Supervisory Board, due to the international scope of its operations, cultural differences and the nature of the sector in which the Group operates, the "Declaration of Diversity of KGHM Polska Miedź S.A." has been implemented. In its operations the Company complies with discrimination prohibitions and undertakes actions aimed at respecting diversity in the workplace. An organisational culture is nurtured based on mutual respect, equality, access to development opportunities and optimal use of employee talent regardless of, among others: ethnic origin, age, gender, sexual orientation, nationality, citizenship, religious orientation, political convictions or trade union membership. The Company aims at ensuring reasonable diversity in the selection of persons to the Management Board and Supervisory Board. The practical application of the „Declaration of Diversity” results in fully respecting gender equality and sufficient selection in terms of expected skills, knowledge, experience and education. The management and supervisory teams are consequently composed of persons of various genders, ages and experiences. More information on the Company's approach to diversity in the supervisory bodies is presented in the further part of the said Corporate Governance Statement.</p>
<p><b>Principle 2.2.</b> according to which, decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.</p>	<p><u>The principle is partially applied.</u> As described in reference to principle 2.1, the Company does not currently have a Diversity Policy. Nonetheless the Company aims at ensuring reasonable diversity in terms of the members of the Supervisory Board and Management Board. The management and supervisory teams are composed of persons of various genders, ages and experiences. More information on the Company's approach to diversity in the supervisory bodies is presented in the further part of the said Corporate Governance Statement.</p>
<p><b>Principle 2.4.</b> according to which, the supervisory board and the management board vote in an open ballot unless otherwise required by law.</p>	<p><u>The principle is partially applied.</u> KGHM Polska Miedź S.A. strives at every stage of its operations to apply this principle and for full transparency in the process of the adopting of resolutions by these bodies. The Bylaws of the Supervisory Board and Management Board stipulate as a principle that voting shall be conducted in open ballot, which does not preclude the right of any Member of these bodies to request voting by secret ballot. The Company anticipates that, in a small number of situations</p>

	involving the adoption of resolutions by the Supervisory Board regarding personal matters, there may occur cases of voting by secret ballot at the request of Members of the Supervisory Board or the Management Board.
<b>Principle 2.11.6.</b> according to which, information regarding the degree of implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of goals referred to in principle 2.1.	The principle is not applied at present, as discussed in the explanation regarding the non-application of Best Practice principle 2.1. – lack of a Diversity Policy.

### III – SYSTEMS AND FUNCTIONS

**KGHM Polska Miedź S.A., under the principles indicated in chapter III of DPSN 2021, strives to maintain effective systems and functions as essential tools for supervising the Company in all of its operating activities.**

The Company maintains effective internal control and risk management systems and oversight of compliance activities, as well as effective internal auditing, appropriate for the size and nature of the KGHM Polska Miedź S.A. Group. The Company's structure separates entities responsible for the tasks of individual systems and functions.

The Supervisory Board prepares and presents to the Ordinary General Meeting for its approval the annual financial statements, which among others contain an assessment of the standing of the Company on a consolidated basis, including an evaluation of the internal control, risk management and compliance systems and the internal audit function, with information on the actions taken by the Supervisory Board of KGHM Polska Miedź S.A. in performing this assessment.

This assessment comprises all of the important control mechanisms, including in particular those involving reporting and the operations, and is prepared among others based on documents received from the Management Board and from persons managing risk and compliance and also managing internal audit regarding information on the effectiveness of these functions, discussions held with the participation of the Management Board and other individuals invited to attend meetings of the Supervisory Board, and also takes into account the financial statements and the reports of the Management Board on the activities of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group, and based on the conclusions from the audit of the Company's accounts by a Certified Auditor and other audits.

In terms of corporate risk management systems, compliance activities and internal audit (including in terms of financial reporting) the Audit Committee engages in regular monitoring of these functions. Responsibility for the realisation of these obligations and their role in these systems reflects the principles existing in the organization for the breakdown of duties at various operational and management levels and support the achievement of defined business goals. As shown in the following diagram 26, the Company applies the model of three lines of defence (3LoD), assigning to the first line management risk through business units and risk owners, as well as control mechanisms in the Company's operational processes, to the second the function of support of risk management, and to the third – internal audit controlling the other lines.

Diagram 26. Three lines of defence of KGHM Polska Miedź S.A.'s risk management system

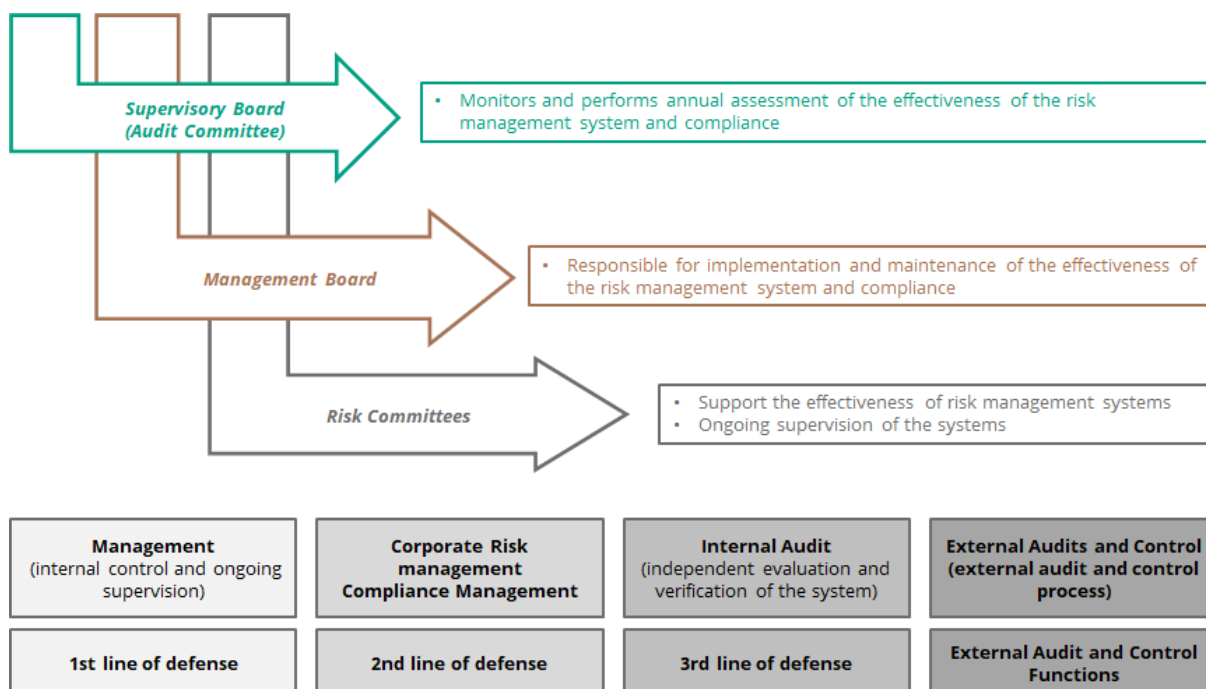


Table 33. Main characteristics of internal control and risk management systems as applied by KGHM Polska Miedź S.A. in the process of preparing separate and consolidated financial statements

<p><b>Supervision of the application of uniform accounting principles by the Parent Entity and the companies of the KGHM Polska Miedź S.A. Group during the process of preparing reporting packets to prepare the consolidated financial statements of the KGHM Polska Miedź S.A. Group</b></p>	<p>In order to ensure truthfulness and accuracy in the keeping of the accounting records of the Parent Entity and the uniformity of the accounting principles applied when preparing the financial statements of Group subsidiaries, the Management Board of the Parent Entity has introduced for continuous use an Accounting Policy for the Group in accordance with International Financial Reporting Standards approved by the European Union which is regularly updated in compliance with new regulations.</p> <p>Control over the accounting policies applied in the process of preparing the financial statements of KGHM Polska Miedź S.A. and of the Group subsidiaries is based on the control mechanisms embedded in the functioning of the reporting systems.</p> <p>The reporting packets of subsidiaries are also reviewed by appropriate services in the Parent Entity.</p>
<p><b>Centralised financial and accounting services</b></p>	<p>KGHM Polska Miedź S.A. performs its accounting activities within a centralised financial and accounting services structure. Bookkeeping in the Parent Entity is performed by the Accounting Services Center under the Head Office of KGHM Polska Miedź S.A. The centralisation of accounting services under a process model which provides for the transparent breakdown of duties and responsibilities ensures minimisation of the risk of bookkeeping errors and high-quality of financial statements. Actions are systematically being taken aimed at optimising the functioning of the accounting services structures and enhancing the security of the process of bookkeeping accounting services.</p>
<p><b>Finance and accounting systems</b></p>	<p>KGHM Polska Miedź S.A. keeps accounting records in an integrated IT system. The modular structure of this system ensures a transparent segregation of processes and duties, coherence of accounting records and control over ledgers: special purpose ledger, general ledger and sub-ledgers. Access to this data at various levels and in various units is available via a well-developed reporting system. The Parent Entity continuously adapts the IT information system to changing accounting principles or other legal standards. The Parent Entity's solutions are implemented in the IT systems of the Group's entities.</p> <p>To ensure the legitimate utilisation and protection of systems, data, secure access to data and computer equipment, appropriate organisational and systemic solutions have been introduced. Access to the resources of the financial and accounting system, as well as financial reporting, is limited by a system of authorisations that are granted to authorised employees solely with respect to the duties which they carry out. These entitlements are subject to regular review and audits. Control over this access is carried out at each stage of financial statements preparation, beginning with the entering of source data, through the processing of data, to the generation of output information.</p>



	<p>A key element in limiting the risk of errors and misstatements in accounting for economic activities are the actions taken which are aimed at increasing the use of IT tools to automate control over and the settlement of purchases by the Company. These actions include:</p> <ul style="list-style-type: none"> <li>- the Workflow system of electronic document settlement and approval,</li> <li>- the system for transmitting data between the system in the Parent Entity and IT systems in Group companies, and</li> <li>- customer settlement based on e-invoices for procurement and sales.</li> </ul>
<p><b>Corporate risk management</b></p>	<p>Under the Corporate Risk Management Policy and Procedures and the Corporate Risk and Compliance Committee Rules, corporate risk management is an on-going process in the Group. Risks associated with the Group's various operations are continuously identified, assessed and analysed in terms of their possible limitation.</p> <p>The Department of Corporate Risk Management and Compliance is responsible for coordination of the entire corporate risk management process and for developing the methods and tools used by managers in the Parent Entity, its subsidiaries and projects, as well as for risk monitoring and escalation, and for reporting incidents.</p> <p>These activities also comprise risk management with respect to the process of preparing the consolidated financial statements of the Group.</p> <p>The process of corporate risk management is annually subjected to an effectiveness audit (in compliance with the guidelines of "Best Practice for GPW Listed Companies 2021").</p> <p>Detailed information regarding the risk management system applied in the KGHM Polska Miedź S.A. Group together with an indication of the key risk is presented in <a href="#">subsection 2.6 of this report</a>.</p>
<p><b>Internal audit</b></p>	<p>A fundamental element of risk management with respect to the functioning of control mechanisms and the existence of risks in the operations of KGHM Polska Miedź S.A. is the work carried out by the Internal Audit Department. This work also indirectly strengthens the process of preparing financial statements as well as their accuracy.</p> <p>The Internal Audit Department carries out its tasks based on the "Audit Plan" for the given calendar year approved by the Management Board of KGHM Polska Miedź S.A. and assessed by the Audit Committee of KGHM Polska Miedź S.A.</p> <p>The goal of an audit is to provide the Management Board and the Audit Committee of the Supervisory Board of KGHM Polska Miedź S.A. with independent and objective information on internal control and risk management systems as well as with analyses of business processes within KGHM Polska Miedź S.A. and in the Group's companies. Independently from internal audit and institutional control, the obligation fully remains in KGHM Polska Miedź S.A. for each employee to exercise self-control in respect of their duties and for all levels of management to exercise their control as part of their coordination and supervision duties.</p>
<p><b>External audit</b></p>	<p>In accordance with prevailing law, consolidated financial statements of the KGHM Polska Miedź S.A. Group are submitted for half-year review and annual auditing by a certified auditor. The Supervisory Board selects the certified auditor through a tender process, based on the recommendations of the Supervisory Board's Audit Committee and the report on the tender conducted by the Committee.</p> <p>The appropriate entity to audit the financial statements of KGHM Polska Miedź S.A. for the years 2019-2024 is PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. As part of the audit work performed the certified auditor performs, on the basis of prevailing audit methodology, an independent evaluation of the accounting principles applied by Parent Entity in preparing the financial statements and the accuracy and reliability of the separate and consolidated financial statements.</p> <p>The effectiveness of the internal control system and the risk management system in the process of preparing the financial statements is confirmed by the unqualified report on the audit issued by the certified auditor from its audit of the separate and consolidated financial statements of KGHM Polska Miedź S.A.</p>
<p><b>Supervision over the process of financial reporting</b></p>	<p>The body which supervises the process of financial reporting in KGHM Polska Miedź S.A. and which cooperates with the independent auditor is the Supervisory Board's Audit Committee, which is appointed by the Supervisory Board of the Parent Entity. The Audit Committee, in accordance with its duties as set forth in the Act dated 11 May 2017 on certified auditors, auditing firms and public oversight, in particular:</p> <ul style="list-style-type: none"> <li>- monitors the process of financial reporting in terms of compliance with the Accounting Policy approved by the KGHM Polska Miedź S.A. Group and prevailing laws;</li> <li>- monitors the effectiveness of internal control systems, internal audit and risk management;</li> <li>- monitors the independence of the certified auditor and of the entity entitled to audit financial statements, and</li> <li>- conducts the process of selecting the entity entitled to audit financial statements of the Parent Entity to provide a recommendation to the Supervisory Board.</li> </ul>

Monitoring of the process of financial reporting and assessment of the financial statements by the Supervisory Board is the final step of the review and control carried out by this body, ensuring the reliability and accuracy of the data presented in the separate and consolidated financial statements of the KGHM Polska Miedź S.A. Group.

Proper management of the process of keeping records and preparing financial statements ensures the security and the high quality of the information.

In accordance with the published Statement on the Company's compliance with the principles in section III of DPSN 2021, the following principles regarding systems and functions are partially applied or not applied:

**Table 34. Principles in chapter 3 of DPSN 2021 partially applied or not applied in KGHM Polska Miedź S.A. in 2022**

<p><b>Principle 3.3.</b> according to which a company participating in the WIG20, mWIG40 or sWIG80 index appoints an internal auditor to head the internal audit function in compliance with generally accepted international standards for the professional practice of internal auditing. In other companies which do not appoint an internal auditor who meets such requirements, the audit committee (or the supervisory board if it performs the functions of the audit committee) assesses on an annual basis whether such person should be appointed.</p>	<p><u>The principle is partially applied.</u> The Company has an Executive Director for Audit. As not all of the criteria for independence as understood in generally-recognised international internal audit standards are complied with, the Company partially applies the principle.</p>
<p><b>Principle 3.4.</b> concerning the remuneration of persons responsible for risk and compliance management and of the head of internal audit should depend on the performance of delegated tasks rather than short-term results of the company.</p>	<p><u>The principle is partially applied.</u> The remuneration of persons responsible for risk and compliance management and of the head of internal audit in the Company results from the Company's internal rules and from the Collective Labour Agreement, which links a part of the remuneration to the Company's profit for a given year as well as to EBITDA. At present, remuneration is partially linked to the achievement of specific tasks.</p>
<p><b>Principle 3.5.</b> which states that persons responsible for risk and compliance management report directly to the president or other member of the management board.</p>	<p>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 this person is ensured autonomy which is expressed among others by directly reporting to the Management Board and the Supervisory Board's Audit Committee.</p>

In accordance with the published Statement on the Company's compliance with the principles in section III of DPSN 2021, the following principles regarding systems and functions are not applicable to the Company:

<p><b>Principle 3.7.</b> which states that principles 3.4 – 3.6 apply also to members of the company's group which are material to its activity if they appoint persons to perform such tasks.</p> <ul style="list-style-type: none"> <li>– (see principle 3.4. - The remuneration of persons responsible for risk and compliance management and of the head of internal audit should depend on the performance of delegated tasks rather than short-term results of the company.</li> <li>– Principle 3.5. - persons responsible for risk and compliance management report directly to the president or other member of the management board.</li> <li>– Principle 3.6. - The head of internal audit reports organisationally to the president of the management board and functionally to the chair of the audit committee or the chair of the supervisory board if the supervisory board performs the functions of the audit committee.)</li> </ul>	<p>The principle is not applicable to the Company. In entities of the Company's group, persons have not been designated to fulfil the tasks indicated in principles 3.4-3.6, but in entities of the Company's group persons have been designated to function as risk coordinators, who report directly to persons responsible for risk management and compliance in the Parent Entity (i.e. the Company). Moreover, following the completion of building an IT tool for the compliance function, it is planned that compliance coordinators will be appointed in the aforementioned companies. The Company is also considering, in the case of entities of the Company's group, the building of a structure to comply with principles 3.4.-3.6. with respect to the functions of risk management and compliance. In terms of the audit function, tasks in entities of the Company's group are performed by the Internal Audit Department of the Parent Entity (the Company).</p>
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## IV - GENERAL MEETINGS AND RELATIONS WITH SHAREHOLDERS

**KGHM Polska Miedź S.A., under the principles indicated in chapter IV of DPSN 2021, strives to activate stakeholders and their engagement in the Company's affairs, mainly expressed in their active, personal or through a proxy, participation in general meetings.**

### General Meetings of KGHM Polska Miedź S.A. (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 Partnerships and Companies 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](http://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.

Amongst the regulations of the Commercial Partnerships and Companies Code, in respect of the organisation of general meetings and shareholder rights, the Company applies only those regulations which are obligatory, i.e. those which require the publication of announcements and relevant materials for the general meeting on the website and the use of electronic forms of contact with shareholders. Regulations enabling shareholders to participate in general meetings using electronic means of communication are not applied.

### 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 Partnerships and Companies 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

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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 with the permission of the shareholder through their purchase 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 Partnerships and Companies 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.

### Ownership structure

The Company's shareholder structure as at 31 December 2022 was as follows:

Table 35. Shareholder 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%
<b>Total</b>	<b>200 000 000</b>	<b>100.00%</b>

The Company's shareholder structure as of 6 January 2023 and at the date of publication of this Report on the application of corporate governance principles was as follows:

Table 36. Shareholder structure of KGHM Polska Miedź S.A. as of 6 January 2023 and at the date of publication of this Report

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

Detailed information on the ownership structure may be found in subsection [1.12 Shareholders and the capital market](#).

In accordance with the published Statement on the Company's compliance with the principles in section IV of DPSN 2021, the following principle regarding general meetings is partially applied:

Table 37. Principles in section 4 of DPSN 2021 applied partially or not applied in KGHM Polska Miedź S.A. in 2022

<b>Principle 6.4.</b> according to which as the supervisory board performs its responsibilities on a continuous basis, the remuneration of supervisory board members cannot depend on the number of meetings held. The remuneration of members of committees, in particular the audit committee, should take into account additional workload on the committee.	<u>The Company partially applies the principle.</u> The members of the Supervisory Board are remunerated regardless of the number of meetings officially convened and held in a given calendar month. The Members of the Supervisory Board do not however receive remuneration if, for unjustified reasons, they do not take part in any of the meetings of the Supervisory Board officially convened and held in a given month. The members of the Committees do not receive additional remuneration. The partial lack of application of the principle is also due to implementation of the act dated 9 June 2016 on the principles of setting the remuneration of individuals managing certain companies.
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## V - CONFLICTS OF INTEREST AND TRANSACTIONS WITH RELATED PARTIES

**KGHM Polska Miedź S.A., under the principles indicated in chapter V of DPSN 2021, strives to maintain best standards of due diligence in the management of conflicts of interest and in concluding transactions with related entities under conditions of the potential arising of conflicts of interest.**

The Company applies a model of verifying data on significant transactions entered into between KGHM Polska Miedź S.A. and subsidiaries of the KGHM Polska Miedź S.A. Group with entities related with KGHM Polska Miedź S.A.

The Supervisory Board shall prepare an opinion on whether a transaction with a related entity is justified, if the signing of the said transaction requires the consent of the General Meeting. In such a case the Supervisory Board evaluates the need for the prior opinion of an external entity, the task of which would be the valuation of the transaction and an analysis of its economic affects.

With respect to management and supervisory staff, a Member of the Supervisory Board or of the Management Board should immediately, but no later than at the next meeting of the Supervisory Board or of the Management Board, informs the other Members of the Supervisory Board/Management Board of an existing conflict of interest with the Company or the possibility of its arising, and should refrain from participating in matters which, in respect of his/her person, there may arise a conflict of interest, including taking part in discussions and in voting on the adoption of resolutions in this regard.

In accordance with the published Statement on the Company's compliance with the principles in section V of DPSN 2021, the Company applies all principles regarding conflicts of interest and transactions with related entities.

## VI - REMUNERATION

**KGHM Polska Miedź S.A., under the principles indicated in chapter VI of DPSN 2021, strives for stability in its management staff, among others by the transparent, fair, consistent and non-discriminatory principles for its remuneration, manifested among others in wage equality between women and men.**

The manner of remuneration of Members of the Supervisory Board and the Management Board of KGHM Polska Miedź S.A. were set forth in the Remuneration Policy adopted on 19 June 2020 by the Ordinary General Meeting, with respect for the principles of transparency, fairness, consistency and non-discrimination. In setting the remuneration of the Members of the Supervisory Board and the Management Board, the Remuneration Policy is aimed at achievement of the business strategy of KGHM, as well as the long-term interests and stability of the Company. Moreover, does not foresee the possibility of temporarily refraining from the application of the Remuneration Policy.

In accordance with the adopted principles, remuneration of Members of the Supervisory Board is fixed and does not foresee the payment of variable remuneration, bonuses or other cash benefits due to serving on the Supervisory Board of KGHM Polska Miedź S.A. It is likewise not dependent on the number of meetings held.

To determine the level of remuneration matched to the tasks and duties of the Management Board and to maintain a high level of motivation, total remuneration of Members of the Management Board consists of a fixed part and a variable part. The fixed remuneration is the basic monthly remuneration, which is supplemented by variable remuneration, whose amount may not exceed 100% of the annual fixed remuneration for the prior financial year. The management goals set for each financial year and the criteria (KPIs) for meeting these goals with respect to financial and non-financial results, representing the basis for setting variable remuneration, are set forth by the Supervisory Board for individual Members of the Management Board in a way which is consistent with the short- and long-term strategic goals of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group.

The KPIs adopted in the Remuneration Policy have a positive impact on the commitment to serving in the Company, provide motivation to achieve the business strategy and interests of the Company and affects the objective assessment of risk.

In accordance with the published Statement on the Company's compliance with the principles in section VI of DPSN 2021, the following principle involves remuneration and is partially applied:

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**Principle 6.4.** according to which as the supervisory board performs its responsibilities on a continuous basis, the remuneration of supervisory board members cannot depend on the number of meetings held. The remuneration of members of committees, in particular the audit committee, should take into account additional workload on the committee.

The Company partially applies the principle. The members of the Supervisory Board are remunerated regardless of the number of meetings officially convened and held in a given calendar month. The Members of the Supervisory Board do not however receive remuneration if, for unjustified reasons, they do not take part in any of the meetings of the Supervisory Board officially convened and held in a given month. The members of the Committees do not receive additional remuneration. The partial lack of application of the principle is also due to implementation of the act dated 9 June 2016 on the principles of setting the remuneration of individuals managing certain companies.

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### 3 CARE FOR THE ENVIRONMENT

					
Climate policy	Importance of copper	Environmental investments	Energy transformation	Environmental impact	Taxonomy disclosures

#### 3.1 APPROACH TO THE MANAGEMENT OF ENVIRONMENTAL IMPACTS AND CLIMATE PROTECTION

##### CLIMATE POLICY OF KGHM POLSKA MIEDŹ S.A.

GRI 3-3 material topic: Counteracting climate change

GRI 305-1

GRI 305-2

GRI 305-3

Being an ambitious participant in the green transformation, KGHM Polska Miedź S.A. 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 Company aimed at demonstrating awareness of climate change and deepening communication in this respect with all stakeholders.

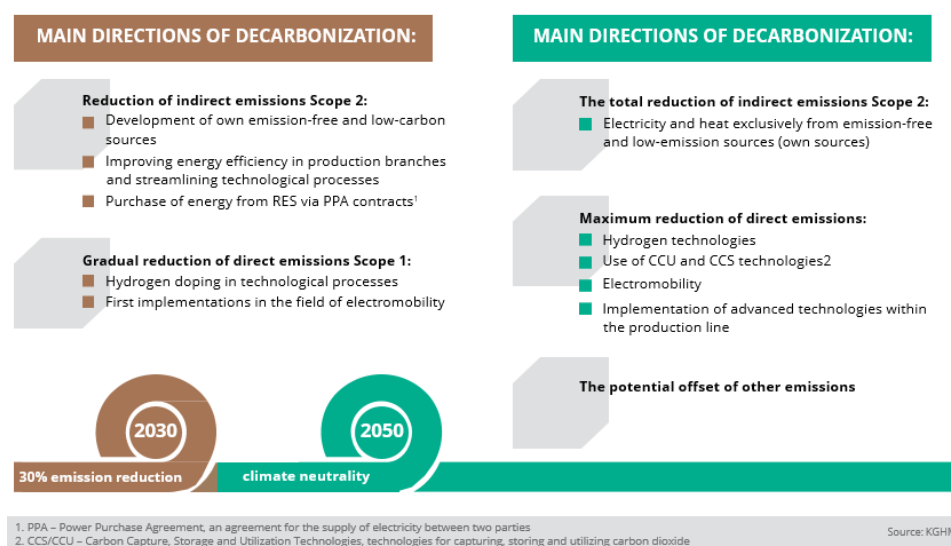
The expression of the above commitment is the adoption of the Climate Policy of KGHM Polska Miedź S.A. – a directional document, addressed to both external and internal stakeholders, whose overriding purpose is to present the climate ambitions of KGHM Polska Miedź S.A. and to specify the necessary scope of process and organisational changes for their implementation and continuous improvement.

##### Main assumptions of the Climate Policy of KGHM Polska Miedź S.A.

The overarching goal of the Climate Policy of KGHM Polska Miedź S.A. is for the Parent Entity of the KGHM Group to achieve climate neutrality by 2050 with respect to Scope 1 greenhouse gas emissions – direct emissions related primarily to the Company's production activities, and Scope 2 – indirect emissions related to the use of electricity and heat purchased on the market, with the maximum possible reduction. In contrast, the interim target is to reduce combined Scope 1 and Scope 2 emissions by 30% by 2030 compared to 2020 emissions.

These objectives and the means of achieving them are shown in the figure below:

Diagram 27. Greenhouse gas emissions reduction goals in KGHM Polska Miedź S.A. and main decarbonisation directions



Information on Scope 1 and Scope 2 greenhouse gas emissions for 2022 for KGHM Polska Miedź S.A. and the entire KGHM Group will be published in the second quarter of 2023.

Information on Scope 3 greenhouse gas emissions for 2022 for KGHM Polska Miedź S.A. and the entire KGHM Group will be published in the fourth quarter of 2023.

In 2021, total Scope 1 and 2 greenhouse gas emissions reached approximately 3 million tonnes of eCO<sub>2</sub> (tonnes of carbon dioxide equivalent) in KGHM Polska Miedź S.A. of which approximately 47% are Scope 1 emissions and 53% 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.

Due to the full implementation of the GHG Protocol, a recalculation of emissions was performed for 2020, which is also the base year for the reduction targets set in the Climate Policy.

Comparing the emissions for 2021 to the base year, a slight increase in emissions in Scopes 1 and 2 can be observed. The total emissions in Scopes 1 and 2 increased by 2.62%. The slight increase in Scope 1 and 2 emissions results from an increase in electrolytic copper production. However, when comparing the GHG emission factor, a slight reduction in emission intensity can be seen despite an increase in electrolytic copper production.

Table 38. Greenhouse gas emissions in KGHM Polska Miedź S.A. [t eCO<sub>2</sub>]

	2021	2020	Change	Change %
Scope 1	1 457 899	1 413 129	+44 770	+3.2%
Scope 2	1 651 717	1 617 217	+34 500	+2.2%
Total emissions (Scope 1 + 2)	3 109 616	3 030 346	+79 270	+2.6%

Chart 18. Change in the total volume of Scope 1 and Scope 2 emissions at KGHM Polska Miedź S.A. in the years 2020-2021 [Mg eCO<sub>2</sub>]

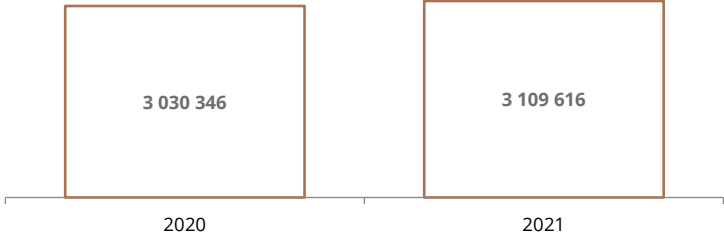
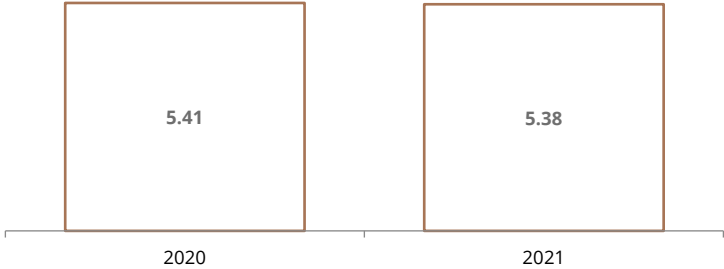


Chart 19. Greenhouse gas emission indicator in KGHM Polska Miedź S.A. in the years 2020-2021 [Mg eCO<sub>2</sub>/Mg electrolytic copper]



## Greenhouse gas emissions in the KGHM Polska Miedź S.A. Group

In 2021, Scope 1 and 2 greenhouse gas emissions in the KGHM Polska Miedź S.A. Group amounted to a total of 5.22 million tonnes of eCO<sub>2</sub>, of which approximately 60% were attributable to the Parent Entity. Emission calculations for the KGHM Polska Miedź S.A. Group were performed for the first time, therefore 2021 was considered the base year in monitoring emission changes in the Group.

Table 39. Greenhouse gas emissions in the 2021 in KGHM Polska Miedź S.A. Group in 2021 [Mg eCO<sub>2</sub>]

	KGHM Polska Miedź S.A.	Domestic companies	Companies abroad	Group
<b>TOTAL EMISSIONS (Scope 1 + 2)</b>	<b>3 109 616</b>	<b>862 797</b>	<b>1 249 542</b>	<b>5 221 955</b>
<b>SCOPE 1 - Direct emissions</b>	<b>1 457 899</b>	<b>623 757</b>	<b>504 932</b>	<b>2 586 588</b>
<b>SCOPE 2 - Indirect emissions</b>	<b>1 651 717</b>	<b>239 040</b>	<b>744 610</b>	<b>2 635 367</b>
Including indirect equivalent emission related to heat consumption:	0	4 917	0	4 917
Including indirect equivalent emission related to electricity consumption:	1 651 717	234 123	744 610	2 630 450
<b>Direct eCO<sub>2</sub> emission of biomass origin:</b>	<b>2 984</b>	<b>31 064</b>	<b>0</b>	<b>34 047</b>

## Scope 3 greenhouse gas emissions

In accordance with the GHG Protocol A Corporate Accounting and Reporting Standard, Scope 3 includes other indirect emissions arising along the value chain, e.g. from the manufacture of raw materials or intermediate products, waste management, transport of raw materials and products, employee business travel 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:

<b>SCOPE 3 - UPSTREAM</b>	<ul style="list-style-type: none"> <li>– Purchased raw materials and services (emissions related to the extraction and production of raw materials and services)</li> <li>– Capital goods (issues related to the production of capital goods)</li> <li>– Energy and fuel-related emissions not included in Scope 1 and 2</li> <li>– 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)</li> <li>– 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)</li> <li>– Business travel (business-related transport of employees during the reporting period by vehicles that are not owned or managed by the reporting company)</li> <li>– 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)</li> <li>– 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).</li> </ul>
<b>SCOPE 3 - DOWNSTREAM</b>	<ul style="list-style-type: none"> <li>– Downstream - transport and distribution</li> <li>– 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.</li> <li>– Use of products sold</li> <li>– End-of-life treatment of products sold</li> <li>– 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)</li> <li>– Franchises</li> <li>– Investments (investment activities (including equity and long-term investments and project financing) during the reporting year, not covered by Scope 1 or 2).</li> </ul>

A calculation of Scope 3 emissions for KGHM Polska Miedź S.A. and the entire KGHM Group was performed in 2021. The 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.

Chart 20. Scope 3 greenhouse gas emissions by KGHM Polska Miedź S.A. in 2021 [t eCO<sub>2</sub>]

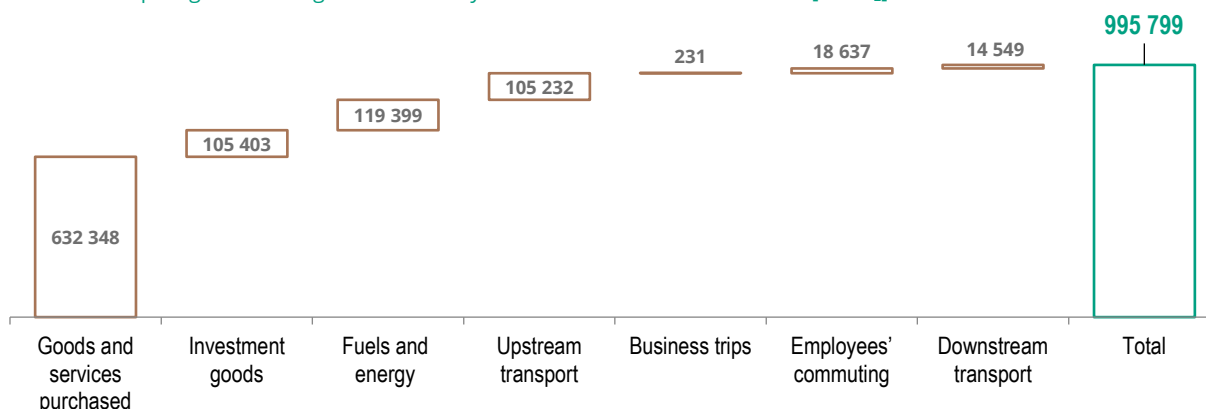


Table 40. Scope 3 greenhouse gas emissions in the KGHM Polska Miedź S.A. Group in 2021 [t eCO<sub>2</sub>]

	KGHM Polska Miedź S.A.	Domestic companies	Companies abroad	Group
<b>SCOPE 3 - Total</b>	<b>995 799</b>	<b>359 319</b>	<b>692 121</b>	<b>2 047 238</b>
Goods and services purchased	632 348	149 269	399 586	1 181 203
Investment goods	105 403	76 986	78 105	260 494
Fuel and energy not included in Scope 1 and 2	119 399	84 735	113 997	318 131
Transport and distribution - upstream	105 232	25 120	12 230	142 582
Business trips	231	143	-	374
Commuting to work	18 637	15 508	14 053	48 198
Transport of output streams - downstream	14 549	7 558	74 149	96 256

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.

### ENERGY POLICY OF KGHM POLSKA MIEDŹ S.A.

GRI 3-3 material topic: Counteracting climate change

GRI 302-1

The primary objective of KGHM Polska Miedź S.A. in respect to energy management, as well as with respect to pro-climate activity, is to engage in rational energy management while ensuring the security of energy supply to facilities and installations within the Company's production line. It has been and is implemented on the basis of the best European and global standards and within this framework, primarily in accordance with the ISO 50001 standard. The process of implementing the international standard of energy utility management in accordance with ISO 50001 began with the adoption of the Energy Policy of KGHM Polska Miedź S.A. by the President of the Management Board on 28 November 2016. At present, the second edition of the policy, approved on 28 February 2019, is in effect.

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. Currently KGHM Polska Miedź S.A. has two Gas-Steam Blocks 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, where natural gas-powered engines with the total capacity of 8.8 MWe were installed at each of the Stations.

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.

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 State 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 July 2023.

The Company is also developing 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 for renewable energy sources and is engaged in several due diligence and valuation processes for assets that are available for purchase. KGHM has also taken steps leading to the 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, and
- 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 adopted, the Company is pursuing 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's 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.

Table 41. 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
<b>Total energy consumption within the organisation</b>	<b>17 844 209</b>	<b>19 146 948</b>

Table 42. 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

#### **ENERGY MANAGEMENT SYSTEM (EMS) IN KGHM POLSKA MIEDŹ S.A. AND ENERGETYKA SP. Z O.O.**

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

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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 maintained.

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 CO<sub>2</sub> 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 POLICY OF KGHM POLSKA MIEDŹ S.A.**

Preventing and minimizing the environmental and climate impact and rational management of natural resources is of fundamental importance for KGHM Polska Miedź S.A. with 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 organisational 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 Polska Miedź S.A. 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, based on the PN-EN ISO 14001 standard, on 6 October 2021 the Environmental Policy of KGHM Polska Miedź S.A., approved by the President of the Management Board, was adopted in the Company. The adoption of a single policy started 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 the operation of the EMS in the entire Company. In accordance with the official order of the Vice President of the Management Board (Production) in KGHM Polska Miedź S.A. 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.

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, modernization and replacement of machinery and prevention of pollution and breakdowns,
- ensure rational use of natural resources, such as land, water, forests,
- ensure rational management of natural resources,
- reduce the volume of produced waste and continuously develop waste management techniques,
- reduce pollution of air, water and soil,
- reduce greenhouse gas emissions, considering the necessary economic aspects,
- recultivate land that has been adversely affected by our activities,
- apply new solutions and innovations prudently, considering the impact on the environment and climate in their design and implementation,
- satisfy accepted and justified requirements and expectations of the stakeholders,
- comply with the requirements of applicable law while respecting ethical principles,
- take active measures to preserve biodiversity or, where it is not possible, take appropriate compensatory measures,
- ensure responsible management of land and green areas,
- conduct an open and respectful dialogue with the local community and relevant authorities for the benefit of the environment and the climate,
- ensure responsible management of chemical substances,
- raise professional qualifications and awareness of employees with respect to the environment and climate,
- foster environmentally-friendly attitudes among staff, contractors and the local community.



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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. The result of applying the adopted Environmental Policy is the implementation of measures aimed at meeting high environmental standards, in compliance with legal requirements, through:

- identification and assessment of significant environmental aspects across the Company,
- undertaking actions to achieve the approved energy objectives,
- implementation of legal and other environmental law regulations and requirements and assessment of their compliance for the purposes of EMS operation at KGHM Polska Miedź S.A.

The top management declares its support for actions arising from the adopted Environmental Policy and to provide adequate resources and means to achieve the objectives and actions set out therein.

### 3.2 **IMPORTANCE OF COPPER FOR THE ENERGY TRANSITION**

#### GRI 3-3 material topic: Economic impacts

In 2011, under work to determine demand for non-ferrous metals, the Minerals Education Coalition calculated<sup>22</sup> that during their lifetime, each person consumes more than 460 tonnes of copper. It is precisely this demand which serves the European non-ferrous metals industry. It is a complex ecosystem of mining, smelting, processing, refining and recycling operations spread across the continent. In more than 900 plants producing and processing base, precious and specialty metals, half a million people are employed. 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 transformation and the vision of a climate-neutral Europe possible.

Copper therefore holds an exceptionally important place in this process. It is one of the rare resources of the European Union, which was analysed in 2020 during the process of selecting critical rare resources. Using the methodology of the time developed by the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs,<sup>23</sup> the economic weight of copper in the energy transformation 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. For example, 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. Because of its properties, copper has always been the material of choice for efficient generation of electricity from photovoltaic cells. Copper is a relatively thick but soft metal, commonly used in silicon cells to reduce their brittleness while increasing throughput.

After silver, which is expensive and found in much smaller quantities, copper has the highest electrical conductivity of any metal. Consequently, devices containing copper (such as motors) are much more efficient than equivalents using other metals, with the typical energy consumption usually 20-30% lower if copper is used.

Copper cabling offers an even greater advantage, with approximately 60% more current-carrying capacity than aluminium cables of the same size. Also, the thermal conductivity of copper is more than half that of aluminium. The small cross-section area and lack of reaction with water is also of importance. All this makes copper cables easier to transport, handle, store outdoors, and much less susceptible to accidental damage or connection failures. This is complemented by the high specific weight of copper, which makes it much easier to lay submarine cables for offshore wind energy purposes.

Outside the energy sector, copper is also a key component in electric vehicles, where it is used in batteries, steering systems and in the charging infrastructure. Electric cars, which are increasingly common, contain on average nearly four times more copper than their internal combustion engine counterparts (83 kg compared to 23 kg).

Overall, 22 million tonnes of copper will be needed by 2050 for the technologies facilitating a 75% reduction of EU greenhouse gas emissions<sup>24</sup>.

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<sup>22</sup> <https://mineralseducationcoalition.org/>

<sup>23</sup> <https://op.europa.eu/en/publication-detail/-/publication/2d43b7e2-66ac-11e7-b2f2-01aa75ed71a1/language-en/format-PDF/source-32064602>

<sup>24</sup> Estimate based on, among others, the EU's "High-RES" scenario to 2050 and the EU Energy Roadmap 2050, [https://ec.europa.eu/energy/sites/ener/files/documents/2012\\_energy\\_roadmap\\_2050\\_en\\_0.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/2012_energy_roadmap_2050_en_0.pdf)

This amount is roughly the same as the current level of global metallurgical production of copper (which is slightly over 21 million tonnes<sup>25</sup>) and more than ten times greater than the current production capacity of the European Union. An analysis by the International Energy Agency (IEA)<sup>26</sup> indicates moreover that advancement of the Paris Accords on the reduction of greenhouse 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.

The products offered by the KGHM Polska Miedź S.A. Group and the transformation which is made possible by them are the main contribution of the copper industry to the struggle against climate change. KGHM also continues its efforts to reduce its own environmental footprint. 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 transformation, are attested to by being awarded a place in the Carbon Clean 200™ ranking. KGHM Polska Miedź S.A. was the only company from Poland to be so honoured amongst 6 thousand entities from around the world.

### 3.3 APPROACH TO CLIMATE RISK MANAGEMENT

GRI 3-3 material topic: Counteracting climate change	GRI 3-3 material topic: Management of sustainable development and ESG risks	GRI 2-25	GRI 201-2
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Managing climate risk and adapting to climate change is crucial for KGHM Polska Miedź S.A. as an informed and responsible participant in the green transition. 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.

At the same time, KGHM Polska Miedź S.A., as an organisation aware of the impact of climate change on business activity, has fully integrated the Climate Risk Management process with the Corporate Risk Management Process of the KGHM Polska Miedź S.A. Group, as described in section 2.6. Risk management. These measures reflected the Company's pursuit of operational excellence and the mission to act in accordance with the principles of sustainable business. 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 include the first stage (scenario analyses as part of Defining the context) 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 others, the climate objectives related to KGHM Polska Miedź S.A.'s emissions reduction, which are consistent with the Climate Policy of KGHM Polska Miedź S.A., i.e:

- the overarching goal: to achieve climate neutrality by 2050 by the Company, as the Parent Entity of the KGHM Group, with respect to Scope 1 and Scope 2 greenhouse gas emissions, with their maximum possible reduction (supplemented by potential offsetting of other emissions);
- the interim target: to reduce combined Scope 1 and Scope 2 emissions by 30% by 2030 compared to 2020 emissions.

<sup>25</sup> <https://icsg.org/wp-content/uploads/2021/11/ICSG-Factbook-2021.pdf>

<sup>26</sup> <https://www.iea.org/reports/the-role-of-critical-minerals-in-clean-energy-transitions>

In the course of operationalization 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**

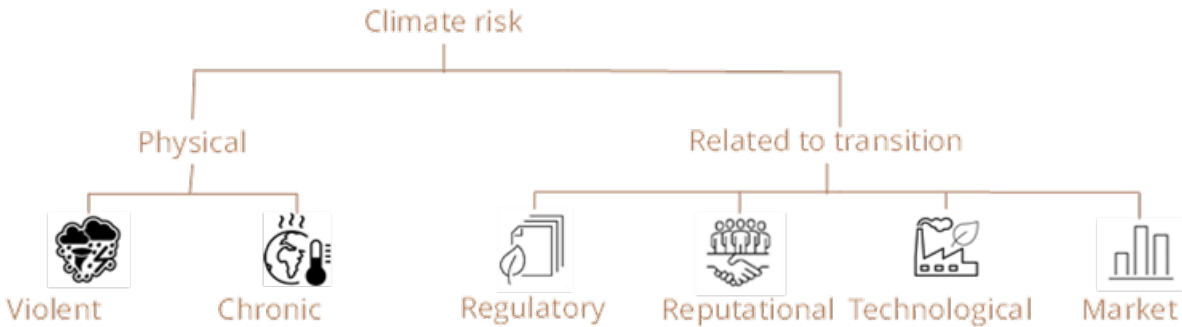
In the first step of the risk management process (Defining the context), KGHM considered climate change by performing a scenario analysis, based on recognized reports of the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA). The above analysis is currently conducted 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 organisation'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:

Diagram 28. Climate risk categories



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## 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. The table presents detailed information such as the description of the risks and factors, mitigation and the indicator used for risk assessment.

### PHYSICAL CLIMATE RISK

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#### Acute physical risk related to sudden weather events resulting from climate change.

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<b>Description of risks and risk factors</b>	<p>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:</p> <ul style="list-style-type: none"><li>– accumulated dry days (draught),</li><li>– heatwaves,</li><li>– heavy daily rainfall,</li><li>– very frosty days,</li><li>– thick snow cover,</li><li>– strong/fierce winds,</li><li>– lightning.</li></ul> <p>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.</p>
<b>Mitigation</b>	<ul style="list-style-type: none"><li>– 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.</li><li>– Ongoing communication and cooperation with utility suppliers concerning potential supply interruptions.</li><li>– Periodic overhauls of key infrastructure equipment on the basis of predetermined schedules.</li><li>– Preventive management of key infrastructure elements affecting production continuity and application of crisis response procedures.</li><li>– 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</li><li>– .Application of solutions counteracting the effects of climate hazards using neutral measures and by using modern technology.</li><li>– Ongoing monitoring of the microclimate parameters and introduction of remote control and visualisation and surveillance systems in workplaces with particularly adverse climate parameters.</li><li>– 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.</li></ul>
<b>Indicator used for risk assessment</b>	<p>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):</p> <ul style="list-style-type: none"><li>- 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.</li></ul>

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#### Chronic physical risk related to permanent changes in weather patterns resulting from climate change.

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<b>Description of risks and risk factors</b>	<p>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:</p> <ul style="list-style-type: none"><li>– change in average daily temperature,</li><li>– change in total precipitation,</li><li>– change of wind intensity,</li><li>– change of cooling/heating degree days (hot/cool - temperature above/below 18°C),</li><li>– change in the number of days with snow cover.</li></ul> <p>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,</p>
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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.

<b>Description of risks and risk factors</b>	<p>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.</p> <p>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 may lead to the blocking of development plans.</p> <p>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.</p>
<b>Mitigation</b>	<ul style="list-style-type: none"> <li>– Care and due diligence in identification of expectations and requirements of external stakeholders concerning the climate and environmental issues.</li> <li>– 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.</li> <li>– 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.</li> <li>– Implemented and improved effective system for resolving sustainable development themes (ESG) in the form of regular meetings of the Sustainable Development Council.</li> </ul>
<b>Indicator used for risk assessment</b>	<p>Number of key customers lost due to negative perception of the business in the face of climate change:</p> <ul style="list-style-type: none"> <li>- 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.</li> </ul>

## Technological risk related to the technological progress towards a low-emission economy.

<b>Description of risks and risk factors</b>	<p>The EU's ambitious climate targets and the existing pressure on the implementation of new low-carbon solutions and the search for reduction of CO<sub>2</sub> 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.</p> <p>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.</p>
<b>Mitigation</b>	<ul style="list-style-type: none"> <li>– Ongoing monitoring of policy changes intended to reduce CO<sub>2</sub> 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.</li> <li>– 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.</li> <li>– A Transformation Projects Department dedicated to this risk has been operating since 2022.</li> </ul>



<b>Indicator used for risk assessment</b>	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.
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**Market risk associated with changes in demand for and supply of certain products and services.**

<b>Description of risks and risk factors</b>	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.
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<b>Mitigation</b>	<ul style="list-style-type: none"> <li>- 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.</li> <li>- Ongoing analysis of technical and technological solutions, which satisfy stakeholder requirements concerning climate issues affecting changes in supply and demand.</li> </ul>
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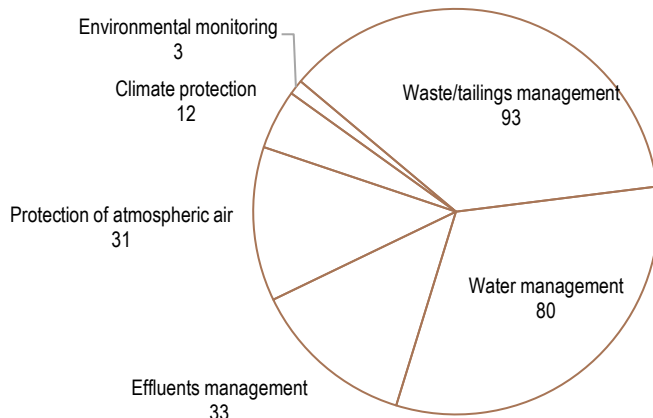
<b>Indicator used for risk assessment</b>	Significant change in the structure and source of revenue related to changes in the demand and supply of products and services due to increased stakeholder expectations and awareness of climate issues: - throughout 2022, and up to the date of signing of this report, KGHM Polska Miedź S.A. did not record any events according to the criteria defined.
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**3.4 ENVIRONMENTALLY-FRIENDLY INVESTMENT AND DESCRIPTION OF MEASURES TAKEN**

GRI 3-3 material topic: Development and innovation

Compliance with rigorous environmental standards laid down by the law is possible thanks to the consistent modernization of our existing installations to protect the environment, as well as new investments in this area. In 2022, the Company spent more than PLN 250 million on environmentally-friendly investments, of which the largest expenditures, in the amount of over PLN 195 million, were incurred on maintenance, modernisation and development of the Żelazny Most Tailings Storage Facility, including its infrastructure. The expenditure incurred by the Tailings Division in 2022 includes, respectively: 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 at KGHM on investments aimed at protecting the air, 90% of which were for 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 under the BATAs Program, belonging to this group. On the other hand, in 2022, in KGHM's investments related to climate protection, 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 CO<sub>2</sub> emissions.

Chart 21. Value of expenditures incurred on environmentally-friendly activities by KGHM Polska Miedź S.A. in 2022 [in million PLN]



### 3.5 ENERGY TRANSITION - PROJECTS IMPLEMENTED BY KGHM

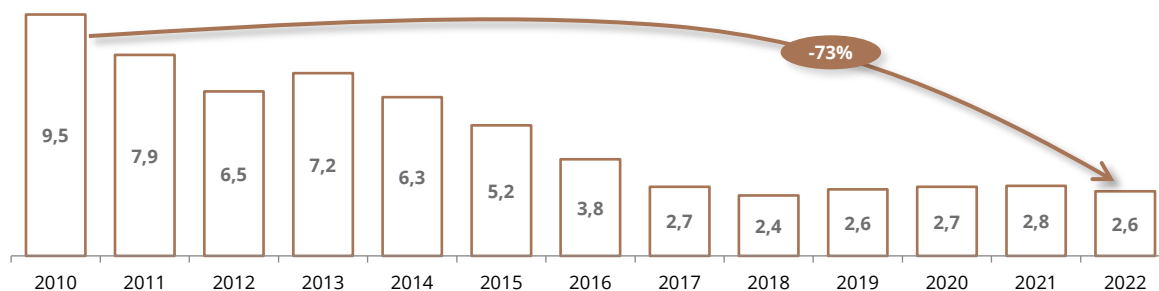
GRI 3-3 material topic: Development and innovation	Own indicator: Innovation improving energy efficiency or limiting environmental impact
<b>Construction of a photovoltaic power plant Obora Sandpit I</b>	The Lubin Municipality carried out work on amending the Local Spatial Development Plan for the Obora 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.
<b>Construction of the HMG I-III photovoltaic power plant complex</b>	In May 2022, the MPZP of the Głogów Municipality for the Huta precinct came into force, admitting photovoltaic installations. In the third quarter of 2022, KGHM, as DSO, issued the Technical Connection Conditions for all three locations of the PV power plant HMG I-III. In the fourth quarter of 2022, a legally binding environmental decision was obtained and work began on preparing the project documentation (maps for design purposes and trade-specific arrangements). The provisions of the connection agreement are currently negotiated.
<b>Development of wind energy, including Offshore</b>	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.
<b>Solar energy development</b>	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 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.
<b>Development of hydrogen technologies</b>	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 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.
<b>Development of CO<sub>2</sub> capture technology</b>	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.
<b>Nuclear energy development</b>	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 concerning the safety assessment of the small modular reactor technology considered by the Company to the State Atomic 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.
<b>Power Purchase Agreements (PPAs)</b>	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 Solartechnik (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 PV Farm in the Turek Municipality will commence on 1 April 2023. The planned sales volume is 5 300 MWh/year.
<b>Self-generation of electricity</b>	The share of energy from own sources including RES in 2022 in KGHM amounted to 9.46%.

### 3.6 ENVIRONMENTAL IMPACT OF OPERATIONS

#### PROTECTION OF THE AIR

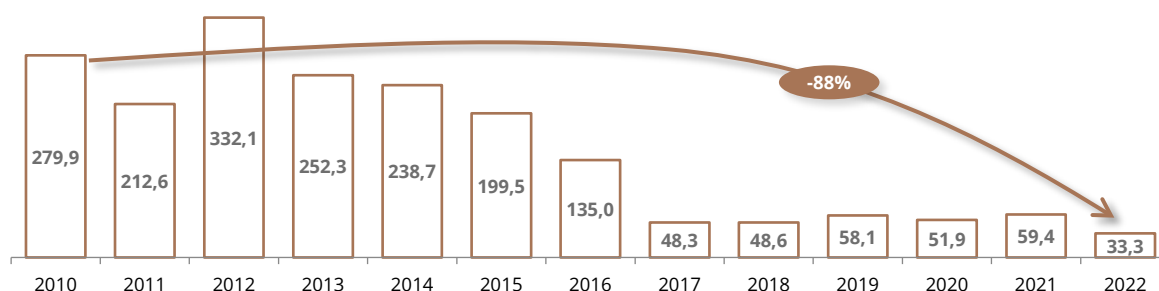
KGHM Polska Miedź S.A. conducts its core business being aware of its responsibility for the environment, including for air quality. Many years of investments in this area are reflected in the reduction of air emissions that are critical for the Company's operations, which is shown on the chart and descriptions below:

Chart 22. Dust emissions from mining production of KGHM Polska Miedź S.A. in 2022 [g/t of ore]



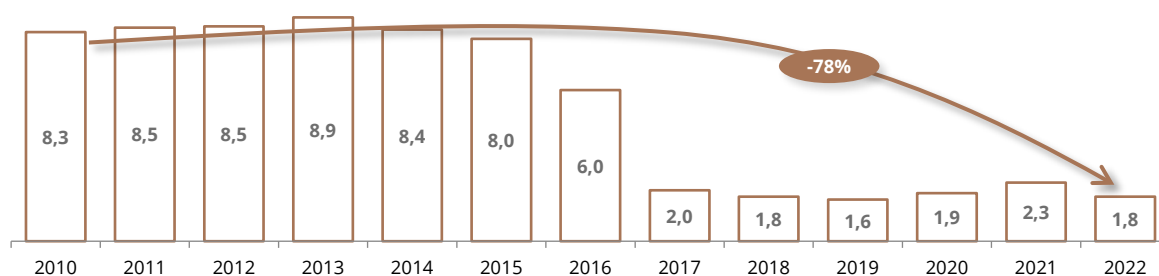
Dust emissions from mining production continue to decrease in spite of the growing output. The continuous reduction of emissions from underground mining production is made possible by a proper organisation of the mining process and replacement of mining machinery and equipment driven by combustion engines with low-emission or electric machinery. Dust emissions from the ore enrichment process were effectively reduced in the 20th century. 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 those in 2010.

Chart 23. Dust emissions from metallurgical production of KGHM Polska Miedź S.A. in 2022 [g/t of electrolytic copper]



Dust emissions from metallurgical production of copper may contain metals and metal compounds. The consistent application of the Best Available Techniques (BAT) led to a 88% decrease of dust emissions from electrolytic copper production in 2022 as compared to 2010. 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. In terms of reduction of dust emissions, the Company has already achieved a great deal through continuous improvement of dust suppression techniques and has practically exhausted the technical possibilities to reduce emissions. Further progress in reducing emissions will be a particular challenge for the near future. It will require new technologies to be developed and new technical barriers to be overcome.

Chart 24. Emission of SO<sub>2</sub> of KGHM Polska Miedź S.A. in 2022 in kg/t of electrolytic copper



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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 sulphuric acid installations. In international benchmarks, KGHM is a pioneer in reduction of sulphur dioxide emissions: emissions per tonne of copper produced has been reduced to approximately 2 grams per tonne of electrolytic copper, i.e. by about 78% vs. 2010.

#### **BATAs PROGRAM**

Environmental activities of KGHM Polska Miedź S.A. are driven by three letters: BAT. This abbreviation stands for Best Available Technology. In June 2016, the European Commission issued an executive decision establishing BAT conclusions (guidelines) for the non-ferrous metals industry. The conclusions were introduced in order to improve the quality of air, soil and water in the territory of the European Union. For KGHM Polska Miedź S.A. this means the necessity to modernize the infrastructure that minimizes its environmental impact. To address this need, the Company launched the BAT-As 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"). Under the Program, the construction of new installations and modernization of existing ones was commenced in KGHM Polska Miedź S.A.'s metallurgical plants. The Program was launched in 2017 and its completion is planned in 2023. In the Głogów Copper Smelter and Refinery and in the Legnica Copper Smelter and Refinery, the program is implemented by building new and adapting the existing technological installations. The goal of the Program is to reduce dust and gas emissions, including arsenic compounds, 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 Smelter and Refinery was built,
  - a warehouse and storage area for lead-bearing materials at the Głogów II Smelter and Refinery was built,
  - a gas desulphurization installation from the Kaldo furnace at the Precious Metals Unit at the Głogów Smelter and Refinery was built,
  - bypass gas pipelines for flash furnaces at the Głogów 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 smelter was built,
  - a desulphurization and dust removal installation for technological gases from converters at the Głogów II 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.

Further work is planned in 2023, including, among others:

- completion of the development of a dust reduction unit at the P-21 concentrate unloading facility at the Głogów Smelter and Refinery,
- completion of the start-up of the installation to remove arsenic and mercury from gases at the Solinox installation at the Legnica Smelter and Refinery.

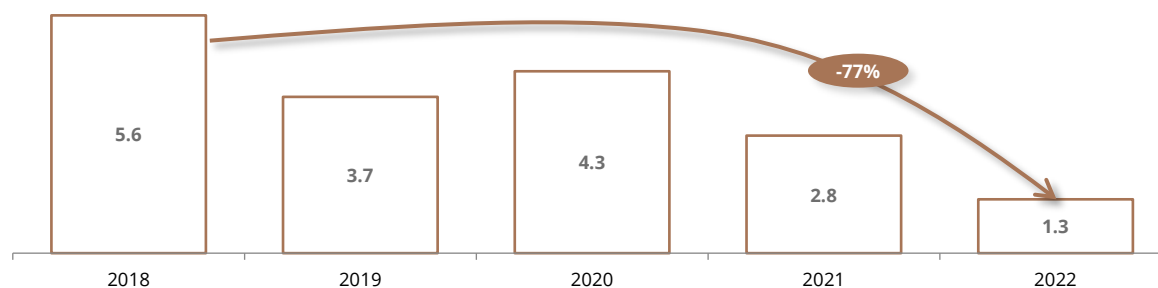
Table 43. Results of investment projects completed by 2022 in KGHM Polska Miedź S.A. in the area of unit adaptation to meet the requirements of the BAT Conclusions for the non-ferrous metals industry.

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 dust emissions hourly arsenic in dust emissions
<b>HML- Modernisation of the Psz.1 bag filter dedusting system and PSZ2 and Psz3 cassette filters in the Shaft Furnaces</b>	<b>BAT 39:</b> Dust - 2-5 (mg/Nm <sup>3</sup> ) As - 0.05 (mg/Nm <sup>3</sup> )	<b>December 2019</b> Dust - below 1 (mg/Nm <sup>3</sup> ), As - below 0.05 (mg/Nm <sup>3</sup> ), average 0.02 (mg/Nm <sup>3</sup> )	Dust – decrease by 97% As – decrease by 84%
<b>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</b>	<b>BAT 38:</b> Dust - 3-5 (mg/Nm <sup>3</sup> ) As - 0.05 (mg/Nm <sup>3</sup> ) <b>BAT 11:</b> Hg - 0.01-0.05 (mg/Nm <sup>3</sup> )	<b>December 2020</b> Dust - below 1 (mg/Nm <sup>3</sup> ), As - below 0.02 (mg/Nm <sup>3</sup> ), average 0.01 (mg/Nm <sup>3</sup> ) Hg - below 0.004 (mg/Nm <sup>3</sup> ), average 0.002 (mg/Nm <sup>3</sup> )	As – decrease by 84%
<b>HML - Design and construction of installation to eliminate arsenic from gases above the TM-16 casting machines</b>	<b>BAT 44:</b> Dust - below 15 (mg/Nm <sup>3</sup> )	<b>December 2020</b> Dust - below 2 (mg/Nm <sup>3</sup> ), average 1.6 (mg/Nm <sup>3</sup> )	Dust – decrease by 68 % As – decrease by 75%
<b>HMG - P-1 Sealing of conveyor belt tightening stations for carrying copper concentrate and ore blending warehouse</b>	<b>BAT 8 and BAT 25:</b> 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.	<b>October 2019</b> 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)	
<b>PG Installation of ground de-leaded slag feeding into flash furnace</b>	<b>BAT54:</b> Specifies methods to reduce the amount of copper production primary and secondary waste materials to be stored <b>BAT90:</b> Specifies the required adaptation method to prevent diffuse emissions from pre-treatment of raw materials, primary and secondary materials or to reduce the emissions (for lead production).	<b>December 2020</b> The installation enables air-sealed transport of the waste material, i.e. de-leaded slag, to flash furnace for metal recovery (compliance with BAT54). A pneumatic transport system applied for dust-generating materials (compliance with BAT90a).	
<b>P-31 Building a warehouse and storage area for lead-bearing materials</b>	<b>BAT 90</b> Specifies the required adaptation method to prevent diffuse emissions from pre-treatment of raw materials, primary and secondary materials or to reduce the emissions (for lead production).	<b>March 2021</b> 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.	
<b>P-30 Building a gas desulphurization installation from the Kaldo furnace at the Precious Metals Plant</b>	<b>BAT 140:</b> Dust - 2-5 (mg/Nm <sup>3</sup> ) <b>BAT 142:</b> SO <sub>2</sub> - 50-480 (mg/Nm <sup>3</sup> ),	<b>May 2021</b> Dust – average of 0.6 (mg/Nm <sup>3</sup> ), SO <sub>2</sub> – below 470 (mg/Nm <sup>3</sup> ),	
<b>P-22 Building an installation for removing dust from gases from flash furnace slag and copper</b>	<b>BAT 39:</b> Dust - 2-5 (mg/Nm <sup>3</sup> ) As - 0.007 (kg/h)	<b>December 2021</b> Dust – average of 0.054 (mg/Nm <sup>3</sup> ), 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 dust emissions hourly arsenic in dust emissions
<b>outlets at the Głogów II Smelter</b>			
<b>P-23 Building an installation for removing dust from converter gases</b>	<b>BAT 39:</b> Dust - 2-5 (mg/Nm <sup>3</sup> ) As - 0.002 (kg/h)	<b>December 2021</b> Dust - average of 0.067 (mg/Nm <sup>3</sup> ) As - average of 0.00098 (kg/h)	Dust - decrease by 94% As - decrease by 92%
<b>HML - Building a desulphurization and dust removal installation for gases from the granulation process</b>	<b>BAT 45:</b> Dust - 2-5 (mg/Nm <sup>3</sup> ) <b>BAT 49:</b> SO <sub>2</sub> - 50-480 (mg/Nm <sup>3</sup> ),	<b>June 2022</b> Dust - average of 3 (mg/Nm <sup>3</sup> ) SO <sub>2</sub> - average of 380 (mg/Nm <sup>3</sup> ),	Dust - decrease by 94% SO <sub>2</sub> - decrease by 98%
<b>P-31 Modernisation of the installation reducing pollutants in air emissions of process gases from Dörschel furnaces - stage 2</b>	<b>BAT 11:</b> Hg - 0.01-0.05 (mg/Nm <sup>3</sup> ) <b>BAT 96:</b> Dust - 2-4 (mg/Nm <sup>3</sup> ) As - 0.05 (mg/Nm <sup>3</sup> )	<b>December 2022</b> Dust - below 1 (mg/Nm <sup>3</sup> ), average 0.118 (mg/Nm <sup>3</sup> ) As - below 0.01 (mg/Nm <sup>3</sup> ), average 0.006 (mg/Nm <sup>3</sup> ) Hg - below 0.001 (mg/Nm <sup>3</sup> ), average 0.0005 (mg/Nm <sup>3</sup> )	Dust - decrease by 91% As - decrease by 98% Hg - decrease by 99%

Following the implementation of the BAT-As Program, the emission of arsenic from metallurgical production by KGHM Polska Miedź S.A. into the air continues to decline. The arsenic emission ratio from metallurgical production decreased by 77% in 2022 vs. 2018.

Chart 25. Arsenic emissions from metallurgical production, in 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 in the scope of air emissions contained in the BAT (Best Available Techniques) conclusions for the non-ferrous metals industry. To achieve the desired results, innovative dedicated solutions have been designed. The commissioning of additional elements in the existing SOLINOX desulphurisation process line allows the process gas treatment to be carried out at the highest level. 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. Arsenic removal takes place in a high-efficiency electrostatic precipitator system. Gases discharged from the cooling tower are routed to the first stage wet electrostatic precipitator unit, before being transferred to the plant's absorption tower, which operates using the calomel technique, where the gases are cleaned of mercury compounds. The final, dedusting and cleaning of gas is carried out in a second stage wet electrostatic precipitator unit. It is worth noting that the Legnica Copper Smelter and Refinery has the first installation in the country that purifies gases based on the internationally tested calomel technique. One of the advantages of this mercury capture technique is the generation of a limited quantity of waste.

The level of capital expenditure amounted to approximately PLN 115 million.

The aim of the installation is to reduce the concentration of arsenic and mercury in process gases entering the SOLINOX gas desulphurisation plant to 0.05 mg/Nm<sup>3</sup>. The new plant thus meets the highest environmental protection standards. The installation uses limited amounts of water, as the main source of process water is pre-treated effluents from another plant. Consequently, the amount of effluents generated has also been reduced.



### “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.

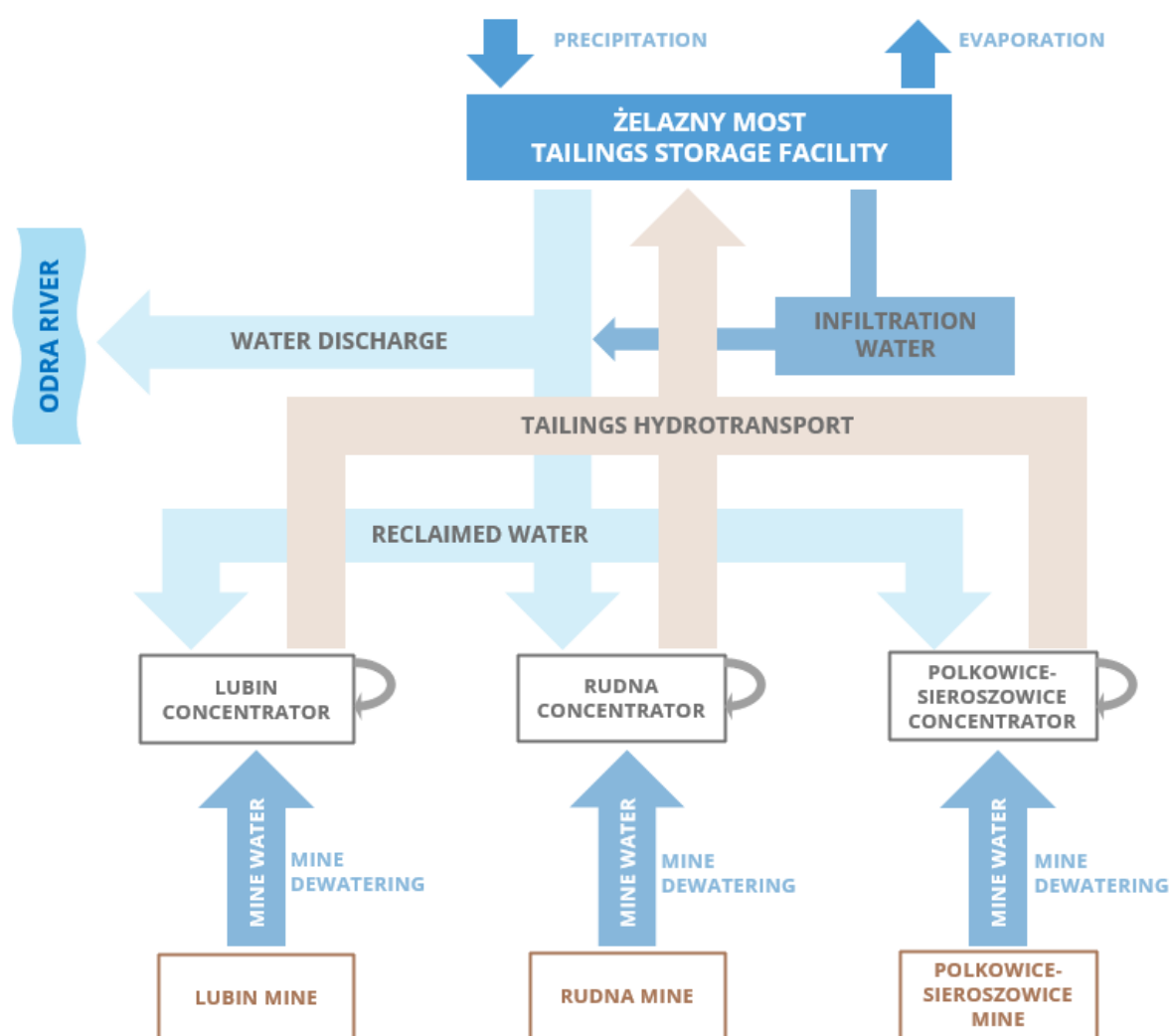
### WATER AND EFFLUENTS MANAGEMENT

GRI 3-3 material topic: Management of water resources	GRI 303-1	GRI 303-2	GRI 303-3	GRI 303-4	GRI 303-5
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Water is one of the most valuable natural resources. KGHM Polska Miedź S.A. regularly monitors the quality of ground and surface water in the vicinity of its plants to ensure that the company's activities comply with strict environmental standards.

Water is necessary for the production of copper. It is used, among others, for enrichment (flotation) of ore, hydrotransport of waste, and also in the core production line in the smelters. This is shown in the diagram below.

Diagram 29 Water in the ore enrichment process (flotation) in KGHM Polska Miedź S.A.



KGHM Polska Miedź S.A. has three operational underground copper mines, which mine 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. Mine water extracted from deeper parts of the deposit are more salinated, but the volumes are smaller.

On the surface, retention reservoirs are located next to every mine and every ore enrichment plant. They collect rainwater, overflows of cooling water as well as 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 is discharged directly into local rivers. At the ore enrichment plants, all water is stored in closed systems and used

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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 O/ZWR was approximately 12 821 520 m<sup>3</sup> of which:

- approx. 3 448 092 m<sup>3</sup> in the Lubin Concentrator;
- approx. 2 602 711 m<sup>3</sup> in the Polkowice Concentrator;
- approx. 6 770 717 m<sup>3</sup> in the Rudna Concentrator.

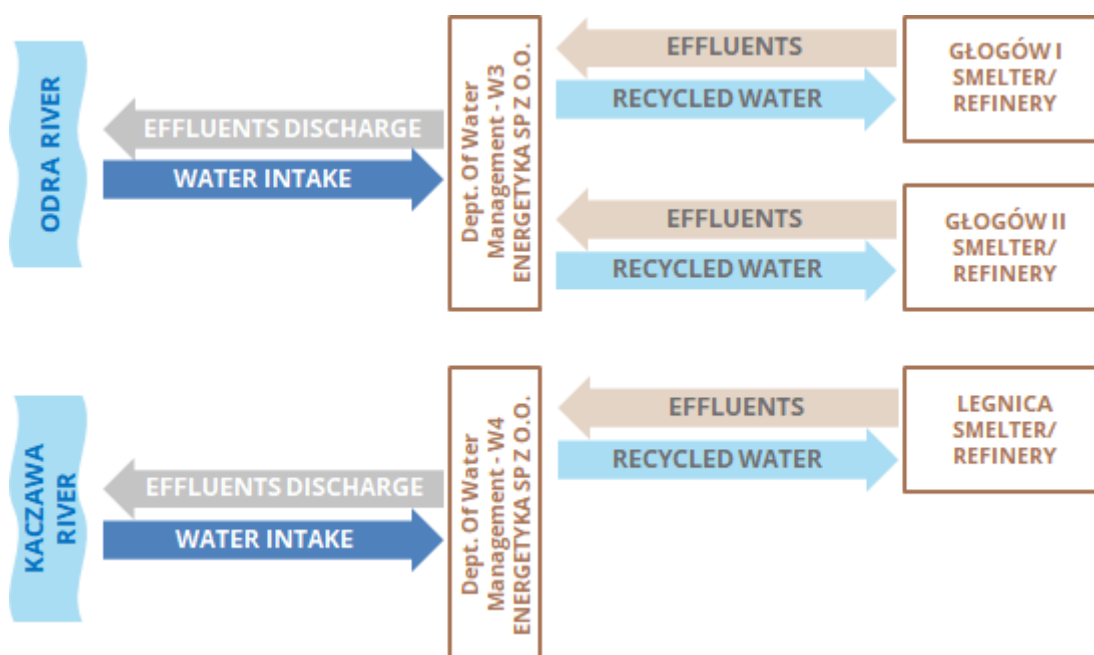
In KGHM Polska Miedź S.A., approximately 150 million m<sup>3</sup> of water per year is recycled to the ore enrichment process. Only water from mine drainage and recycled water from the Żelazny Most Tailings Storage Facility is used in the enrichment process. This enables surface and ground water, one 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. Water from the Żelazny Most Tailings Storage Facility is discharged by gravity through a 20 km long pipeline to the Odra river. The volume and quality of discharged water is closely monitored. The general rule is to maintain the concentration of the sum of Cl<sup>-</sup> and SO<sub>4</sub><sup>2-</sup> below 1 g/l in the mixed water of the Odra river below the point of discharge. In practice, the discharged water volume is controlled based on a formal table, which takes into account the current flow and salinity of the Odra river. The discharge permit also contains other provisions concerning the concentration of dissolved substances and the water flow rate. Water may be discharged only if the flow of the Odra river is greater than 17.5 m<sup>3</sup>/s and the flow of the discharged decanted water is less than 2 m<sup>3</sup>/s. The total level of suspended solids in the discharged water must be maintained under 35 mg/dm<sup>3</sup>. The size of the flotation tailings pond, especially its surface area, makes the sedimentation of tailings very effective and the overall level of suspended solids is usually kept below 35 mg/dm<sup>3</sup>. However, during windy weather, higher concentrations of suspended solids can be observed, which requires additional treatment. This situation is kept under control through continuous measurements of turbidity of the discharged water. If it is too high then the decanted water is transferred to a nearby effluents treatment plant to reduce the volume of suspended solids. After this treatment, the water is pumped into a pipeline which discharges it into the Odra river.

The Legnica Copper Smelter and Refinery and the Głogów Copper Smelter and Refinery consume significant quantities of water (approximately 11 million m<sup>3</sup> 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 effluents treatment plants operating to meet the needs of the smelters specialise in the removal of heavy metals, including arsenic, mercury and cadmium compounds, which are especially 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 m<sup>3</sup> of the remaining treated effluents is discharged to the Odra river (in the case of the Głogów Smelter and Refinery) and to the Pawłówka stream, which feeds the Kaczawa river (in the case of the Legnica Smelter and Refinery). The process is shown in the diagram below. The table presented under the diagram shows the measures linked to water management in KGHM Polska Miedź S.A. in 2022:

Diagram 30. Water in the electrolytic copper production process in KGHM Polska Miedź S.A.



The Cedyňa copper wire rod plant division is supplied with water for human consumption and for technological purposes from groundwater intakes in Orsk and Chełm. 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 Cedyňa copper wire rod plant has separate sewerage 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 it is treated in the sanitary effluents treatment line and the rainwater-industrial effluents treatment line. Treated sanitary and rainwater-industrial effluents is 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 m<sup>3</sup>.

Table 44. Water management in the KGHM Polska Miedź S.A. Group [m<sup>3</sup>]

<b>WATER WITHDRAWAL GRI 303-3</b>		2022	2021
	<b>Surface water (total)</b>	<b>11 001 154</b>	<b>10 421 313</b>
	<b>Groundwater (total)</b>	<b>27 352 385</b>	<b>25 987 286</b>
	<b>Seawater (total)</b>	<b>0</b>	<b>0</b>
	<b>Water withdrawn as a result of operations, e.g. mine water (total)</b>	<b>35 745 659</b>	<b>30 851 894</b>
<b>Water withdrawal by source</b>	– 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
	<b>Water from third parties (total)</b>	<b>3 821 445</b>	<b>462 936</b>
	– 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
<b>Total water withdrawal</b>	<b>Surface water (total) + groundwater (total) + seawater (total) + post-production water (total) + water from other sources (total)</b>	<b>77 920 643</b>	<b>67 721 429</b>

<b>WATER (EFFLUENTS) DISCHARGE GRI 303-4</b>		2022	2021
<b>Water (effluents) discharge by destination</b>	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
<b>Total water (effluents) discharge</b>	<b>Surface water + groundwater + seawater + third party water (total)</b>	<b>47 606 203</b>	<b>45 751 620</b>
<b>Effluents (water) discharge – fresh and other water</b>	– Fresh water ( $\leq 1\,000$ 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
<b>WATER CONSUMPTION GRI 305-5</b>		2022	2021
<b>Water consumption</b>	<b>Total water consumption</b>	<b>30 314 440</b>	<b>21 971 809</b>

Table 45. Water management in KGHM Polska Miedź S.A. [m<sup>3</sup>]

<b>WATER WITHDRAWAL GRI 303-3</b>		2022	2021
<b>Water withdrawal by source</b>	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 ( $\leq 1\,000$ 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 ( $\leq 1\,000$ mg/l of total dissolved substances)	13 125 254	12 117 706
– Other water ( $> 1,000$ mg/L of total dissolved substances)	0	0	
<b>Total water withdrawal</b>	<b>Surface water (total) + groundwater (total) + seawater (total) + post-production water (total) + water from other sources (total)</b>	<b>48 714 152</b>	<b>41 893 681</b>
<b>WATER (EFFLUENTS) DISCHARGE GRI 303-4</b>		2022	2021
<b>Water (effluents) discharge by destination</b>	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
<b>Total water (effluents) discharge</b>	<b>Surface water + groundwater + seawater + third party water (total)</b>	<b>41 135 497</b>	<b>37 345 232</b>
<b>Wastewater (water) discharge – fresh and other water</b>	– Fresh water ( $\leq 1\,000$ 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
<b>WATER CONSUMPTION GRI 305-5</b>		2022	2021
<b>Water consumption</b>	<b>Total water consumption</b>	<b>7 578 655</b>	<b>4 548 449</b>

## CIRCULAR ECONOMY, INCLUDING WASTE MANAGEMENT

GRI 3-3 material topic: Striving towards a circular economy | GRI 306-1 | GRI 306-2 | GRI 306-3

Striving towards a circular economy (CE) is one of the priorities of the KGHM Polska Miedź Group. The KGHM Polska Miedź S.A. Group implements the roadmap published on 24 September 2019 for the development of the circular economy in Poland, in the form as presented in the diagram below:

Diagram 31. Water in the electrolytic copper production process



Key elements of building the circular economy in KGHM Polska Miedź S.A. include:

- 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,
- seeking and implementing solutions that allow utilisation of waste storage sites as secondary deposits.

### Waste management in KGHM Polska Miedź S.A.

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 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.

Management of waste generated at KGHM Polska Miedź S.A. is carried out in accordance with the principles set out in the Waste Act 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 or minimises the volume 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.

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## Żelazny Most Tailings Storage Facility

The Rudna Tailings Plant Division, within the structure of KGHM Polska Miedź S.A., operates in particular the Żelazny Most Tailings Storage Facility together with the Southern Quarter.

### Location of the Żelazny Most Tailings Storage Facility including the Southern Quarter

Geographically, the Żelazny Most Tailings Storage Facility is located in a valley between the Dalkowskie Hills in the upper catchment area of the Rudna River, which form a natural boundary on the west, south and west. The location of the Southern Quarter means that it is bounded by the Main Facility on the north and limited on the other sides by hills.

The Żelazny Most Tailings Storage Facility is located in the Lower Silesian Voivodship, on the territory of three municipalities: Rudna, Polkowice and Grębocice. It covers an area of approximately 2 100 hectares, including the Southern Quarter.

### Facility qualification

In accordance with Article 6(1)(1a) of the Act on Mining Waste of 10 July 2008 (uniform text: Journal of Laws of 2021, item 1972), the Żelazny Most Tailings Storage Facility, including the Southern Quarter, is classified as a Category A facility, since the failure to operate or inadequate operation could cause a serious accident. In addition, pursuant to §3(1) of the Regulation of the Minister of Environment of 5 April 2011 on the detailed criteria for the classification of mining waste facilities (Journal of Laws of 2011 No 86, item 477), in the case of the facility in question, one of the criteria listed in point 1 is also fulfilled, i.e.:

“The predicted short-term or long-term consequences of failure as a result of the loss of stability of a mining waste treatment facility, which includes any possible failure of mechanisms associated with the construction of a given mining waste treatment facility, or as a result of the inadequate operation of a mining waste treatment facility, could lead to:

- significant risk of loss of life,
- serious threat to human health,
- serious threat to the environment.”

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), i.e. category “A” mining waste treatment facilities referred to in the Act on mining waste.

In accordance with Regulation of the Minister of Environment of 20 April 2007 concerning technical conditions to be met by hydro-engineering construction and their location (Journal of Laws No. 86 of 2007, item 579), the Żelazny Most Tailings Storage Facility together with the Southern Quarter corresponds to Class I of hydro-engineering structures. It is a hydro-engineering structure permanently damming water, founded on a non-rocky substrate, which has a damming height of more than 20 m and a capacity of more than 50 million m<sup>3</sup>.

The Żelazny Most Tailings Storage Facility, together with the Southern Quarter, is used for management of waste from the flotation enrichment of copper ores with the code 01 03 81 Waste from the flotation enrichment of non-ferrous metal ores, other than listed in 01 03 80, generated in three areas of the Ore Enrichment Plant Division in Polkowice, belonging to KGHM Polska Miedź S.A. in Lubin. Such waste is used to build the dams of the subsequent floors and to seal the bottom of the facility, while the remainder is disposed of in the sedimentation process.

In 2022, the facility received 28 717 443.565 tonnes of code 01 03 81 waste, of which:

- 18 379 946.565 Mg was recovered through the R5 process (for the construction of the facility dams - 6 893 953.565 Mg and sealing of its bottom - 11 485 993 Mg)
- 10 337 397.00 Mg was disposed of in the D5 landfill process.

The Żelazny Most TSF is a sublevel-superlevel facility consisting of two parts: the existing Main Facility and the new Southern Quarter, surrounded by embankments (dams), where waste is deposited inside the canopy using the “wet” method. The expansion of the Main Facility is carried out using the “inward” method (i.e. without the need to occupy new land), using waste recovered from the flotation waste stream for dam superstructure and sealing the reservoir bottom. The Southern Quarter dams are constructed using the “outward” (downstream) method.

In 2022, construction of the Southern Quarter was completed for three phases, the Waste Segregation and Concentration Station was commissioned in the scope of hydro-cyclone technology and depositing at the Southern Quarter began.

The area of the Southern Quarter is designed exclusively for depositing of compacted 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.



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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, mark WR.RUZ.421.71.2019.ER, a water permit for a water service covering the discharge of waste water into waters by means of the old infiltration installation, i.e. discharge into the Odra River, by means of a discharge device, which is a new infiltration installation in the form of a  $\phi$ 1420 mm distribution pipe (laid in the bottom of the Odra River on plot no. 58/8, precinct 0003 Wyspa Katedralna ("Cathedral Island"), Głogów - town) together with two river bank chambers. The decision has been in force since 25 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.

#### **Description of the actual status - administrative decisions required by law**

In connection with the requirements of Article 28, Article 33(1), Article 34(4) of the Act of 7 July 1994 - *Construction Law* (consolidated text, Journal of Laws of 2021, item 2351, as amended), the construction/ extension of a facility that is a tailings facility requires a building permit.

Also, the construction of e.g. new pipelines or new facilities, such as the pumping station, the Southern Quarter (built in stages), requires a notice of completion or an occupancy permit, pursuant to Article 54 or Article 55 of the Act - *Construction Law*.

It should also be indicated that the Main Facility, due to the nature of the ongoing construction of the facility in operation, does not require an operating permit.

In connection with the requirements of Article 71(2) and Article 72 of the Act on the availability of information about the environment and its protection, participation of the public in environmental protection and on environmental impact assessments, it is necessary to obtain a decision on environmental conditions before obtaining, inter alia, a decision on a building permit, a permit to operate a facility, a permit for mining waste treatment, a decision on a permit to operate a mining waste facility, a permit to process waste. In the current factual and legal situation, in accordance with Article 75(1)(4) of the Act on the availability of information about the environment and its protection, participation of the public in environmental protection and on environmental impact assessments, the authority competent to issue a decision on environmental conditions is the governor of the municipality. The requirement in this scope is fulfilled.

The condition of the environment around the Żelazny Most TSF is systematically monitored. In 2022, the scope and type of measurements performed in the TSF monitoring network was compliant with:

- the decision of the Marshal of the Lower Silesian Voivodeship No. PGOW 163/2018 approving the Mining Waste Management Program at KGHM Polska Miedź S.A. The Tailings Plant Division, in connection with the operation of the Żelazny Most Tailings Storage Facility, including the Southern Quarter to a dam elevation of 195 m above sea level,
- effective as of 25 May 2021, pursuant to the decision of the Regional Director of the Wrocław Water Management Authority of the State Water Holding Company of 5 May 2021, reference no. WR.RUZ.421.71.2019.ER, granting a water permit for the water service comprising the introduction of sewage into water by the old infiltration installation, i.e. the introduction into the Odra River, by means of discharge equipment, which is a new infiltration installation in the form of a 1420 mm  $\phi$  distribution pipe (laid on the bottom of the Odra River at plot no. 58/8, precinct 0003 Wyspa Katedralna, Głogów - town) including two bank chambers, with a possibility of discharging effluents through the existing installation until the new one is commissioned. In this decision, the water permit of 11 February 2020, reference no.: WR.RUZ.421.143.2019.ER, was waived as of the date of the decision of 5 May 2021 reference no.: WR.RUZ.421.71.2019.ER, became final,
- decisions on environmental conditions for the expansion of the Żelazny Most TSF and the construction of the Southern Quarter,

as well as in accordance with Article 27(1) of the Act on *Mining Waste* of 10 July 2008 (consolidated text: Journal of Laws of 2021, item 1972) and Regulation of the Minister of Environment of 29 May 2014 on *conducting the monitoring of the mining waste treatment facility* (Journal of Laws of 2014, item 875).

In accordance with the applicable legal regulations arising, in particular, from the Act on *Mining Waste*, the monitoring comprises:

- a precipitation survey at a meteorological station representative of the OUOW 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 OUOW surface settlement based on established benchmarks,
- measurement of effluent water volume.

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In accordance with the applicable regulations and the provisions of the environmental decisions, the monitoring of the following parameters is also carried out for the Żelazny Most Tailings Storage Facility:

- 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 m<sup>3</sup> of supernatant water was discharged from the Żelazny Most TSF into the Odra River.

Testing of the Odra River water is carried out at four measurement points:

- above the discharge at 1L point
- below the discharge in points: 2L, 2N, 2P.

### Waste recovery

The possible directions and methods of recovery of waste generated by the Company's installations depend on its material properties and environmental aspects of its use.

In the material recovery of waste, waste is used in whole or partially in mining technologies, as a structural or building material, material for reclamation and for filling in post-mining voids, or as 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 (with the addition of granulated slag) - used as high quality aggregates in road construction. This way, all the shaft slag and poured slag produced at KGHM is used. In 2022, aggregate production was based on: 496.1 thousand tonnes of poured slag, 128.5 thousand tonnes of granulated slag for batching and 184.2 thousand tonnes of shaft slag,
- 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. Considerable volumes of material of this type are also used by local buyers executing infrastructure projects commissioned by local authorities. The primary consumers are the largest construction companies specializing in road construction.

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. Utilisation of waste materials containing useful metals at levels justifying their recovery is an ordinary and obvious practice in the Company. They include waste from own installations (dust and sludge from waste gas dust removal installations) and metal scrap.

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. 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.

The goal of the waste management function carried out by KGHM Polska Miedź S.A. is to further utilize waste from its own and third party core production lines in order to maximize the recovery of copper and associated metals without impacting the natural environment. This approach suits the Circular Economy idea, in which one of the priorities is to reduce the mass of waste by using it as a raw material.

To sum-up, we shall conclude that the circular economy concept is implemented in the KGHM Group in the following groups of actions:

- 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,
- the development of copper recycling technology via processing in the RCR furnace,
- closing the circulation of water in ore processing,
- 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.

KGHM Polska Miedź S.A. has for many years conducted and will conduct a series of its own activities, not forced by legal regulations, aimed at the implementation of a circular economy.

#### By-product - diluted sulphuric acid

Pursuant to decisions of the Marshal of the Lower Silesian Voivodeship No. PU 92/2022 and PU 93/2022 of 5 August 2022, sulphuric acid produced at the Legnica Copper Smelter and Refinery, and the Głogów Copper Smelter and Refinery was recognised 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.

In order to improve the efficiency of the first phase of the ore enrichment process, the ore enrichment flotation line belonging to the processing plant was equipped with a unit for decarbonisation one of the intermediate products - product 1 of concentrate cleaning. The decarbonisation process involves the chemical dissolution of carbonate components of the waste rock, mainly limestone  $\text{CaCO}_3$  and dolomite  $\text{CaMg}(\text{CO}_3)_2$ , using sulphuric acid. The aim of the process is to release the sulphide grains of ore-bearing minerals from the carbonate envelope, improving the efficiency of flotation enrichment. The reaction of carbonates with sulphuric acid produces carbon dioxide gas ( $\text{CO}_2$ ), solid gypsum ( $\text{CaSO}_4 \cdot 2\text{H}_2\text{O}$ ) and water-soluble magnesium sulphate ( $\text{MgSO}_4$ ).

The decarbonisation unit 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.

Table 46. Waste management in KGHM Polska Miedź S.A. and in the KGHM Polska Miedź S.A. Group in 2022 [t]

GRI 306-3		2022	
<b>KGHM Polska Miedź S.A. – WASTE GENERATED GRI 306-3</b>			
<b>Waste generated by group and treatment method</b>	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
<b>Total waste generated</b>	Group „1” (total) + Group „10” (total) + Other waste (total)		<b>29 965 213</b>

## KGHM Polska Miedź S.A. Group – WASTE GENERATED GRI 306-3

2022

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
<b>Total waste generated</b>	Group „1” (total) + Group „10” (total) + Group „19” (total) + Other waste (total)		<b>123 998 328</b>

## ACTIVITIES TO PRESERVE BIODIVERSITY

GRI 3-3 material topic: Preserving biodiversity

GRI 304-1

GRI 304-2

GRI 304-3

KGHM Polska Miedź S.A. takes active measures to preserve and – where it is not possible – to compensate for lost biodiversity, and to ensure responsible management of our land and forests.

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 Wire Rod Plant, 7 km - Głogów Copper Smelter and Refinery).
- Nature 2000 Special Habitat Conservation Areas:
  - Kozióróg in Czerna PLH020100 (2.7 km - Głogów Copper Smelter and Refinery),
  - “Łęgi Odrzańskie” PLH020018 (11 km - Tailings Division, 2 km - Cedynia Wire Rod Plant, 7 km - Głogów Copper Smelter and Refinery),
  - “Pątnów Legnicki” PLH020052 (9 km - Legnica Copper Smelter and Refinery),
- Nature reserves:
  - Buczyzna 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 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).

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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 Storage Facility, in 2022 trees were planted 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.

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### **“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 CO<sub>2</sub> 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 CO<sub>2</sub> emissions from soils and mitigating the risk of uncontrolled emissions of this gas due to disasters is also important.

Foresters' activities include afforestation of land, expansion of the vertical structure of the forest, e.g. the introduction of the new generation under the cover of old trees, the use of different methods of forest regeneration and maintenance work reducing carbon emissions from the soil, the use of species with a higher natural capacity to absorb carbon dioxide.

### **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, 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 individuals. The beehives were painted by young inhabitants of the Copper Belt during beekeeping workshops organised by KGHM.

The aim is to inspire Group employees and inhabitants of the Copper Belt to engage in environmental and climate protection campaigns. This can be done, for example, by setting up apiaries, building houses for wild pollinators or flower meadows.



Table 47. KGHM Polska Miedź S.A. sites adjacent to protected areas and areas of high biodiversity value in the years 2021-2022

	2022	2021
<b>Sites of the Organisation adjacent to protected areas and areas of high biodiversity value</b>	15	15

### MANAGEMENT OF CHEMICAL SUBSTANCES

As one of the leading European non-ferrous metals producers, KGHM POLSKA MIEDŹ S.A. follows principles of responsible chemical substance management introduced by the EU Regulations REACH and CLP.

KGHM Polska Miedź S.A. has successfully implemented the REACH system into its operations to ensure compliance with the REACH Regulation and continuity of KGHM's product supply to its customers. At present, REACH is bread and butter of our everyday operations. Under the REACH system, the Company has registered all the substances introduced into trade with the European Chemicals Agency. Pursuing its REACH implementation strategy, KGHM Polska Miedź S.A. 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. At present, KGHM Polska Miedź S.A. is a member of six REACH substance consortia:

- 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 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.

### INCREASED / HIGH RISK ESTABLISHMENTS

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.

In accordance with the provisions of the Act of 27 April 2001 Environmental Protection Law, the following documents, which are updated on an ongoing basis, were prepared for high-risk establishments and then submitted to the relevant state authorities:

- Notification of the establishment
- Failure prevention program
- Safety Report
- Internal operational and rescue plan

### ENVIRONMENTAL PROTECTION - DOMESTIC COMPANIES OF THE KGHM GROUP

The domestic companies of the KGHM Polska Miedź S.A. Group in Poland operate in compliance with environmental regulations. The companies that are obliged to do so have valid environmental permits.

Among the Group's domestic companies, the activities carried out by "Energetyka" sp. z o.o. have the greatest impact on the environment, mainly due to water intake and discharge of sewage and effluents.

In 2022, the following investments were implemented in the company, reducing the entity's impact on individual environmental components:

- Construction of a photovoltaic installation,
- Renewable Energy Sources - Photovoltaic power plant,
- Boiler modernisation (from coal to steam),
- Wastewater treatment plant,
- Industrial effluents retention tank,
- Treated effluents outlet channel,
- Feed reservoir,
- Lime column (Solinox).

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Activities of KGHM ZANAM S.A. had an impact on the environment mainly due to waste management. The company did not implement any significant environmental investments in 2022, but recorded a reduction in the impact on emissions of dust, sulphur oxide, nitrogen, carbon monoxide and carbon dioxide, as a result of commissioning the photovoltaic power plant in 2021.

NITROERG S.A. is a Group company, the operations of which may have a significant environmental impact due to the risk of industrial breakdowns. Its line of business includes production of explosives, fuel additives and initiating systems. The plant complies with all requirements concerning the operation of hazardous facilities. No penalties were imposed on the company for non-compliance with the environmental regulations in 2022.

#### **ENVIRONMENTAL PROTECTION IN KGHM INTERNATIONAL LTD.**

In 2022, the mines operating within KGHM INTERNATIONAL LTD. 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 the past year, the activity of the international assets focused mainly on ongoing environmental monitoring and obtaining or renewing necessary permits.

The Robinson Nevada Mining Company (RNMC; Nevada, USA) mine spent approximately USD 4.1 million (approximately PLN 18 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 at RNMC.

In 2022, Carlota Copper Company (Carlota; Arizona, USA) allocated USD 1.4 million, or nearly PLN 6 million, for environmental protection. The actions were focused on environmental monitoring and renewal of permits. Work was also conducted to prepare the restoration process, which included testing of evapotranspiration covers and the collection of necessary data for the proper design of the containment and copper leaching heap; activities on the hydrogeological model of the leaching heap were also carried out.

In the Sudbury Basin mines (Ontario, Canada) activities focused on environmental monitoring, water and waste management, and obtaining of permits. Slightly over USD 256 000 (i.e. approximately PLN 1.1 million) was allocated for these purposes.

In the case of the Victoria Project (Ontario, Canada), USD 3.5 million, or more than PLN 15 million, has been allocated for the needs related to environmental protection. In addition to ongoing environmental monitoring, activities focusing on obtaining the relevant permits were also carried out and the necessary infrastructure was built to limit the environmental impact (effluents treatment plant, a possible acid generating (PAG) rock repository, mining water tank).

KGHM Chile, which was the operator of the Franke plant until April 2022, focused its activities on environmental monitoring, water and waste management and acquisition of permits. Work was also carried out concerning the analysis of the environmental impact of developing the Carrizalillo project.

#### **Examples of environmental measures taken by KGHM INTERNATIONAL LTD.**

##### **Protection of the air**

Since 2009, SCM Franke has been monitoring PM10 emissions across the entire plant, even though it is not obligated to track these pollutants. Air quality records are not reported to any authority – PM10 monitoring is not part of any environmental commitment, but an additional internal initiative supporting the fulfilment of the requirement stipulated by the Regulation on Basic Workplace Sanitation.

These activities were continued by KGHM Chile until April 2022, when the Franke mine was sold. In the first months of 2022, the average monthly concentration of PM10 never exceeded the level of 150  $\mu\text{g}/\text{m}^3$ , or the threshold for regulating air quality for places of human habitation (formally, this limit does not apply at the site, as it is located in the middle of the Atacama desert).

Such good air quality can be achieved thanks to continuous dust limitation efforts: wetting mine roads, spraying water over crushers and conveyors, sealing the conveyors, performing ongoing maintenance of vehicles and machines, etc.

Another example of a good approach to air protection is the Carlota mine, located in the desert areas of the state of Arizona, where concentrations of PM10 or  $\text{H}_2\text{SO}_4$  have never been exceeded since the beginning of the plant operation. This is made possible among others by imposing speed limits for low-emission delivery trucks, wetting of roads, conveyors and crushers, and using surfactants and mist balls whenever the SX-EW installation is in operation.

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Also, Carlota is equipped with an advanced air quality monitoring network with six weather stations operating 24/7/365 and featuring beta attenuation monitoring enabling PM10 dust monitoring.

#### **Water protection**

KGHM INTERNATIONAL LTD. mines also undertake numerous measures to protect water. Two of the mines, SCM Franke and Carlota Copper Company, do not release water to the environment at all. In the case of the Chilean mine, the SX-EW installation operates in a closed loop, using small amounts of water to compensate for losses. Domestic effluents are treated through reverse osmosis and treated water is used to control road dust emissions.

In the case of Carlota, engineering solutions ensure separation of contaminated water from clean water. Rainwater that has been in contact with the mine is captured and then used in technological processes.

The Canadian operations provide more examples of the correct approach to the protection of water. The Podolsky mine, which has been in temporary suspension since 2013, continues to treat rainwater and groundwater from the site through metal precipitation and ion exchange in order to meet strict water quality requirements. The treated water is discharged into the Norman North marsh.

A temporary reverse osmosis effluents treatment plant operated at the Victoria project site. Currently, work is underway to build a full-scale permanent effluents treatment plant. The installation will include, among others, metal precipitation, ion exchange, and a moving bed biofilm reactor (MBBR).

#### **Biodiversity**

The international assets also focus their activities on biodiversity. The Carlota mine oversees 1.21 ha of marshlands through annual tests and introduction of improvements necessary for further development of these areas. 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 (*Anrostomus 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*.

Another example of support for biodiversity is the fact that the Sudbury mines have joined the "Grow with Kivi" initiative. In 2022, within this campaign, KGHM employees and their families planted 1 000 trees in the Kivi Park.

### **3.7 DISCLOSURES IN ACCORDANCE WITH THE EUROPEAN UNION TAXONOMY FOR SUSTAINABLE ACTIVITIES IN 2022**

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 "EU 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 (i.e. for the year 2021), the mandatory disclosures of non-financial companies involve a percentage share of the economic activity that is taxonomy-eligible, and of the economic activity that is taxonomy-non-eligible, in terms of the total:

- turnover,
- capital expenditure (CAPEX),
- and operating expenditure (OPEX),

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as well as the related qualitative (explanatory) information - specified pursuant to the Commission Delegated Regulation <sup>27</sup>, taking into account Commission Delegated Regulation (EU) 2022/1214, amending the above regulation <sup>28</sup>.

The first annual reporting period covered 2021, for which eligibility indicators were reported. In the second reporting year (i.e. for 2022), indicators are reported in the scope of both eligibility and compliance 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 (EU) 2021/2139<sup>29</sup>, taking into account Commission Delegated Regulation (EU) 2022/1214, amending the above regulation. Activities compliant with the Taxonomy (hereafter: "Taxonomy-compliant 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 compliance 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 compliance 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-compliant activities have been identified, i.e. the activities compliant with the description of activities included in the regulation. NACE codes were only used as a support. The financial data for compliant activities presented in the disclosures below include both the revenues (turnover) from the taxonomy-compliant economic activities, the related capital expenditure or operating expenditure, as well as purchases from the compliant 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-compliant 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-compliant, the CAPEX and OPEX related to this activity have been assigned thereto as well, and they have not been further assessed in terms of compliance for the purposes of other activities. The remaining values of CAPEX and OPEX (i.e. not related to the revenue-generating compliant activity) were assessed for their possible classification in the category of purchases from taxonomy-compliant 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.

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<sup>27</sup> Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation. (hereafter: "Delegated Regulation 2021/2178").

<sup>28</sup> Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities. (hereafter: "Delegated Regulation 2022/1214").

<sup>29</sup> Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives. (hereafter: "Delegated Regulation 2021/2139"). For the first two environmental objectives (climate change mitigation and climate change adaptation), the technical eligibility criteria are published, respectively, in Annex I and Annex II to this Delegated Regulation.

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The KGHM Polska Miedź S.A. Group conducts its business activity outside of the European Union as well. These activities were assessed for taxonomy-compliance in the same manner as all the activities conducted in the EU.

### **CHANGES IN THE GROUP STRUCTURE**

As further described in section [1.3. Organisational structure of the KGHM Polska Miedź S.A. Group](#), in the first quarter of 2022 the Group disposed of its shares in INTERFERIE S.A. and Interferie Medical SPA Sp. z o.o.. These entities were not taken into account in the assessment of eligibility and compliance with the Taxonomy, which has no material impact on the indicators disclosed, due to the low share of the turnover, CAPEX and OPEX of INTERFERIE S.A. and Interferie Medical SPA Sp. z o.o. in the consolidation.

### **ASSESSMENT OF COMPLIANCE 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,
- meets the technical eligibility criteria,

can be considered an environmentally sustainable activity, i.e. compliant 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 eligibility 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<sup>30</sup>, 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:

- I. 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 S.A. Polska Miedź S.A. Group.
- II. 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 S.A. Polska Miedź S.A. Group.
- III. An analysis of the databases of the *Business and Human Rights Resource Center* 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.
- IV. General survey of publicly available press information on the activities of the KGHM S.A. Polska Miedź S.A. Group.

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<sup>30</sup> Final Report on Minimum Safeguards, Platform on Sustainable Finance; [https://finance.ec.europa.eu/system/files/2022-10/221011-sustainable-finance-platform-finance-report-minimum-safeguards\\_en.pdf](https://finance.ec.europa.eu/system/files/2022-10/221011-sustainable-finance-platform-finance-report-minimum-safeguards_en.pdf) [accessed on 01.02.2023]

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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.

### **CORE BUSINESS OF THE KGHM POLSKA MIEDŹ S.A. GROUP AS A CONDITION FOR THE SUCCESS OF THE CLIMATE TRANSITION**

Copper and other minerals produced by KGHM are necessary for successful energy transition and achieving climate neutrality by the European Union. More information is given in the subsection 3.2. "[Importance of copper for energy transition](#)" of this Non-Financial Statement.

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-eligible 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.

At the same time, since 2022, together with other representatives of the sector we have been undertaking actions in support of including copper production in various types of the EU Taxonomy-eligible activities, which will reflect the actual role of the sector in the transition of the economy towards sustainability, especially in comparison with the other metal production industries 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.

### **CONSOLIDATED DISCLOSURES OF THE KGHM POLSKA MIEDŹ S.A. GROUP**

Characteristics of the KGHM Polska Miedź S.A. Group's Taxonomy-eligible activities, based on the description of activities identified in Delegated Regulation 2022/2139 in Annex I and II, taking into account Delegated Regulation 2022/1214:

- 3.1 Manufacture of renewable energy technologies:
  - Purchases from the economic activity (CAPEX and OPEX),
- 3.3 Manufacture of low carbon technologies for transport:
  - The revenue achieved from economic activity - the item discloses turnover and the related CAPEX and OPE, as well as purchases from the economic activity (OPEX),
- 3.6 Manufacture of other low carbon technologies:
  - Purchases from the economic activity (CAPEX and OPEX),
- 3.7 Manufacture of cement:
  - Purchases from the economic activity (CAPEX and OPEX),
- 3.9 Manufacture of iron and steel
  - Purchases from the economic activity (CAPEX and OPEX),
- 4.9 Transmission and distribution of electricity
  - The revenue achieved from the economic activity - the item discloses turnover and the related CAPEX and OPEX, as well as purchases from the economic activity (CAPEX and OPEX),
- 4.15 District heating/cooling distribution
  - The revenue achieved from the economic activity - the item discloses turnover and the related CAPEX and OPEX, as well as purchases from the economic activity (CAPEX and OPEX),
- 4.25 Production of heat/cool using waste heat:
  - The revenue achieved from the economic activity - the item discloses turnover and the related OPEX,
- 4.30 High-efficiency co-generation of heat/cooling and electricity from gaseous fossil fuels:
  - Purchases from the economic activity (CAPEX and OPEX),
- 5.1 Construction, extension and operation of water collection, treatment and supply systems:
  - The revenue achieved from the economic activity - the item discloses turnover and the related CAPEX and OPEX, as well as purchases from the economic activity (CAPEX and OPEX),
- 5.3 Construction, extension and operation of waste water collection and treatment:
  - The revenue achieved from the economic activity - the item discloses turnover and the related CAPEX and OPEX, as well as purchases from the economic activity (CAPEX and OPEX),
- 5.5 Collection and transport of non-hazardous waste in source segregated fractions:



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- The revenue achieved from the economic activity - the item discloses turnover and the related CAPEX and OPEX,
  - 5.9 Material recovery from non-hazardous waste:
    - The revenue achieved from the economic activity - the item discloses turnover and the related CAPEX and OPEX,
  - 6.2 Freight rail transport:
    - The revenue achieved from the economic activity - the item discloses turnover and the related CAPEX and OPEX, as well as purchases from the economic activity (CAPEX and OPEX),
  - 6.3 Urban and suburban transport, road passenger transport:
    - The revenue achieved from the economic activity - the item discloses turnover and the related OPEX,
  - 6.5 Transport by motorbikes, passenger cars and light commercial vehicles:
    - Purchases from the economic activity (CAPEX and OPEX),
  - 6.6 Freight transport services by road:
    - Purchases from the economic activity (CAPEX and OPEX),
  - 6.14 Infrastructure for rail transport:
    - The revenue achieved from economic activity - the item discloses turnover and the related CAPEX and OPEX, as well as purchases from the economic activity (OPEX),
  - 7.1 Construction of new buildings:
    - Purchases from the economic activity (CAPEX and OPEX),
  - 7.2 Renovation of existing buildings:
    - Purchases from the economic activity (CAPEX and OPEX),
  - 7.3 Installation, maintenance and repair of energy efficiency equipment:
    - Purchases from the economic activity (CAPEX and OPEX),
  - 7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings:
    - Purchases from the economic activity (OPEX),
  - 7.7 Acquisition and ownership of buildings:
    - The revenue achieved from the economic activity - the item discloses turnover,
  - 8.1 Data processing, hosting and related activities:
    - The revenue achieved from the economic activity - the item discloses turnover and the related CAPEX and OPEX, as well as purchases from the economic activity (CAPEX and OPEX).

The disclosures aligned with the Taxonomy of the KGHM Polska Miedź S.A. Group for 2022, prepared in accordance with the methodology discussed at the beginning of this chapter of the Report and in compliance with Annex II to Delegated Regulation 2021/2178, are presented in the following tables as well as in the descriptions below them.

Table 48. Percentage share of turnover in products or services related to Taxonomy-eligible 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						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)				Minimum safeguards (17)	Percentage share of Taxonomy-compliant turnover, year N (18)
		PLN million	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Percentage	Percentage	E	T
<b>A. TAXONOMY-ELIGIBLE ACTIVITY</b>																				
<b>A.1 Types of environmentally sustainable activities (Taxonomy-compliant)</b>																				
4.25 Generation of heat/cool using waste heat	4.25	0.9	0.00%	0.00%						Yes		Yes	Yes	Yes	Yes	0.00%	no data			
5.1 Construction, extension and operation of water collection, treatment and supply systems	5.1	3.2	0.01%	0.01%						Yes	Yes			Yes	Yes	0.01%	no data			
5.5 Collection and transport of non-hazardous waste in source segregated fractions	5.5	311.8	0.92%	0.92%						Yes		Yes			Yes	0.92%	no data			
5.9 Recovering materials from non-hazardous waste	5.9	24.6	0.07%	0.07%						Yes				Yes	Yes	0.07%	no data			
<b>Turnover from environmentally sustainable activities (Taxonomy-compliant) (A.1)</b>		340.5	1.01%	1.01%												1.01%	no data			
<b>A.2 Taxonomy-eligible but not environmentally sustainable activity (activities non-compliant with the Taxonomy)</b>																				
3.3 Manufacture of low carbon technologies for transport	3.3	19.1	0.06%																	
4.9 Transmission and distribution of electricity	4.9	23.5	0.07%																	
4.15 District heating/cooling systems	4.15	70.5	0.21%																	

5.3 Construction, extension and operation of waste water collection and treatment	5.3	0.7	0.00%								
6.2 Freight rail transport	6.2	50.6	0.15%								
6.3 Urban and suburban transport, road passenger transport	6.3	2.4	0.01%								
6.14 Infrastructure for rail transport	6.14	1.1	0.00%								
7.7 Acquisition and ownership of buildings	7.7	2.9	0.01%								
8.1 Data processing, hosting and related activities	8.1	14.9	0.04%								
<b>Turnover from Taxonomy-eligible but not environmentally sustainable activity (activities non-compliant with the Taxonomy) (A.2)</b>		185.5	0.55%					0.00%			
<b>Total (A.1 + A.2)</b>		526.0	1.55%					1.01%			
<b>B. TAXONOMY NON-ELIGIBLE ACTIVITY</b>											
<b>Turnover from Taxonomy non-eligible activities (B)</b>		33 321.3	98.45%								
<b>TOTAL (A + B)</b>		<b>33 847.3</b>	<b>100%</b>								

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".

Table 49. Percentage share of capital expenditure in products or services related to a Taxonomy-eligible 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							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)	Minimum safeguards (17)	Yes/No					Yes/No	Yes/No
<b>A. TAXONOMY-ELIGIBLE ACTIVITY</b>																							
<b>A.1 Types of environmentally sustainable activities (Taxonomy-compliant)</b>																							
5.1 Construction, extension and operation of water collection, treatment and supply systems	5.1	3.1	0.08%	0.08%							Yes	Yes			Yes	Yes	0.08%	no data					
5.5 Collection and transport of non-hazardous waste in source segregated fractions	5.5	3.0	0.07%	0.07%							Yes		Yes			Yes	0.07%	no data					
5.9 Recovering materials from non-hazardous waste	5.9	2.7	0.07%	0.07%							Yes				Yes	Yes	0.07%	no data					
<b>Capital expenditure for environmentally sustainable activities (Taxonomy-compliant) (A.1)</b>		8.8	0.22%	0.22%													0.22%	no data					
<b>A.2 Taxonomy-eligible but not environmentally sustainable activity (activities non-compliant with the Taxonomy)</b>																							
3.1 Manufacture of renewable energy technologies	3.1	2.9	0.07%																				
3.3 Manufacture of low carbon technologies for transport	3.3	0.3	0.01%																				
3.6 Manufacture of other low carbon technologies	3.6	7.1	0.17%																				
3.7 Manufacture of cement	3.7	0.1	0.00%																				
3.9 Manufacture of iron and steel	3.9	0.2	0.00%																				
4.9 Transmission and distribution of electricity	4.9	14.2	0.35%																				

4.15 District heating/cooling distribution	4.15	28.6	0.70%				
4.30 High-efficiency co-generation of heat/cooling and electricity from gaseous fossil fuels	4.30	15.9	0.39%				
5.1 Construction, extension and operation of water collection, treatment and supply systems	5.1	11.7	0.28%				
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%				
<b>Turnover from Taxonomy-eligible but not environmentally sustainable activity (activities non-compliant with the Taxonomy) (A.2)</b>		205.5	5.01%		0.00%		
<b>Total (A.1 + A.2)</b>		214.3	5.23%		0.22%		
<b>B. TAXONOMY NON-ELIGIBLE ACTIVITY</b>							
<b>Capital expenditure from Taxonomy non-eligible activities (B)</b>		3 887.5	94.77%				
<b>TOTAL (A + B)</b>		<b>4 101.8</b>	<b>100%</b>				

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".

Table 50. Percentage share of capital expenditure in products or services related to Taxonomy-eligible 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						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)				Minimum safeguards (17)	Percentage
		PLN million	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Percentage	Percentage	E	T
<b>A. TAXONOMY-ELIGIBLE ACTIVITY</b>																				
<b>A.1 Types of environmentally sustainable activities (Taxonomy-compliant)</b>																				
4.25 Production of heat/cool using waste heat	4.25	10.0	0.54%	0.54%						Yes		Yes	Yes	Yes	Yes	0.54%	no data			
5.1 Construction, extension and operation of water collection, treatment and supply systems	5.1	9.4	0.51%	0.51%						Yes	Yes			Yes	Yes	0.51%	no data			
5.5 Collection and transport of non-hazardous waste in source segregated fractions	5.5	8.8	0.48%	0.48%						Yes		Yes			Yes	0.48%	no data.			
5.9 Material recovery from non-hazardous waste:	5.9	2.4	0.13%	0.13%						Yes				Yes	Yes	0.13%	no data			
6.2 Freight rail transport	6.2	4.8	0.26%	0.26%						Yes		Yes	Yes		Yes	0.26%	no data			
<b>Capital expenditure for environmentally sustainable activities (Taxonomy-compliant) (A.1)</b>		35.4	1.91%	1.91%												1.91%	no data.			
<b>A.2 Taxonomy-eligible but not environmentally sustainable activity (activities non-compliant with the Taxonomy)</b>																				



3.1 Manufacture of renewable energy technologies	3.1	0.2	0.01%				
3.3 Manufacture of low carbon technologies for transport	3.3	0.8	0.04%				
3.6 Manufacture of other low carbon technologies	3.6	0.2	0.01%				
3.7 Manufacture of cement	3.7	0.1	0.00%				
3.9 Manufacture of iron and steel	3.9	1.4	0.08%				
4.9 Transmission and distribution of electricity	4.9	11.7	0.63%				
4.15 District heating/cooling distribution	4.15	10.2	0.55%				
4.30 High-efficiency co-generation of heat/cooling and electricity from gaseous fossil fuels	4.30	20.4	1.10%				
5.1 Construction, extension and operation of water collection, treatment and supply systems	5.1	3.0	0.16%				
5.3 Construction, extension and operation of waste water collection and treatment	5.3	1.9	0.10%				
6.2 Freight rail transport	6.2	37.0	2.00%				
6.3 Urban and suburban transport, road passenger transport	6.3	0.5	0.03%				
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%				
<b>Operating expenditure from taxonomy-eligible but not environmentally sustainable activity (activities non-compliant with the Taxonomy) (A.2)</b>		142.0	7.67%			0.00%	
<b>Total (A.1 + A.2)</b>		177.4	9.58%			1.91%	
<b>B. TAXONOMY NON-ELIGIBLE ACTIVITY</b>							







<b>Operating expenditure from Taxonomy non-eligible activities (B)</b>		1 673.5	90.42%
<b>TOTAL (A + B)</b>		<b>1 850.9</b>	<b>100%</b>

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.

## 4 EMPLOYEES AND SOCIETY

					
Employees	Organisational culture	Communication with employees	Trade unions	CSR	Foundation

### 4.1 KGHM AS A RESPONSIBLE EMPLOYER – RESPONSIBILITY IN THE WORKPLACE (APPROACH TO MANAGING EMPLOYEE ISSUES)

GRI 3-3 material topic: Good workplaces

KGHM Polska Miedź S.A. builds its business potential and competitive advantage by focusing on people. The employees of KGHM are the foundation without which the Company would not be able to operate successfully. In KGHM, equal attention is paid to the local environment, in terms of climate and social aspects, based on order and balanced activity with other elements which constitute the world order.

#### Main regulations underlying the management of employee issues at KGHM Polska Miedź S.A.:

##### Work Regulations in KGHM POLSKA MIEDŹ S.A.

The Work Regulations define the organisation and management of the labour process as well as the related rights and obligations of the employer and employees. They define the manner and rules of accounting for working time, and granting of holidays, as well as the time and manner of remuneration. They define rules of occupational health and safety. Moreover, they describe the adopted practice with regard to rewards and distinctions, as well as punishments used for infringements of order and work discipline.

##### International mobility Policy in the KGHM POLSKA MIEDŹ S.A. Group

Following the acquisition of assets outside Poland, since 2015 KGHM Polska Miedź S.A. has implemented an employee mobility program. In order to unify the rules for the international delegation of employees and improve the functioning of the mobility process, the International Mobility Policy in the KGHM Polska Miedź S.A. Group was introduced on 27 April 2020, which is in force together with the Procedure for Implementing the International Mobility Policy in the KGHM Polska Miedź S.A. Group.

In June 2022, the Employee Secondment Agreement between the KGHM Polska Miedź S.A. Group and Sierra Gorda Sociedad Contractual Minera was updated due to changing business needs, in terms of the support of Sierra Gorda SCM by employees delegated from the KGHM Group and the need to protect companies of the Group against a permanent staff outflow.

The delegation of employees to companies in Chile, Canada and the US represents an investment of major significance for the KGHM Polska Miedź S.A. Group. Thanks to this, not only is the local requirement for personnel satisfied, but the employee's professional potential is also developed, which increases the Company's competitive edge.

In 2022, the international mobility process covered 10 employees of the KGHM Polska Miedź S.A. Group.

#### Key initiatives

As a global company, KGHM provides a unique opportunity for people who want to gain access to cutting-edge technology and solutions. KGHM offers the opportunity to work in specialised project teams, giving employees the opportunity to share knowledge and experience within the company's structures.

Table 51. Key HR projects implemented by KGHM Polska Miedź S.A. in 2022.

<b>“Competent in the sector” program</b>	<p>Under the Program, since 2018 KGHM has been supporting education in the professions which are most important for Lower Silesia and which are also of key significance for the company. The Program covers 9 schools from such towns as: Legnica, Bolesławiec, Lubin, Chojnów, Polkowice and Głogów. In the 2021/2022 school year, more than 1 900 students attended educational classes and 250 students carried out practical vocational training in nine of the Divisions of KGHM Polska Miedź S.A.</p> <p>Since the inception of the Program, educational grants have been paid to the best students in the amount of PLN 603 000, funds in the amount of PLN 693 533 have been donated to purchase additional equipment and furnishings for school workshops and classrooms for teaching professional subjects, while 312 graduates were employed in Divisions of KGHM Polska Miedź S.A.</p>
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As part of the "Competent in the sector" Program, conferences, workshops and travel events were organised and materials were developed to promote, among others, learning and the professional and physical activity of young people.

<b>Digitisation of HR processes</b>	<p>In 2022, while increasing the effectiveness of HR activities, many improvements were introduced, with the main aim of speeding up and simplifying the processes related to handling workstation work cards, secondments and recruitment processes:</p> <p>Moreover, in 2022:</p> <ul style="list-style-type: none"> <li>– a new working environment based on IT tools was implemented and an extensive development program dedicated to KGHM employees and managers was initiated. The activities are aimed at developing the skills of effective use of available applications.</li> <li>– work was launched on an electronic process for the adaptation of newly-recruited staff through the delivery of courses, hosted on the Learning Management System 365 entitled Onboarding.</li> </ul>
<b>Newsletter for Leaders</b>	Mailing of the newsletter initiated in 2020 was continued in key topics dedicated to the management staff. The main target group of the newsletter are people in line management positions in the production area.
<b>Engagement survey</b>	In 2022, an engagement survey was carried out in KGHM for the second time, covering the Head Office and Divisions of the Company. Participation was at the level of 71.6%. The project's slogan, <i>Let's talk about the company as copper connects us</i> , invited employees to a dialogue on the working environment. The survey was combined with a charity action, i.e. the completed questionnaire was a brick that KGHM donated for charity purposes. The strategic partner of the survey was again the University of Warsaw.
<b>Psychological support for employees</b>	The project launched in response to employee needs reported in the Company's 2021 engagement survey. The psychological support is a benefit dedicated to all employees and their relatives comprising: psychological support for an employee in the form of 1:1 sessions, couples and family therapy, parenting consultations and supervisions for managers.
<b>InvestCUP</b>	The project, dedicated to approximately 500 KGHM employees involved in the implementation of investment projects in the Company, was launched in October 2022. The aim of the InvestCUP initiative is to increase and consolidate existing competence, exchange experience and good practices in the area of investment project implementation.
<b>Executive MBA in Innovation Management Development Program</b>	The implementation of the Executive MBA in Innovation Management Development Program was completed, as one of the elements of the idea of building and developing the professional competence of KGHM's management staff. It was an original program of the exclusive partner – IESE Business School.
<b>Post-graduate studies - Copper Leaders</b>	The second edition of the postgraduate management studies - Copper Leaders II - was launched. Like the first edition, the project was addressed to middle-level management staff.
<b>Leader Academy - KGHM Giants</b>	Following a pilot project carried out in 2021/2022, the first edition of the program dedicated to the lowest-level managers from the KGHM Head Office and Divisions was launched. Development of leadership competence has a direct impact on employee performance, and translates into organisational climate and business results of the Company.
<b>Onboarding training program for new employees</b>	The onboarding training program launched in 2020 was continued, consisting of periodic training courses (also online) for newly-hired employees for them to get to know the company, integrate quickly into the organisation and proceed smoothly to perform tasks. The training addresses topics related to the Mission, Vision and Strategy of the Company, the object of activity and the production process, the rules of movement around the organisation, HR matters.
<b>Management of career paths and recruitment in KGHM Polska Miedź S.A.</b>	<p>KGHM Polska Miedź S.A. secures highly qualified personnel through the process of internal and external recruitment. It protects the brand of the first choice employer for current and prospective employees.</p> <p>In a dialogue with the labour market, the image of a good employer is strengthened by emphasising in the job offers the organisational culture based on values and benefits for employees.</p>

## 4.2 STRUCTURE OF EMPLOYMENT

GRI 2-7 | GRI 2-8 | GRI 401-1

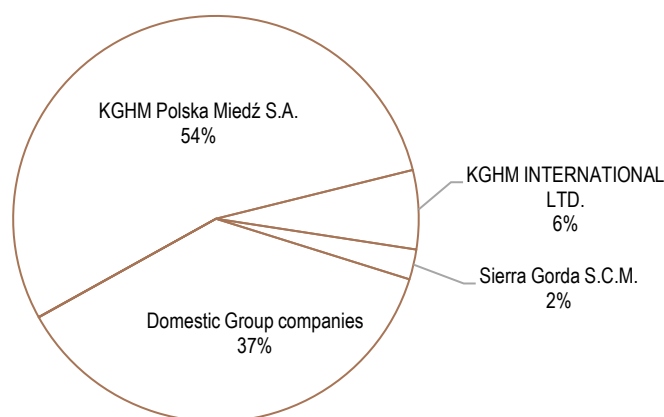
### THE KGHM GROUP

In 2022, the Group employed 34 478 people, which means an increase of 0.6% compared to the previous year. The employment structure is shown in the table below:

Table 52. Average employment in the KGHM Polska Miedź S.A. Group in the years 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. <sup>31</sup>	824	785	+5
Domestic Group companies	12 804	12 737	+0.5
Other Group companies	9	9	-
<b>Total</b>	<b>34 478</b>	<b>34 286</b>	<b>+0.6</b>

Chart 26. Employment structure in the KGHM Polska Miedź S.A. Group in 2022<sup>32</sup>



### KGHM Polska Miedź S.A.

In 2022, employment in KGHM Polska Miedź S.A. was higher than in the previous year. Employment at the end of 2022 amounted to 18 909 people, and was 1.7% higher than at the end of the prior year. Average annual employment in KGHM Polska Miedź S.A. was 18 680.

Table 53. Average employment in KGHM Polska Miedź S.A. in the years 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
<b>KGHM Polska Miedź S.A.</b>	<b>18 680</b>	<b>18 519</b>	<b>+0.9</b>

### Domestic companies

In 2022, the average employment in the companies of the KGHM Polska Miedź S.A. Group in Poland increased slightly as compared to 2021 by 67 FTEs (i.e. 0.5%). The change mainly affected white-collar positions.

<sup>31</sup> Sierra Gorda S.C.M. - employment proportional to share in the company (55%)

<sup>32</sup> As above

## International companies

In 2022, average employment in the international companies of the KGHM Polska Miedź S.A. Group decreased by 36 FTEs (or by 1.2%) as compared to 2021, while a decrease of 3.4% was recorded in the KGHM INTERNATIONAL LTD. Group companies and an increase of 5% in the joint venture Sierra Gorda S.C.M.

### GRI 2-7

Table 54. Total number of employees of the KGHM Polska Miedź S.A. Group by type of employment contract and by gender (as at 31 December 2022)

COMPANY	for indefinite period		for defined period		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
<b>KGHM Polska Miedź S.A. Group</b>	<b>5 266</b>	<b>24 735</b>	<b>784</b>	<b>2 975</b>	<b>33 760</b>

Table 55. Total number of employees of the KGHM Polska Miedź S.A. Group by employment type (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
<b>KGHM Polska Miedź S.A. Group</b>	<b>5 974</b>	<b>27 645</b>	<b>76</b>	<b>65</b>	<b>33 760</b>

### GRI 2-8

Table 56. Total number of persons performing work for KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group who are not their employees (as at 31 December 2022)

Company	2022
KGHM Polska Miedź S.A.	241
KGHM INTERNATIONAL LTD.	328
Other Companies	2 138
<b>KGHM Polska Miedź S.A. Group</b>	<b>2 707</b>

Persons who performed work for the Group without being employed under an employment contract, provided services, among others, in the scope of management, cleaning, renovation, design and construction, health and safety or equipment maintenance services (management service contracts, civil law contracts, business activities). More than 1 500 people perform work for the spa companies and the Zagłębie Lubin sports club. This is mainly medical staff, persons offering legal, IT and cleaning services and professional athletes.

Table 57. Total number of people working for the KGHM Polska Miedź S.A. Group (GRI indicators 2-8 and 2-7 combined) (as at 31 December 2022)

Company	Employees	Other persons performing work for KGHM	Total
KGHM INTERNATIONAL LTD.	2 234	328	2 562
Other Companies	12 617	2 138	14 755
<b>KGHM Polska Miedź S.A. Group</b>	<b>33 760</b>	<b>2 707</b>	<b>36 467</b>

## GRI 401-1

Table 58. New employee hires and employee turnover by gender in the KGHM Polska Miedź S.A. Group in the years 2021-2022

		Number of employees (headcount)		Number of new employee hires		Percentage of new employee hires	
		Group	KGHM Polska Miedź S.A.	Group	KGHM Polska Miedź S.A.	Group	KGHM 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%
	<b>Total</b>	<b>33 760</b>	<b>18 909</b>	<b>3 480</b>	<b>1 121</b>	<b>10.3%</b>	<b>5.9%</b>
2021	F	6 208	1 333	774	96	12.5%	7.2%
	M	27 757	17 268	2 776	945	10%	5.5%
	<b>Total</b>	<b>33 965</b>	<b>18 601</b>	<b>3 550</b>	<b>1 041</b>	<b>10.5%</b>	<b>5.6%</b>

Table 59. Number of employee departures by gender in the KGHM Polska Miedź S.A. Group in the years 2021-2022

		Number of employees (headcount)		Number of employee departures		Percentage of employee departures	
		Group	KGHM Polska Miedź S.A.	Group	KGHM Polska Miedź S.A.	Group	KGHM 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%
	<b>Total</b>	<b>33 760</b>	<b>18 909</b>	<b>3 161</b>	<b>816</b>	<b>9.4%</b>	<b>4.3%</b>
2021	F	6 208	1 333	656	80	10.6%	6%
	M	27 757	17 268	2 520	891	9.1%	5.2%
	<b>Total</b>	<b>33 965</b>	<b>18 601</b>	<b>3 176</b>	<b>971</b>	<b>9.4%</b>	<b>5.2%</b>

Table 60. Number of new employee hires by age in the KGHM Polska Miedź S.A. Group in the years 2021-2022

	age	Number of employees (per person)		Number of new employee hires		Percentage of new employee 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	27.7%	18.9%
	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%
	30-51	21 725	13 049	1 806	541	8.3%	4.1%
	50+	7 646	3 015	449	42	5.9%	1.4%

Table 61. Number of employee departures by age

	age	Number of employees (per person)		Number of employee departures		Percentage of employee departures	
		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	11.4%	2.6%
	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%
	30-51	21 725	13 049	1 425	431	6.6%	3.3%
	50+	7 646	3 015	1 184	466	15.5%	15.5%



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## 4.3 ORGANISATIONAL CULTURE

GRI 2-26

### KGHM VALUES

Zero-harm, teamwork, accountability, courage and result-driven are values that build company cohesion and set behavioural patterns. KGHM's values bind all employees, regardless of their position in the organisation or nationality, and are a guidepost for all decisions and actions we take.

The description of individual values underpinning the Company's organisational culture is presented in Chapter 2. Corporate governance in subsection [2.7. Ethics / ethical foundation](#).

Values, such as zero harm, teamwork and accountability, have always been important in our company, one with over 60 years of traditions. Today, KGHM is a results-driven global company, and with courage looks towards the future. Our values form the organisation's DNA, facilitate the decision making process of today and build long-term strategies of the future.

### MANAGEMENT OF RISKS IN THIS AREA (REGULATIONS, RULES OF SUBMITTING COMPLAINTS AND REQUESTS)

The corporate risk management process aims to ensure that key risks have been identified, assessed and analysed and based on their assessment, appropriate Risk Response Plans have been prepared and Corrective Actions are implemented.

#### 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 objectives:

- ensuring the creation and protection of shareholder value by establishing a consistent approach to the identification, assessment, analysis of risks and implementation of responses to key risks,
- protecting the life and health of employees, the environment and the reputation of the brand,
- supporting the achievement of business goals through the implementation of early warning tools for opportunities and threats
- ensuring 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.

## 4.4 COMMUNICATION WITH EMPLOYEES

GRI 2-29

### INTERNAL COMMUNICATION OF KGHM POLSKA MIEDŹ S.A.

The main channels of internal communication in KGHM Polska Miedź S.A. include: KGHM's Intranet and Extranet, the internal KGHM TV and the biweekly CUrier. All kinds of traditional media, such as billboards, posters, rollups, etc., also support communication activities.

#### Intranet/Extranet

The internal portal for employees of KGHM Polska Miedź S.A. and certain companies of the KGHM Polska Miedź S.A. Group serves as a collection of the most important information, announcements, but also as a portal directing to all necessary business applications, business areas or internal normative acts. Available to all employees of KGHM Polska Miedź S.A., with a distinction made between the Intranet - intended for office employees holding company e-mail accounts and the Extranet - intended for production employees without company e-mail accounts.

Owing to access to the Intra/Extranet, employees can, among others, develop their salaries, have access to electronic PIT-11 tax information, in some Divisions they can request days off, check their days off or take advantage of possible benefits. In addition, the portals are the source of a great deal of information divided into sections.

#### KGHM TV

KGHM TV - or in-house television - is a combined system of media/TV screens on which various types of information relating to KGHM are displayed, including announcements on company life, industry information, through company news, management announcements, information on health and recreation programs, awards for employees, profiles and achievements of Division employees and finally company events.

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KGHM TV reaches a large group of employees who do not have access to the Intranet/Extranet. TV monitors are installed in common spaces such as canteens, lamp rooms and changing rooms.

### „CUrier”

The internal newspaper of KGHM Polska Miedź S.A. is published every two weeks, with a circulation of 15 thousand copies. It is distributed in all Divisions of KGHM.

In 2022, 22 issues were published, including a special supplement on Human Rights Policy at KGHM. An electronic version of the magazine is published on the Intranet and Extranet. Moreover, magazines are distributed at the entrances to KGHM plants.

Due to the specific nature of the company, i.e. the dispersion of the plants that make up the Company and the lack of computer workstations/email addresses of a large group of employees, the magazine is an additional and effective tool to reach out to the workforce with information and campaigns, particularly in the smelters, mines and ore enrichment plants.

### Most important internal information and education campaigns carried out in 2022

- Keeping KGHM employees informed of the strategic activities of the Management Board.
- Activities to develop employees' identification with the company by providing information on production results, additional cash payments or benefits offered to them.
- Zero accidents at work - articles and educational materials on safe behaviour, adherence to the OHS Golden Rules and demonstrating measures and mechanisms in place to improve occupational safety.
- 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. For promotion purposes, walls and rollups with the slogan: "I am vaccinated" and log-in screens encouraging vaccination were also used.
- Education and promotion of the program implemented in KGHM/Digital Place. Activities increasing employees' knowledge of the new tool were carried out with a group of Ambassadors from KGHM Divisions dedicated to the project (approximately 300 employees).
- Awareness campaigns on cyber-security, alcohol and drug prevention, promoting labour force participation, Climate Policy and others of relevance to KGHM employees.

### ENGAGEMENT SURVEY

The slogan "Let's talk about the company because copper connects us" invited employees to a dialogue about the working environment in the second edition of the engagement survey. The organisational discourse running from 15 November to 16 December 2022 made it possible to diagnose areas requiring change and those that represent the strengths of the Company's organisational culture. The 71.6% share of respondents provided a clearer picture of employees' perceptions of the company, the prevailing atmosphere within the company and an opportunity to suggest future actions in areas that need more attention.

We invited employees to a dialogue through a questionnaire at the launch of the project in 2021, which allowed us to focus on key areas in KGHM. A number of activities have been launched based on the results of the first edition of the survey.

In addition, in both editions, the survey was combined with a charity event to provide financial support to the local community. Thanks to the high turnout - 13 448 employees in the second edition of the survey - the amount of PLN 105 033.00 was collected for charity purposes.

The project was once again carried out in collaboration with the research team from the University of Warsaw led by Professor Grażyna Wieczorkowska - Wierzbińska, PhD Hab., Head of the Chair of Psychology and Sociology of Management at the Faculty of Management, University of Warsaw. The implementation of the project was also supported by the Quality Watch Ltd. company dealing with research projects.

## 4.5 RELATIONS WITH TRADE UNIONS

GRI 2-30

### KGHM POLSKA MIEDŹ S.A.

In 2022, the most important event in the scope of relations with trade union was:

- the concluding of an agreement in January 2022 on shaping employee salaries and wages and benefits. The agreement stipulated a 10% increase in basic wage rates from 1 January and an increase in employee wage categories covering 15% of the workforce.
- An Agreement on the payment of a one-off pre-tax bonus of PLN 2000 per employee, provided that the planned production volume for the first half of the year is achieved and the average copper price is maintained at a level not

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lower than that assumed in the budget. Due to materialisation of the above-mentioned conditions, the financial bonus in the agreed amount was paid in July 2022.

From 24 to 26 January 2023, wage negotiations with the trade unions were conducted, as a result of which a wage agreement on wage structuring and employee benefits and an additional protocol to the Collective Bargaining Agreement were agreed and signed, introducing the following elements of wage structuring in the current year:

- a 13.2% increase in monthly basic wage rates,
- an increase in employee wage categories covering 20% of the workforce,
- payment of a one-time pre-tax bonus in the amount of PLN 2 000 per employee, on the condition that the planned production volume for the first half of the year is achieved and the average copper price is maintained at a level not lower than assumed in the budget.

In accordance with the requirements of the Best Practice for GPW Listed Companies, KGHM Polska Miedź S.A. discloses expenses related to the functioning of trade unions in the Company. In 2022, they amounted to the total of PLN 14 334 146, including wages with overheads paid to trade union activists exempted from the obligation to work in the amount of PLN 13 526 463<sup>33</sup>.

### **DOMESTIC GROUP COMPANIES**

With few exceptions, trade unions operate in the Group's domestic companies. In 2022, the companies held discussions with the trade unions on wage issues, bonus rules, employment and working conditions and social issues. In most cases, they resulted in the conclusion of agreements, signing of additional protocols to Collective Bargaining Agreements and the amendment to remuneration regulations.

In 2022, one industrial dispute was initiated, but also concluded, at CENTROZŁOM WROCŁAW S.A.

However, the industrial dispute initiated in previous years at MERCUS Logistyka sp. z o.o. could not be concluded.

#### **CENTROZŁOM WROCŁAW S.A.**

The trade unions raised demands under the threat of an industrial dispute under the procedure set out in the Act on the Resolution of Collective Disputes. A meeting was held as part of the negotiations, which did not lead to a consensus. The negotiations ended by signing a record of divergence. The company requested the appointment of a mediator by the Minister of Family and Social Policy. The mediation was held from 29 June to 12 July 2022. On 12 July 2022, the "Agreement on the termination of the industrial dispute" was concluded.

#### **MERCUS Logistyka sp. z o.o.**

The dispute initiated in 2019, the reason for which was the employer's failure to take into account the wage demands raised by the "Solidarity 80" Trade Union, has not been concluded. Talks within the framework of this dispute did not continue in 2022. Instead, the company concluded agreements on new wage and non-wage issues raised throughout the year.

### **INTERNATIONAL COMPANIES OF THE GROUP**

#### **KGHM INTERNATIONAL LTD.**

In the Group companies of KGHM INTERNATIONAL LTD., the interests of the employees are represented by the United Steelworkers Local 2020 trade union which gathers employees of FNX Mining Inc. in the Sudbury Basin, Canada. Cooperation with the trade union continued in 2022 to ensure the compliance with the provisions of the Collective Bargaining Agreement. The Company conducts discussions with the trade union to maintain health and safety conditions for employees, including under the COVID-19 pandemic conditions (final phase). In the relations between the Company and the trade union, both parties make every effort to ensure that the communication runs smoothly.

Over the years, the Company and the trade union have developed a strong and mutually respectful relationship that underpinned all negotiations, resulting in the successful ratification of the existing Collective Bargaining Agreements, without any work stoppages. The current Collective Bargaining Agreement expires on 30 June 2023, so negotiations with the trade union are scheduled to start in the first half of 2023.

The other subsidiaries of the KGHM INTERNATIONAL LTD. Group located in the United States, South America and the companies operating under the DMC Mining Services brand do not have any trade union representation.

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<sup>33</sup> Which is compliant with the Act of 23 May 1991 on trade unions (DZ.U.2022.854, consolidated text dated 2022.04.20).

## SIERRA GORDA S.C.M.

Sierra Gorda S.C.M. has three trade unions. The relations between the Company and its three trade union organisations are developing in a respectful, constructive and cooperative atmosphere. This is fostered both by weekly meetings to discuss various organisational issues and by ad hoc meetings organised to discuss current issues, which are attended not only by HR representatives, but also by the company's management (vice-presidents, mine or processing plant managers).

In 2022, Sierra Gorda S.C.M. maintained and built good labour relations and effective communication with the trade unions also through joint participation in various activities (ecumenical meeting, meetings with individual departments, Christmas party and others).

Despite differences of position and opinion on particular topics, it was always possible to reach a reasonable compromise. Throughout the previous year, Sierra Gorda did not receive any complaints concerning the anti-union practices.

### 4.6 WORKING CONDITIONS AND STAFF DEVELOPMENT

GRI 3-3 material topic: Good workplaces

GRI 3-3 material topic: Employee development

GRI 401-2

GRI 403-6

GRI 404-1

GRI 404-2

#### RECRUITMENT PROCESSES IN KGHM POLSKA MIEDŹ S.A.

KGHM Polska Miedź S.A. secures highly qualified personnel through the process of internal and external recruitment based on the "Principles for recruitment of candidates for employment in KGHM Polska Miedź S.A." in force in the Company.

The Company operates on a due diligence basis, provides electronic registration of job applicants based on advertisements posted on [www.rekrutacja.kghm.com](http://www.rekrutacja.kghm.com). The website contains job offers reported by all Divisions of KGHM Polska Miedź S.A.

The Company conducts its recruitment processes in accordance with applicable legislation and internal policies. All activities required by law in relation to the processing of personal data obtained during the recruitment process are reliably performed. The Company ensures full discretion to candidates submitting offers. The applications of successful candidates may, with their consent, be entered in the Central Base of Candidates for a period of 12 months.

In 2022, links to the Careers Tab and social media (FB, LinkedIn, Twitter, Youtube) were included in job offers to enhance the employer's image in communication with candidates. In addition, a guide on "How to prepare a CV" was made available from the application form and a link to the "Candidate Guide" with tips on how to prepare for a recruitment interview was included in invitations to recruitment meetings.

In connection with the extension of the scope of the Corruption Risk Management procedure to include the "Principles of due diligence of candidates and personnel in KGHM Polska Miedź S.A.", in 2022 the information clause for job candidates was updated to include information on the possibility of conducting due diligence analysis in the case of applying for a position associated with a corruption risk higher than low. In addition, the application form was supplemented with information on ethical and anti-corruption standards in the KGHM Polska Miedź S.A. Group.

#### APPROACH TO EMPLOYEE DEVELOPMENT - TRAINING POLICY, TRAINING PROCESSES IN THE GROUP AND IN KGHM

KGHM, as a modern and socially responsible organisation, has perfectly adjusted to the current market requirements shaped by the impact of the pandemic situation. Human capital management departments have fulfilled the need to adapt quickly to sudden and unpredictable changes, accelerated digitalization and automation of management and administrative processes for the sake of employee health, the introduction of remote or hybrid working and transformation of on-site training into e-learning courses.

KGHM is a workplace where the factors of managing variability and diversity, the development of key employee competence and the careful and efficient coordination of training and development activities are observed.

A horizontal HR model has been fully accepted and applied management system in which care has been taken to speed up digital training processes based on the Company's long-term values and using cost effectiveness of training.

The HR Policy is constantly being transformed. Unified processes and tools are implemented to support long-term development of skills, new solutions for employee performance and assessment management, as well as modern project, program and portfolio systems. In view of the swift development, it has become a priority to identify the best employees efficiently, and then systemically prepare them to assume key roles and functions in all business operations.

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In 2022, KGHM's employees were provided with:

- the possibility of pursuing educational programs to develop professional, managerial and specialist skills,
- the opportunity to improve their qualifications through co-financing of university education, as described in detail below
- improvement of language skills of all Company employees thanks to access to e-learning tools,
- implementation of the performance management process for managers and development of an employee assessment system.

#### **TRAINING PROCESSES IN THE KGHM POLSKA MIEDŹ S.A. GROUP**

The KGHM Polska Miedź S.A. Group does not have a defined common Training Policy. Due to the international scope of activities, cultural differences and the specific nature of the industries in which the KGHM Polska Miedź S.A. Group operates, each of the companies conducts a number of activities related to employee training.

#### **TRAINING PROCESSES IN W KGHM POLSKA MIEDŹ S.A.**

Training programs in KGHM are adapted to business objectives. Systemic competence development activities are performed by a centralised unit specialised in this area. The basis for the construction of the training plan and the calculation of the resources needed for its implementation is the regular collection of development needs. These actions are performed on the basis of the procedures existing in the Company. Both the skills development activity and the utilisation of the allocated budget are regularly monitored and the results are reported.

The purpose of employee development activities in KGHM in 2022 was to retain and improve human capital and to manage the Company's intellectual capital taking into account the strategic directions in this process: 5E (Elasticity (flexibility), Efficiency, Ecology - safety and sustainable development, E-industry, Energy) as well as its long-term development plans through:

- securing fulfilment of the training requirements defined in regulations (among others, training courses on occupational health and safety, courses and examinations entitling to take up jobs which require specialist actions);
- improving employee skills, with particular focus on linguistic, managerial and interpersonal skills, as well as participation in training on business process orientation in management;
- improving the qualifications of the Company's employees and changing their education structure by continuing to co-fund graduate and post-graduate studies.

#### **Main activities performed in 2022**

The thematic scope of training and conferences in which KGHM employees participated was extended. They were provided with opportunities 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.

In 2022,

- 38 631 employees attended a single training event, while
- 163 persons benefited from co-funding of the courses of higher study, postgraduate studies.

The development of skills through the co-funding of higher courses of study comprised mainly:

- MBA studies
- conducting the second edition of group postgraduate management studies under the name "Copper Leaders" in cooperation with the University of Warsaw and individual post-graduate studies. The KGHM Doctorates Program occupies an important place in the training process. In the course of their research, PhD students from the KGHM 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.

#### **E-LEARNING LANGUAGE COURSES**

Online language courses, introduced on a pilot basis in 2019, became firmly established in the following years of accelerated digitalisation and in 2022 became an indispensable part of employee competence development.

In 2022, foreign language courses were provided by e-learning, and gradually, as the risk of infection diminished, the individual classroom sessions organised for senior staff (English and Spanish classes, as needed for the job) were reinstated.

Due to the good reputation of online language courses among employees, the possibility of access to e-learning courses for all Company employees, both in white-collar and blue-collar positions, was maintained.

Language e-learning provided the opportunity to personalise the course according to preferences and needs, including customisation of time, place and pace of learning. Widespread access to English, Spanish and German has facilitated the development of communication skills, not only in the professional area but also in personal life. The option available to every employee to grant free access to family members has contributed to strengthening the sense of belonging to the KGHM community.

As part of a nationwide campaign to support Ukrainian citizens following the outbreak of the armed conflict and forced emigration, the Company provided access free-of-charge to Polish language courses for families and guests from Ukraine staying in employees' homes.

### E-LEARNING COURSES

In 2022, training and professional courses as well as courses in the areas defined by internal normative acts were offered 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 recognising and preventing conflicts of interest;
- 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 2022, 7 582 employees of the Company attended e-learning courses.

### KEY FIGURES

GRI 404-1 | GRI 404-2

Table 62. Average hours of training per employee in the KGHM Group, by position categories in the years 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
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

Table 63. Average hours of training per employee in the KGHM Group, by gender in the years 2021-2022

	2022		2021	
	Group	KGHM Polska Miedz S.A.	Group	KGHM Polska Miedz 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

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## BENEFITS

GRI 401-2 | GRI 403-6

The offer of benefits at KGHM consists of material and social support for employees financed from the Company Social Benefits Fund and benefits acting as non-wage employee incentive factors.

### The Company Social Benefits Fund is intended to subsidise:

- holiday trips for children and youth organised by the employer and individually in the form of summer and winter holidays, camps, winter camps, green schools, excursions, holidays, sanatoriums and other forms of recreation,
- cultural and educational activities (tickets for concerts, cinema, theatre, joint cultural and educational events),
- sports and leisure activities, including, among others, joint sports and leisure events, tourist trips, sports cards for employees and their family members, enabling them to take advantage of a wide range of sports and leisure activities all over Poland. The offer to hire sports halls and other recreational facilities for team games also enables the integration of employees,
- payments for the stay of a child in a nursery, children's club, kindergarten and other forms of pre-school education.

### Moreover, the provisions of the regulations of the Company Social Benefits Fund make it possible to grant to eligible persons:

- non-refundable financial assistance such as allowances in the event of individual accidents, natural disasters, long-term illness or death. Similar assistance is organised for former employees, pensioners and heirs,
- moreover, during the period of increased expenses associated with the Christmas period, employees have the opportunity to receive financial support in the form of allowances - with additional support for those who have children,
- financial assistance in the form of prepaid cards,
- refundable housing aid (loans for the construction of a house, purchase of a house or dwelling, renovation and modernisation of a house or dwelling).

### The company implements extensive financial support based on the provisions of the Company Collective Bargaining Agreement:

- holiday trips benefits.
- cash allowance to cover school expenses.
- holiday travel allowance payable to employees working underground.
- annual 21-day preventive health care trips for 445 employees meeting the criteria of the Company Collective Bargaining Agreement.

### Medical care subscription

All employees of the Company and members of their families have the opportunity to use medical care subscription provided by Miedziove Centrum Zdrowia S.A. (Copper Health Centre) - a company that is a pioneer in offering access to medical benefits to its beneficiaries on extremely favourable terms.

### Employee Retirement Program

KGHM employees participate in the Employee Retirement Program. The Program is organised in the form of employee contributions to investment funds. The basic contribution funded by the employer amounts to 7% of the remuneration.

## 4.7 DIVERSITY IN THE WORKPLACE

GRI 3-3 material topic: Diversity and equal opportunities

GRI 405-1

GRI 405-2

[KGHM Polska Miedz S.A. – equal opportunities for all | KGHM Corporate Website](#)

The Company's culture has created a work environment and venue free from discrimination. No form of discrimination is tolerated, in particular due to gender, race, age, origin, religion, handicap, world view, sexual orientation, social status, marital status, disability, political party and trade union membership and the form of employment. In addition, activities are conducted to respect diversity at a workplace.

The principles of mutual respect, equal treatment, ensuring access to development opportunities and exploitation of the potential of all employees are applicable. The Company strives to ensure reasonable diversity in the selection of personal composition of its workforce within its operations (including recruitment processes), maintaining the supremacy of knowledge, professional competence and social skills.



The Parent Entity is a guarantor of the implementation of diversity principles in the KGHM Polska Miedź S.A. Group and the promotion and dissemination of these principles among stakeholders and business partners.

Diversity management also applies to the members of the Supervisory Board and the Management Board of KGHM Polska Miedź S.A. The management and supervisory staff is composed of people of different genders, ages and experience.

The guiding principles by which the Company operates every day are as follows:

- compliance with the labour laws of the jurisdictions in which the KGHM Polska Miedź S.A. Group operates, as well as with the standards of adopted internal labour regulations,
- compliance with the regulations concerning working time and minimum wage,
- respect for employees' rights to associate in employee organizations and trade unions, and to engage in collective bargaining,
- fostering employee development and supporting them in improving their skills through a variety of training forms and possibility to participate in new projects,
- respect for human rights and impermissibility of any forms of illegal or forced labour, including child labour.

### Human rights

KGHM Polska Miedź S.A. recognizes, respects and observes human rights - including employee rights. Policies and actions related to human rights issues are described in subsection [2.9 Human Rights](#).

### FIGURES SHOWING DIVERSITY. DIVERSITY IN TERMS OF GENDER, AGE AND POSITION CATEGORIES

GRI 405-1

Table 64. Percentage share of women and men in individual position categories by gender in the KGHM Polska Miedź S.A. Group in the years 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%
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%

Table 65. Percentage of women and men in individual job categories by age in the KGHM Polska Miedź S.A. Group in the years 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%
Senior management	<30	0%	0%	0.4%	0%
	30-51	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%
	30-52	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%
	30-53	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%
	30-54	63.8%	69.7%	62.9%	69.3%
	50+	20.3%	13.6%	20.6%	13.7%

GRI 405-2

Table 66. Ratio of basic salary and total remuneration of women to the remuneration of men by position category in the KGHM Polska Miedź S.A. Group in the years 2021-2022

Position category	Ratio of remuneration of women to the remuneration of men	2022		2021	
		Group	KGHM Polska Miedź S.A.	Group	KGHM Polska Miedź S.A.
Management Board	Basic	80%	-	80%	100%
	Total	80%	-	80%	316.4%
Senior management	Basic	104.2%	106%	101.4%	118.4%
	Total	104.1%	129.4%	109.9%	113.9%
Management staff	Basic	89.9%	98%	90%	99.9%
	Total	86.8%	90.4%	89.3%	90.3%
White-collar positions	Basic	89.1%	74%	84.1%	77.3%
	Total	84.2%	70.1%	81.4%	73.7%
Blue-collar positions	Basic	87%	72.9%	85.7%	69.7%
	Total	88.4%	73.1%	83%	73.6%

The relationship of remuneration for women to remuneration for 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 position) 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.

**DIVERSITY POLICY APPLIED TO THE COMPANY'S ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES**

KGHM Polska Miedź S.A. applies good practices promoting diversity in relation to employees. As a global company operating across the world's markets, KGHM applies standards of work and employee relations as stipulated by local law, as well as by international institutions. Regulations and policies take account of the welfare of employees and mutual relationships, based on best practice, irrespective of the jurisdiction of the place of operation of KGHM Polska Miedź S.A.

KGHM Polska Miedź S.A. creates an environment and a workplace free of discrimination, therefore no forms of discrimination are tolerated, in particular on the grounds of gender, age, ethnic origin, nationality, citizenship, religion, political beliefs and trade union membership. KGHM Polska Miedź S.A. manages diversity by striving to create an organisational culture based on mutual respect, equal treatment, access to development opportunities and exploitation of staff potential. The approach to diversity management is defined by the "Diversity Declaration of KGHM Polska Miedź S.A."

Moreover, the recruitment process at KGHM Polska Miedź S.A. is carried out fully respecting the principle of diversity and the principle of equal access to employment. All candidates meeting specific criteria of a given recruitment process procedure are treated equally. Participants in the process respect the non-discrimination rule. They strive to ensure reasonable diversity in the selection of personal composition of its workforce while maintaining the supremacy of knowledge, professional competence and social skills. Diversity management also applies to the members of the Supervisory Board and the Management Board of KGHM Polska Miedź S.A. The management and supervisory staff is composed of people of different genders, ages and experience.

**4.8 OCCUPATIONAL HEALTH AND SAFETY**

GRI 3-3 material topic: Occupational health and safety	GRI 403-1	GRI 403-2	GRI 403-3	GRI 403-4	GRI 403-5
GRI 403-6	GRI 403-7	GRI 403-8	GRI 403-9		

The life and health of employees and workplace safety in general is the top priority in the hierarchy of values of the KGHM Polska Miedź S.A. Group. For several years the Company has advanced its vision of "Zero accidents due to human and technical errors, zero occupational illnesses among our employees and contractors".

In 2022, the implementation of the Employee Safety Improvement Program – "Think About Consequences" was continued as well as a Program to mitigate the most common hazards to workplace safety by utilizing innovative technologies in accordance with the Company's updated strategy till 2030 with an outlook to 2040.

The Company has high occupational safety and health standards confirmed by ISO 45001:2018 certificate that apply equally to its employees and the employees of other service providers operating on the premises of KGHM Polska Miedź S.A.

All work stations have identified threats. The Company has assessed the professional risk and updates it on an ongoing basis. All employees are introduced to the risk assessment for their workplaces. 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. Employees 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 legal requirements and regulations in the area of occupational health and safety. It

also actively participates in the work of agendas of various entities with the aim of development of best available practices and behaviours in the area of occupational health and safety in the mining and processing industry.

**OHS Policy**

Since 2014, the Company has had a uniform Occupational Health and Safety Policy in place, which was redefined in 2020. All work stations have identified threats. The Company has assessed the professional risk and updates it 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. 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.

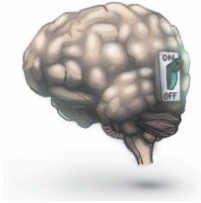
**Prevention of natural hazards**

Mining activities of KGHM Polska Miedź S.A. are inherently accompanied by natural hazards, therefore numerous technical and organisational solutions of preventive nature are introduced to counteract these risks. In the case of natural hazards inherent in the rock mass, they relate to mining tremors and their potential consequences in the form of rock bursts, roof collapses and rock mass destressing. These factors are essential in terms of safety of employees, as their occurrence can lead to serious or even fatal injuries as well as damage to underground machinery, equipment and infrastructure, along with 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 sizes, shapes and numbers of chambers and intra-chamber pillars are selected, as well as the most favourable direction of advancing mine work and the optimum order of extracting ore from deposits is designed to minimize local concentrations of stress in the rock mass. The so-called pro-active methods of preventing uncontrolled roof collapses and rock falls are also applied, which involve provoking dynamic events through mass blasting of mining faces and through blasting to release stress in the orebody or its roof.

**OHS golden rules**

In KGHM Polska Miedź S.A., the so-called Golden Rules of OHS are in place.

Diagram 32. Golden Rules of OHS in KGHM Polska Miedź S.A.



**I think before I act**



**I use appropriate protective equipment**



**I come to work rested and sober and not under the influence of intoxicants**



**I work with properly functioning tools, machinery and equipment**



**I am aware of the occupational hazards and risks**



**I react when I see unsafe behaviour or situations**



**I think of my family**



**I maintain harmony and order at my workplace**

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### Labour Safety Council of KGHM Polska Miedź S.A.

The Occupational Safety Council in KGHM Polska Miedź S.A. was established at the initiative of the KGHM Polska Miedź Management Board and representatives of trade unions on 13 March 2013. The Council operates on the basis of principles of mutual trust and cooperation. The Occupational Safety Council is an opinion-making and advisory authority with respect to matters of occupational safety and health.

The Council consists of 40 persons, including representatives of the employers (approx. 20 members), and approx. 20 representatives of social side, i.e. the trade unions operating in KGHM Polska Miedź S.A. and the Company Voluntary Labour Inspectors in KGHM Polska Miedź S.A.'s Divisions.

The scope of the Council's operation covers:

- periodic assessment of occupational safety and health (not less frequently than once a year).
- presenting an opinion on prevention activities taken up in KGHM Polska Miedź S.A., following from an analysis of potential accidents, workplace accidents and preventing workplace accidents and occupational diseases.
- presenting conclusions on improving working conditions and cooperating with the employers to discharge their duties relating to occupational safety and health,
- presenting conclusions on cooperation between the Employer and representatives of employees to prevent occupational risks and improve occupational safety and health,
- presenting an opinion on the actions taken by all the participants of the occupational safety process for active participation of employees in the creation of proper conditions for occupational safety and health and their observance.

The Council meetings are held at least once a year. The Council is informed once a year of the current OHS situation in KGHM Polska Miedź S.A.

### EVALUATION OF OCCUPATIONAL SAFETY

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 National 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.

### INITIATIVES IN THE AREA OF OCCUPATIONAL SAFETY

In 2022, the implementation of the Employee Safety Improvement Program – “Think About The Consequences” was continued as well as a Program to mitigate the most common hazards to workplace safety by utilizing innovative technologies.

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 360° 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 Center, training courses using the VR technology were developed for the Głogów Copper Smelter and Refinery. 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 Center, 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.

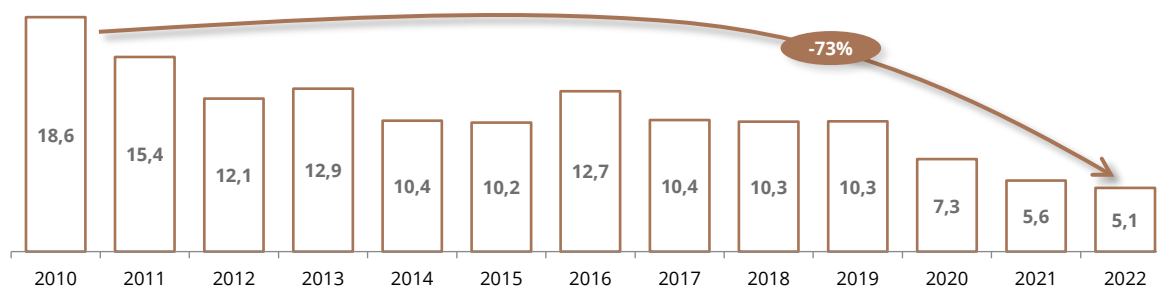
### Accident rate in KGHM Polska Miedź S.A.

In 2022, the Company once again recorded a significant reduction in the number of accidents at work<sup>34</sup>, calculated on a year-on-year basis, from 165 to 149 people injured (a decrease of 16 accidents). In 2021, the number of accidents at work in KGHM Polska Miedź S.A., excluding accidents due to natural causes (rock bursts, destressings, tremors, roof collapses) was lower by 44 (a drop from 194 to 150). The vast majority of recorded workplace accidents (about 98.7%) qualified as light injuries, whose major causes were, in order of frequency, loss of balance by employees, contact with (being hit by) moveable/ immovable objects as well as rock falls.

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. The company is continuously improving its safety record in the mining of the copper ore deposit.

The LTIFR<sub>KGHM</sub> ratio (Lost Time Injury Frequency Rate KGHM) in 2022, which is the total number of workplace accidents<sup>35</sup> in the Company, which is the number of accidents per million hours worked by KGHM Polska Miedź S.A. employees, 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.

Chart 27. LTIFR<sub>KGHM</sub> rate in the Parent Entity in the years 2010-2022



### Accident rate in the Group's international assets

In Chile, KGHM Polska Miedź S.A. conducts mining operations through two entities, which have separate occupational health and safety 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, and 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 2020) with a TRIR of 0.27.

The Sierra Gorda SCM 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 0.20 higher than in 2021 and 89% lower than the figure recorded in 2010.

<sup>34</sup> Accident at work within the meaning of the Act of 30 October 2002 on social security due to accidents at work and occupational diseases (DZ.U.2022.199, item 1673, as amended)

<sup>35</sup> see above

Chart 28. TRIR<sup>36</sup> rate in the Group's international assets in the years 2010–2022

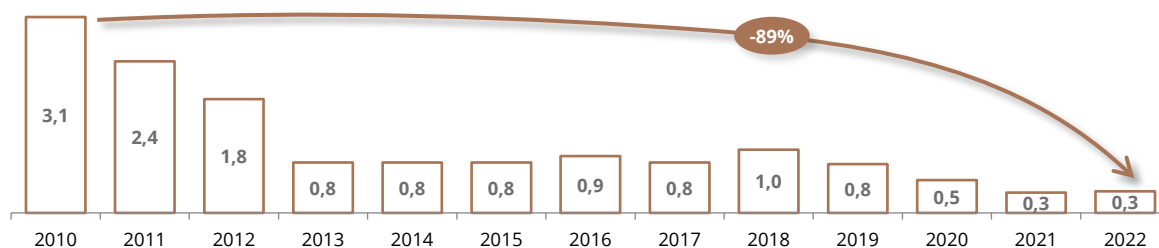


Table 67. Number of work-related accidents by gender, position type and severity of accidents in the KGHM Polska Miedź S.A. Group in the years 2021-2022

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
<b>Total number of accidents</b>		<b>440</b>		<b>149</b>		<b>372</b>		<b>165</b>	

Table 68. Accident rate according to the GRI 403-9 indicator in the KGHM Polska Miedź S.A. Group in the years 2021-2022

Accident rate	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

#### 4.9 RESPONSIBILITY TOWARDS SOCIETY / SOCIETY AS A PILLAR OF THE KGHM GROUP'S SUSTAINABLE DEVELOPMENT ACTIVITIES

GRI 3-3 material topic: Relations with local communities

GRI 413-1

##### APPROACH TO THE SOCIAL AREA

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 the Company'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 over which KGHM Polska Miedź S.A. exercises ownership supervision).

##### SOCIAL DIALOGUE

KGHM is a company firmly rooted in the Copper Basin and Lower Silesia, not only for natural reasons (taking into account the mineral deposits concentrated locally), but mainly through the strength of its economic relations and social

<sup>36</sup> 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.



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commitment. The company has been an active participant in the life of local communities for many years. Key social stakeholders for KGHM include:

- inhabitants of the Copper Basin,
- local government authorities,
- business representatives,
- representatives of science,
- representatives of associations and local organisations serving the public.

KGHM is a key employer in the 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: 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 recent conference on "Energy efficiency in local government units", the focus was on knowledge of organisational and technical solutions for local governments, with particular emphasis on the ESCO model related to the financial support for investment. During the meeting, KGHM experts presented the assumptions and goals of the Company's Climate Policy.

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.

#### **4.10 COOPERATION WITH LOCAL COMMUNITIES IN THE KGHM POLSKA MIEDŹ S.A. GROUP**

##### **GRI 413-1**

In 2022, the KGHM Polska Miedź S.A. Group undertook a number of family-friendly initiatives targeting employees and the local community.

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. The "CUdowni rodzice KGHM" (Wonderful parents of KGHM) program was launched in 2020, while in 2022 457 KGHM employees benefited from this form of appreciation of the role of a parent. This initiative was also continued in one of the Copper Basin towns (Głogów). Training was made available for parents through Tato.Net workshops, as well as the opportunity to participate in the annual fathers' forum organised by the same foundation.

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).

Cooperation with institutions responsible for family foster care was deepened and a number of activities aimed at promoting foster parenthood were carried out. Co-financing of training courses for partner NGOs was also continued as part of the Copper Basin NGO Academy.

The naMIEDZI application launched two years earlier was also being developed in 2022. This 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 was set up in cooperation with local authorities. 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.



In November and December 2022, an engagement survey was conducted among the employees of KGHM Polska Miedź S.A. For each questionnaire completed, the Company provided support for an orphanage designated by the employee. As a result, more than PLN 105 033 was donated to the most needy in the Copper Basin region.

In 2022, as part of the pro publico bono activities of KGHM Polska Miedź S.A., subsidies were provided for diagnosing the problems and potential of young people from schools in the region, as well as for the implementation of recommended programs, in which a total of more than 8 000 students, 5 000 parents and around 1 000 teachers participated.

KGHM also offered local governments and their subordinate institutions participation in the CLICK program, which provided free e-subscriptions of selected magazines for libraries and schools in the Copper Basin.

A number of activities under the mental health support have also been undertaken. In fact, the second edition of the Depression Prevention Program was launched and in addition nine projects carried out in this area by non-governmental organisations in the Copper Basin were subsidised. A benefit of psychological support for KGHM employees and their families has also been introduced.

Programs to improve parenting skills were also subsidised. 12 editions of parenting workshops were conducted among KGHM Group employees, while parents from the Copper Belt participated in 25 editions of the School for Parents and Educators and other family-friendly initiatives.

KGHM also subsidised training courses for NGOs as part of the Copper Basin NGO Academy.

Activities to promote foster parenthood were also continued as part of the Mie(dź) Rodzinę (Have a Family) social campaign.

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.

**Table 69. Selected examples of pro publico bono activities in the companies of the KGHM Polska Miedź S.A. Group in 2022**

Social activity in terms of responsibility towards society 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:	Majority of KGHM Group companies
<ul style="list-style-type: none"> <li>– Apprenticeships</li> <li>– Cooperation with higher education institutions</li> <li>– Education classes for children and youth</li> </ul>	
Participation in local opinion-making and advisory bodies in the scope of sustainable development and others	In particular, Nitroerg S.A.
<ul style="list-style-type: none"> <li>– Professional activation programs and promotion of mining knowledge among the local community</li> <li>– Initiatives promoting the protection of the heritage and culture of local communities</li> <li>– Supporting indigenous peoples</li> <li>– Supporting local schools and childcare facilities, including study grants and donations and educational programs</li> </ul>	The international companies of KGHM INTERNATIONAL LTD. and Sierra Gorda S.C.M.

#### 4.11 EMPLOYEE VOLUNTARY WORK

GRI 2-29 | GRI 403-6

##### EMPLOYEE VOLUNTEERISM PROGRAM

The “Copper Heart” employee volunteerism program has been operating in KGHM Polska Miedź S.A. since 2014. Employees engaging in organising or participating in charity actions become ambassadors of the KGHM Polska Miedź S.A. brand and they are the best evidence of the effectiveness and appropriate implementation of the corporate social responsibility policy.

##### In-kind and financial collections

In 2022, with the continuing pandemic threat, six official peer collections were carried out for the benefit of those in need: 4 campaigns related to the promotion of active lifestyles combined with charitable actions, 3 educational projects, 2 peer financial collections for the benefit of colleagues in need.

In the interest of employee safety, the annual “Pączek ze Szlachetnym Nadzieniem” (Doughnut with Noble Filling) campaign was held for the first time in the form of an online collection, and the doughnuts were not distributed at KGHM divisions. Despite this revised formula, 160% of the target was achieved.

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### 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".

### Aid for refugees from Ukraine

Following the outbreak of war in Ukraine, KGHM employees rushed to help refugees by organising countless collections, while many of them accommodated the newcomers from Ukraine at their homes.

### Actions for children

KGHM volunteers visited orphanages and local educational and care institutions at Christmas time, offering prepared parcels to children. The wards of the orphanage in Wilków were invited to a Christmas Eve meeting at KGHM, during which they received the speaker of their dreams.

Volunteers from the ore enrichment plant with dedicated original educational programs - "Children of Copper" and "St. Barbara" visited 44 establishments reaching almost 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. As part of the traditional pink October, most of the Company'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. 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 active volunteers by organising Volunteer's Day and Santa Claus celebrations in sporting style. A special training session for the children of volunteers and people with a special involvement in the life of the Company was conducted by Marcin Gortat. In this way, the Company thanked its employees for their help and cooperation within the framework of the KGHM Volunteer Service.

### SUPPORT FOR SPORT

KGHM Polska Miedź supports the development of both local and national sport and undertakes initiatives to promote a healthy and active lifestyle.

Since 2019, the CSR program called "Copper Rivalry" has been implemented, which provides annual scholarships to athletes for exemplary sporting achievements and orientation towards increasingly better results in their sports disciplines. In 2022, such support was provided to as many as 27 athletes from all over Poland, including 14 from the Copper Basin itself.

For years, the company has also been supporting local sporting events, such as the regional cross-country skiing and sporting events for the people of the Copper Basin, such as the "Cross Straceńców" (Cross-Country Race of Desperados), "Biegi Wilczym Tropem" (Wolf's Trail Run), etc.

The promotion of the healthy lifestyle through sport and the commitment to promote it among KGHM employees and inhabitants of the Copper Basin was also pursued in the second edition of the program: "Prepare together with us". Its participants were able to take advantage of free running training and, under the guidance of professional athletics coaches, prepare to take part in the "Bieg o Lampkę Górniczą" (Street Run for the Miner's Lamp). Participants were also provided with advice from a physiotherapist, nutritionist and training programs.

The company promotes active leisure. One example of such activities is the Eco-Health program existing since 2014.

### CSR PROGRAMS OF KGHM POLSKA MIEDŹ S.A. FOR EMPLOYEES AND THE COMMUNITY

#### ECO-Health

The ECO-Health program was launched in 2014. According to its assumptions, 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.

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So far, more than 250 people aged 55 to 80 have participated in three editions of the project.

The program also comprises medical examination projects. One of them is the screening project for KGHM employees carried out by the Group company, Miedziowe Centrum Zdrowia. CT scans include:

- early detection of lung cancer
- diagnosis of emphysema
- and assessment of calcifications in the coronary arteries.

So far, approximately 4 000 employees have benefited from the tests.

#### **4.12 EXPENDITURES INCURRED BY THE COMPANY AND THE GROUP TO SUPPORT CULTURE, SPORTS, CHARITIES, MEDIA, SOCIAL ORGANISATIONS, TRADE UNIONS, ETC.**

GRI 203-1

KGHM is a “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 publico bono and charitable activities. It helps in performance of socially useful projects, and it supports the people who are experiencing hardships.

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

KGHM pursues cooperation with the media as part of its communication strategy. While operating in the global market, the company is subject to the volatility of this market, the unrest resulting from trade wars and is subject to increasingly stringent legal requirements and stakeholder expectations regarding corporate social responsibility. Therefore, it establishes and maintains an ongoing dialogue with the Company's key stakeholders to build understanding and acceptance for the strategic projects implemented by KGHM Polska Miedź S.A.

Stakeholder relations, channels and forms of contact with stakeholders are described in subsection [1.11 Stakeholders and external relations](#).

##### **Expenditure on trade unions**

In compliance with Best Practice of companies listed on the Warsaw Stock Exchange, KGHM Polska Miedź S.A. discloses expenditures related to the functioning of the trade unions in the Company. 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, resulting from the Act dated 23 May 1991 on trade unions (Journal of Laws 2022.854, consolidated text dated 2022.04.20).

#### **4.13 PUBLIC ENGAGEMENT DURING THE WAR IN UKRAINE**

GRI 203-1

##### **ACTIVITIES OF KGHM GROUP COMPANIES**

The company is committed to helping those in need by balancing its business mission with a sense of social responsibility, and acts with determination and efficiency in moments of unexpected crises. Such was the case in the situation of Russian aggression against 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 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.

Aid very quickly reached those who had to stay in the war zones heroically defending their homeland. 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. This place has become the most important point on the map of Warsaw for Ukrainian refugees, who were able to have at least a hot meal in decent conditions. 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.

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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.

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.

#### **ACTIVITIES OF KGHM INTERNATIONAL**

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 providing them with food parcels. The organisation also helps children affected by the war in Ukraine.

**The KGHM Polska Miedź Foundation** also provided the support by making a number of financial donations, which are described in detail in the List of Donations on the Foundation website <http://fundacjakghm.pl>.

#### **4.14 THE KGHM POLSKA MIEDŹ S.A. FOUNDATION AND SPONSORSHIP ACTIVITIES**

GRI 203-1

##### **KGHM POLSKA MIEDŹ FOUNDATION**

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.

The projects pursued in 2022 were a natural continuation of the activities carried out by the Foundation to date and a result of program changes agreed in the course of consultations between the Management Board and the Supervisory Board of the Foundation and the corporate bodies of the Founder, KGHM Polska Miedź S.A.

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.

Table 70. Donations contributed by the KGHM Polska Miedź Foundation in 2022, by individual areas of support.

	Amount awarded (PLN)	Number of projects/individuals
<b>Donations for institutions</b>	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
<b>Donations to individuals</b>	1 498 110.03	158
Health protection	1 498 110.03	158
<b>Total donation amount</b>	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](http://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) and assumes that most funds will be allocated to the performance of the actions for promoting the Company and its products on the one hand and for supporting valuable initiatives and undertakings on the other hand.

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 in the company 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.

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 sensational drama about Stefan Wyszyński, "The Prophet", 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.

Table 71. 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 social issues	10 504 491.20
Science	4 001 000.00
<b>Total</b>	<b>51 591 725.82</b>

Table 72. The amount spent by the KGHM Group companies (excluding the Parent Entity) as part of its sponsorship and donations activity in 2022.

Amounts in PLN	Domestic companies	International companies	Total
Sponsorship	PLN 255 280	PLN 92 867	<b>PLN 348 147</b>
Donations	PLN 1 568 439	PLN 937 104	<b>PLN 2 505 543</b>

## 5 OTHER NON-FINANCIAL INFORMATION

### 5.1 LITIGATION AND CLAIMS

#### Proceedings regarding royalties for use of invention project no. 1/97/KGHM „Method for increasing the production capacity of the electrorefining sections of the Metallurgical Plants”

In the claim dated 26 September 2007, Plaintiffs (14 natural persons) filed a claim against KGHM Polska Miedź S.A. with the Regional Court in Legnica for the payment of royalties for the use by the Company of invention project no. 1/97/KGHM called „Sposób zwiększenia zdolności produkcyjnej wydziałów elektrorafinacji Huty Miedzi” (Method for increasing the production capacity of the electrorefining sections of the Metallurgical Plants) for the 8th calculation period, together with interest due. The amount of the claim (principal amount) was set by the Plaintiffs in the claim in the amount of approx. PLN 42 million (principal amount without interest and court costs). Interest as of 31 March 2019 amounted to approx. PLN 55 million. On 21 January 2008, in the response to the claim, KGHM Polska Miedź S.A. requested the dismissal of the claim in its entirety and filed a counter claim for the repayment of undue royalties paid for the 6th and 7th year of application of invention project no. 1/97/KGHM, together with interest due, also invoking the right of mutual set-off of claims. The amount of the claim (principal amount) in the counter claim was set by the Company in the amount of approx. PLN 25 million.

In a judgment dated 25 September 2018, the Regional Court in Legnica dismissed the counter claim and partially upheld the principal claim to the total amount of approx. PLN 24 million, and at the same time ordered the payment of interest in the amount of approx. PLN 30 million, totalling to PLN 54 million. Both parties to the proceedings appealed against this judgment.

In a judgment dated 12 June 2019, the Court of Appeal in Wrocław dismissed the appeals of both sides, altering the judgment of the court of first instance solely in the matter of the resolution of court costs from the hearings at the court of first instance and charging them to KGHM Polska Miedź S.A. The judgment is binding and was executed by KGHM on 18-19 June 2019. KGHM Polska Miedź S.A. filed a cassation appeal against the judgment of the court of second instance, i.e. with respect to the partially upheld principal claim in the amount of approx. PLN 24 million as well as with respect to the dismissed counter-claim in the amount of approx. PLN 25 million. The plaintiffs did not file a cassation appeal. The cassation appeal was registered. In a judgment dated 24 November 2022 the Supreme Court overturned the disputed judgment and ordered the case to be reheard. We are awaiting the court signature and the selection of judges at the Court of Appeal in Wrocław.

In accordance with the Company's position, the plaintiffs' claim should be dismissed in its entirety and the counter claim is justified. The Company in this regard paid the authors of the project royalties for a longer period of application of the project than anticipated in the initial contract entered into by the parties on advancing the invention project, based on an annex to the contract, extending the period of payment of royalties, whose validity is questioned by the Company. Moreover, the Company is questioning the „rationalisation” nature of the solutions, as well as whether they were in fact used in their entirety, and also their completeness and suitability for use in the form supplied by the plaintiffs as well as the means of calculating the economic effects of this solution, which were the basis for paying the royalties. The argumentation of KGHM Polska Miedź S.A. is additionally supported by the wording of the judgment of the Supreme Court dated 24 November 2022, which indicates the lack of cause to enter into an appendix enabling the payment of additional remuneration to the Plaintiffs.



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## 5.2 SIGNIFICANT CONTRACTS FOR THE COMPANY AND GROUP

In 2022, the Company and the Group entered into the following significant contracts:

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<b>20 April 2022</b>	<p>A Letter of Intent was signed with Tauron Polska Energia S.A. („Tauron”), in which the parties are considering undertaking strategic cooperation involving research and development and future investment projects with respect to the construction of energy generation sources utilising small nuclear reactors (SMR) technology.</p> <p>The objective of the cooperation between the Parties to the Letter of Intent is to set forth the possibilities, nature and particulars of potential joint involvement in the advancement of SMR-related investment projects.</p> <p>The subject of the cooperation will include, among others, an analysis of available technology and the possibility of placing generating installations in neighbouring receiving infrastructure, as well as the possibility of utilising the existing infrastructure of existing power blocks along with identification of the possibility of obtaining optimum technology, investing in a different manner or engaging in other forms of cooperation with third parties which are already advancing or planning to advance SMR-related investment projects.</p> <p>The Company sees a significant potential and possibility to achieve the effect of synergy by engaging in joint actions with Tauron aimed at investing in SMR technology. These actions are in line with the Company's strategic goals, in particular those involving Energy – the new 5E development direction. According to it, the Company will implement low-emission energy sources in the Core Production Business, and in future could sell energy to third parties, at the same time generating new revenue sources.</p> <p>The Letter of Intent is solely an expression of the intentions of the Parties to establish cooperation, and that the resolutions of the Letter of Intent are not in any way binding for the Parties. The Letter of Intent is in force until such time as one of the Parties expresses a desire to withdraw from further cooperation.</p>
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## 5.3 INFORMATION ON TRANSACTIONS ENTERED INTO BETWEEN RELATED PARTIES, UNDER OTHER THAN ARM'S LENGTH CONDITIONS

In 2022, neither the Parent Entity nor its subsidiaries entered into related party transactions under other than arm's length conditions.

# 6 ABOUT THE STATEMENT ON NON-FINANCIAL INFORMATION

## 6.1 ABOUT THE STATEMENT ON NON-FINANCIAL INFORMATION

GRI 2-2 | GRI 2-3 | GRI 2-4

The presented Statement on non-financial information for 2022 (also referred to as the Statement) includes data and indicators related to the KGHM Polska Miedź S.A. Group (hereinafter also referred to as the KGHM Polska Miedź S.A. Group or the Group) and KGHM Polska Miedź S.A. (hereinafter also referred to as the Parent Entity or the Company).

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) and also on the basis of 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, as well as pursuant to 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 amending 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.

The Statement has also applied all elements of the TCFD guidelines (Task Force on Climate-related Financial Disclosures) to report environmental issues and 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.

The reporting process in the KGHM Polska Miedź S.A. Group and in the Parent Entity KGHM Polska Miedź S.A. is carried out on an annual basis. The information presented herein refers to the reporting period from 1 January to 31 December 2022, unless otherwise indicated in the text of the Statement. This document does not contain any corrections of the content of previous reports, with the exception of calculations of the carbon footprint in 2021, which were updated as mentioned in section 3 of this Statement. The Non-Financial Report of KGHM Polska Miedź S.A. and the Group for 2021 was published on 21 March 2022.

This year, for the first time, the Statement on non-financial information for 2022 was prepared as an integral part of the Report of the Management Board on the Activities of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group in



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2022. In accordance with the previous practice, the Report on Non-Financial Information was published as a separate report and, in addition, the Integrated Report was published by the end of June.

The process of preparation of this Statement on non-financial information was supported by an independent educational and consulting company, CSRinfo Sp. z o.o.. The publication was externally verified by the independent auditor, Paweł Bogacz, Ph.D. Hab. Eng. (Stanisław Staszic AGH University of Science and Technology in Kraków) – an expert of the Institute of Accountancy and Taxes.

## 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. The values of qualitative and quantitative indicators describing the Parent Entity and the Group were calculated with due diligence and in accordance with the principles of comprehensiveness.

The preparation of the content of this Statement on non-financial information comprised the following stages:

- 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.
- collection of metrics, using the IT tool to collect non-financial data, depicting the implementation of policies, strategies and sustainable development goals as well as due diligence and risk management principles and their conducting in the KGHM Group and the Parent Entity in 2022.
- preparation of the Statement on Non-Financial Information of the KGHM Group and Parent Entity for 2022 based on the data collected and in accordance with the regulations mentioned above in this chapter.
- conducting a third party audit evaluating the correctness of data and content included in the Statement on Non-Financial Information of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group for 2022.

## 6.2 LIST / MATRIX OF MATERIAL REPORTING TOPICS FOR 2022

GRI 3-1

GRI 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 materiality analysis process was conducted in accordance with the standard “GRI 3: Material Topics 2021”. In addition, the principle of so-called double materiality recommended by the CSRD was applied.

The process of identifying material topics was based on:

- analysis of the matrix of material topics for 2021,
- analysis of topics arising from industry guidelines/ratings (S&P, SASB),
- identification of material topics identified by sustainability leaders in the industry,
- including material topics identified in the draft future EU ESRS reporting standard,
- taking into account the weight of topics provided by stakeholders in the previous materiality analysis process,
- assessment of the materiality of KGHM's impact on people and the environment in the context of the topics identified,
- assessment of the financial materiality of the topics identified,
- expert assessment of the materiality matrix performed by the CSRinfo Sp. z o.o. team.

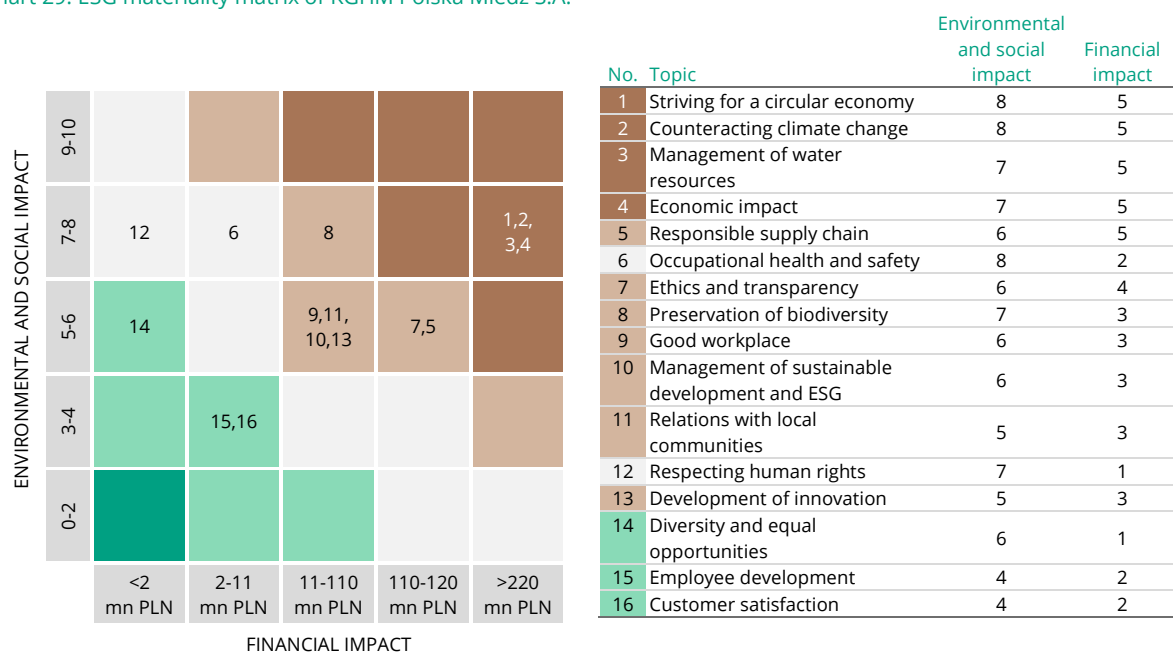
As a result of the above analysis, it was determined that the material reporting topics of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group adopted in 2021 were still valid in 2022. However, the perspective of assessment of these topics changed: instead of materiality for the Company and stakeholders, 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 29 shows the identified topics that are material for stakeholders and have material social, environmental and economic impacts.

Chart 29. ESG materiality matrix of KGHM Polska Miedź S.A.



### 6.3 INDEX OF GRI CONTENT

Table 73. Index of GRI content

<b>Statement of application</b>	KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group prepared a report for the period from 1 January 2022 to 31 December 2022 in accordance with the 2021 GRI Standards.
<b>GRI 1 standard used</b>	GRI 1: Foundation 2021
<b>Applicable GRI sectoral standard</b>	An updated sectoral standard for the mining and metallurgical industry has not yet been published.

Indicator number	Title of the GRI Standard	Name of indicator	Place of disclosure	Comments and explanations
<b>I. PROFILE DISCLOSURES [General Disclosures 2021]</b>				
<b>Organisation and its reporting practices</b>				
<b>GRI 2-1</b>	GRI 2. Profile disclosures 2021	Details of the organisation	1.1. Who we are	
<b>GRI 2-2</b>	GRI 2. Profile disclosures 2021	Entities subject to the reporting of the organisation's sustainable development	1.2. Organisational structure of KGHM Polska Miedź S.A. 1.3. Organisational structure of the KGHM Polska Miedź S.A. Group	6.1. About the Statement on non-financial information
<b>GRI 2-3</b>	GRI 2. Profile disclosures 2021	Reporting cycle and contact details	6.1. About the Statement on non-financial information	
<b>GRI 2-4</b>	GRI 2. Profile disclosures 2021	Corrections to information	6.1. About the Statement on non-financial information	
<b>GRI 2-5</b>	GRI 2. Profile disclosures 2021	External verification	6.4. Information on external auditing	

<i>Indicator number</i>	<i>Title of the GRI Standard</i>	<i>Name of indicator</i>	<i>Place of disclosure</i>	<i>Comments and explanations</i>
<b>Activity and employees</b>				
<b>GRI 2-6</b>	GRI 2. Profile disclosures 2021	Business types, value chain and other business relations	1.1. Who we are 1.3. Organisational structure of the KGHM Polska Miedź S.A. Group 1.4. Business model of the KGHM Polska Miedź S.A. Group 1.5. Production Process 2.10. Sustainable supply chain	
<b>GRI 2-7</b>	GRI 2. Profile disclosures 2021	Employees	4.2. Structure of employment	
<b>GRI 2-8</b>	GRI 2. Profile disclosures 2021	Other persons performing work for the organisation	4.2. Structure of employment	
<b>Governance</b>				
<b>GRI 2-9</b>	GRI 2. Profile disclosures 2021	Management structure	2.1. Management Structure of KGHM S.A. and the KGHM S.A. Group 2.15. Declaration on the application of corporate governance	
<b>GRI 2-10</b>	GRI 2. Profile disclosures 2021	Nomination and election of the senior governing body	2.15. Declaration on the application of corporate governance	
<b>GRI 2-11</b>	GRI 2. Profile disclosures 2021	Chairperson of the senior governing body	2.15. Declaration on the application of corporate governance	
<b>GRI 2-12</b>	GRI 2. Profile disclosures 2021	Role of the senior governing body in supervising the impact management	2.6. Risk management 2.15. Declaration on the application of corporate governance	
<b>GRI 2-13</b>	GRI 2. Profile disclosures 2021	Delegating responsibility for impact management	2.6. Risk management 2.15. Declaration on the application of corporate governance	
<b>GRI 2-14</b>	GRI 2. Profile disclosures 2021	Role of the senior governing body in reporting on sustainable development	2.15. Declaration on the application of corporate governance	
<b>GRI 2-15</b>	GRI 2. Profile disclosures 2021	Conflict of interest	2.15. Declaration on the application of corporate governance	
<b>GRI 2-16</b>	GRI 2. Profile disclosures 2021	Communication of critical issues	2.6. Risk management	
<b>GRI 2-17</b>	GRI 2. Profile disclosures 2021	Collective knowledge of the senior governing body on sustainable development	2.15. Declaration on the application of corporate governance	
<b>GRI 2-18</b>	GRI 2. Profile disclosures 2021	Assessment of activities of the senior governing body	2.15. Declaration on the application of corporate governance	
<b>GRI 2-19</b>	GRI 2. Profile disclosures 2021	Remuneration policy	2.1. Management Structure of KGHM S.A. and the KGHM S.A. Group 2.15. Declaration on the application of corporate governance	
<b>GRI 2-20</b>	GRI 2. Profile disclosures 2021	Remuneration determination process	2.1. Management Structure of KGHM S.A. and the KGHM S.A. Group	
<b>GRI 2-21</b>	GRI 2. Profile disclosures 2021	Index of total annual remuneration	2.1. Management Structure of KGHM S.A. and the KGHM S.A. Group	

<i>Indicator number</i>	<i>Title of the GRI Standard</i>	<i>Name of indicator</i>	<i>Place of disclosure</i>	<i>Comments and explanations</i>
<b>Strategy, policies and activities</b>				
<b>GRI 2-22</b>	GRI 2. Profile disclosures 2021	Statement on the sustainable development strategy	2.4. Management of ESG issues	
<b>GRI 2-23</b>	GRI 2. Profile disclosures 2021	Commitments related to sustainable development	2.4. Management of ESG issues	
<b>GRI 2-24</b>	GRI 2. Profile disclosures 2021	Fulfilment of the commitments included in the Policies	2.2. Corporate governance	
<b>GRI 2-25</b>	GRI 2. Profile disclosures 2021	Adverse impact mitigation processes	2.7. Ethics / Ethical foundations 2.9. Human rights 3.3. Approach to climate risk management	
<b>GRI 2-26</b>	GRI 2. Profile disclosures 2021	Mechanisms for seeking advice and raising concerns	2.7. Ethics / Ethical foundations 2.9. Human rights 4.3. Organisational culture	
<b>GRI 2-27</b>	GRI 2. Profile disclosures 2021	Compliance with law and regulations	2.13. Due diligence policies and procedures	
<b>GRI 2-28</b>	GRI 2. Profile disclosures 2021	Membership in organisations	1.13. Key partnerships and supported initiatives	
<b>Stakeholder involvement</b>				
<b>GRI 2-29</b>	GRI 2. Profile disclosures 2021	Approach to stakeholder involvement	1.11. Stakeholders and external relations 4.4. Communication with employees 4.11. Employee voluntary work	
<b>GRI 2-30</b>	GRI 2. Profile disclosures 2021	Collective labour agreements	4.5. Relations with trade unions	
<b>II. MATERIAL TOPICS</b>				
<b>GRI 3-1</b>	GRI 3. Material topics 2021	Process for identifying material topics	6.2. List / Matrix of material reporting topics for 2022	
<b>GRI 3-2</b>	GRI 3. Material topics 2021	List of material topics	6.2. List / Matrix of material reporting topics for 2022	
<b>Striving for a circular economy</b>				
<b>GRI 3-3</b>	GRI 3. Material topics 2021	Management of material topics	3.6. Environmental impact of operations	
<b>GRI 306-1</b>	306: Waste 2020	Waste generation and its significant impact	3.6. Environmental impact of operations	
<b>GRI 306-2</b>	306: Waste 2020	Managing the significant impact of waste	3.6. Environmental impact of operations	
<b>GRI 306-3</b>	306: Waste 2020	Waste generated by waste category	3.6. Environmental impact of operations	
<b>Prevention of climate change</b>				
<b>GRI 3-3</b>	GRI 3. Material topics 2021	Management of material topics	3.1. Approach to the management of environmental impacts and climate protection 3.3. Approach to climate risk management	
<b>GRI 302-1</b>	302: Energy 2016	Energy consumption of the organisation by type of raw materials	3.1. Approach to the management of environmental impacts and climate protection	

<i>Indicator number</i>	<i>Title of the GRI Standard</i>	<i>Name of indicator</i>	<i>Place of disclosure</i>	<i>Comments and explanations</i>
<b>GRI 305-1</b>	305: 2016 emissions	Direct greenhouse gas emissions (scope 1)	3.1. Approach to the management of environmental impacts and climate protection	
<b>GRI 305-2</b>	305: 2016 emissions	Indirect greenhouse gas emissions (scope 2)	3.1. Approach to the management of environmental impacts and climate protection	
<b>GRI 305-3</b>	305: 2016 emissions	Other indirect greenhouse gas emissions (scope 3)	3.1. Approach to the management of environmental impacts and climate protection	
<b>Management of water resources</b>				
<b>GRI 3-3</b>	GRI 3. Material topics 2021	Management of material topics	3.6. Environmental impact of operations	
<b>GRI 303-1</b>	303: Water and effluents 2018	Interaction with water as a shared resource	3.6. Environmental impact of operations	
<b>GRI 303-2</b>	303: Water and effluents 2018	Management of impacts associated with water discharges	3.6. Environmental impact of operations	
<b>GRI 303-3</b>	303: Water and effluents 2018	Water withdrawal	3.6. Environmental impact of operations	
<b>GRI 303-4</b>	303: Water and effluents 2018	Water discharges	3.6. Environmental impact of operations	
<b>GRI 303-5</b>	303: Water and effluents 2018	Water consumption	3.6. Environmental impact of operations	
<b>Economic impact</b>				
<b>GRI 3-3</b>	GRI 3. Material topics 2021	Management of material topics	2.11. Information on sources of supply of materials used in production, in goods and services 3.2. Importance of copper for the energy transition	
<b>GRI 201-1</b>	201: Economic results 2016	Direct economic value generated and distributed	Aggregated data of the Company and Group for the years 2015-2022	
<b>GRI 203-1</b>	203: Indirect economic impact 2016	Contribution to the development of infrastructure and the provision of services to the public through commercial activities, the donation of goods and pro bono activities. The impact of these activities on the society	4.12. Expenditures incurred by the Company and the Group to support culture, sports, charities, media, social organisations, trade unions etc 4.13. Public engagement during the war in Ukraine 4.14. The KGHM Polska Miedź S.A. Foundation and sponsorship activities	The indicator also refers to the topic: Relations with local communities
<b>Responsible supply chain</b>				
<b>GRI 3-3</b>	GRI 3. Material topics 2021	Management of material topics	2.10. Sustainable supply chain	
<b>GRI 308-1</b>	308: Environmental assessment of suppliers	New suppliers that have undergone an environmental impact assessment	2.10. Sustainable supply chain	The indicator also relates to the topic of Management of sustainable development and ESG risks
<b>Occupational Health and Safety</b>				
<b>GRI 3-3</b>	GRI 3. Material topics 2021	Management of material topics	4.8. Occupational health and safety	

<i>Indicator number</i>	<i>Title of the GRI Standard</i>	<i>Name of indicator</i>	<i>Place of disclosure</i>	<i>Comments and explanations</i>
<b>GRI 403-1</b>	403: Occupational Health and Safety 2018	System of occupational health and safety management	4.8. Occupational health and safety	
<b>GRI 403-2</b>	403: Occupational Health and Safety 2018	Hazard identification, risk assessment and incident investigation	4.8. Occupational health and safety	
<b>GRI 403-3</b>	403: Occupational Health and Safety 2018	The entity (and description of its activities) responsible for the health and safety of workers	4.8. Occupational health and safety	
<b>GRI 403-4</b>	403: Occupational Health and Safety 2018	Employee participation, consultation and communication on occupational health and safety	4.8. Occupational health and safety	
<b>GRI 403-5</b>	403: Occupational Health and Safety 2018	Training of employees in the scope of occupational health and safety	4.8. Occupational health and safety	
<b>GRI 403-6</b>	403: Occupational Health and Safety 2018	Care for health of employees	4.8. Occupational health and safety 4.11. Employee voluntary work	
<b>GRI 403-7</b>	403: Occupational Health and Safety 2018	Preventing and mitigating workplace health and safety impacts in the organisation's value chain	4.8. Occupational health and safety	
<b>GRI 403-8</b>	403: Occupational Health and Safety 2018	Employees covered by the occupational health and safety management system	4.8. Occupational health and safety	
<b>GRI 403-9</b>	403: Occupational Health and Safety 2018	Accidents at work	4.8. Occupational health and safety	
<b>Ethics and transparency</b>				
<b>GRI 3-3</b>	GRI 3. Material topics 2021	Management of material topics	2.7. Ethics / Ethical foundations 2.8. Counteracting corruption 2.13. Due diligence policies and procedures	
<b>GRI 205-1</b>	205: Counteracting corruption 2016	Percentage and total number of business units analysed for corruption risks and risks identified	2.8. Counteracting corruption	
<b>GRI 205-2</b>	205: Counteracting corruption 2016	Communication and training on anti-corruption policies and procedures	2.8. Counteracting corruption	
<b>GRI 205-3</b>	205: Counteracting corruption 2016	Confirmed cases of corruption and action taken	2.8. Counteracting corruption	
<b>GRI 415-1</b>	415: Public commitment 2016	Total financial and in-kind donations to political parties, politicians and institutions of a similar nature		The KGHM Polska Miedź S.A. Group does not financially support political parties, politicians or other institutions of a similar character.
<b>Preservation of biodiversity</b>				
<b>GRI 3-3</b>	GRI 3. Material topics 2021	Management of material topics	3.6. Environmental impact of operations	
<b>GRI 304-1</b>	304: Biodiversity 2016	"Owned, leased, managed or adjacent to	3.6. Environmental impact of operations	
<b>GRI 304-2</b>	304: Biodiversity 2016	protected areas and areas of high biodiversity value outside protected areas"	3.6. Environmental impact of operations	
<b>GRI 304-3</b>	304: Biodiversity 2016	Significant impact of activities, products and services	3.6. Environmental impact of operations	

<i>Indicator number</i>	<i>Title of the GRI Standard</i>	<i>Name of indicator</i>	<i>Place of disclosure</i>	<i>Comments and explanations</i>
<b>Good workplace</b>				
<b>GRI 3-3</b>	GRI 3. Material topics 2021	Management of material topics	4.1. KGHM as a responsible employer – responsibility in the workplace (approach to managing employee issues) 4.6. Working conditions and staff development	
<b>GRI 401-1</b>	401: Employment 2016	Newly recruited staff and staff turnover	4.2. Structure of employment	
<b>GRI 401-2</b>	401: Employment 2016	Fringe benefits provided to full-time employees that are not available to temporary or part-time employees, by major business unit	4.6. Working conditions and staff development	
<b>GRI 405-1</b>	405: Diversity and equal opportunities 2016	Diversity of supervisory and management bodies and employees	4.7. Diversity in the workplace	The indicator also relates to the topic of Diversity and equal opportunities
<b>GRI 405-2</b>	405: Diversity and equal opportunities 2016	Ratio of basic and total wage for women to men	4.7. Diversity in the workplace	The indicator also relates to the topic of Diversity and equal opportunities
<b>GRI 404-1</b>	404: Training and education 2016	Average annual number of training hours per employee	4.6. Working conditions and staff development	The indicator also relates to the topic of Employee development
<b>GRI 404-2</b>	404: Training and education 2016	Skills development and change facilitation programs	4.6. Working conditions and staff development	The indicator also relates to the topic of Employee development
<b>Management of sustainable development and ESG</b>				
<b>GRI 3-3</b>	GRI 3. Material topics 2021	Management of material topics	2.4. Management of ESG issues 2.6. Risk management 3.3. Approach to climate risk management	
<b>GRI 201-2</b>	201: Economic results 2016	Financial implications and other risks and opportunities associated with climate change	3.3. Approach to climate risk management	This disclosure relates to KGHM Polska Miedź S.A. The disclosure contains a description of risks and their classification, methods applied in risk and opportunity management. However, the consequences of financial risks or opportunities prior to taking action were not added.
<b>GRI 308-1</b>	308: Environmental assessment of suppliers	New suppliers that have undergone an environmental impact assessment	2.10. Sustainable supply chain	The indicator also relates to the topic of Responsible Supply Chain
<b>Relations with local communities</b>				
<b>GRI 3-3</b>	GRI 3. Material topics 2021	Management of material topics	4.9. Responsibility towards society / society as a pillar of the KGHM Group's sustainable development activities	
<b>GRI 413-1</b>	413: Local communities 2016	The organisation's business units, incorporating community engagement, impact assessment and development programs.	4.9. Responsibility towards society / society as a pillar of the KGHM Group's sustainable development activities	



<i>Indicator number</i>	<i>Title of the GRI Standard</i>	<i>Name of indicator</i>	<i>Place of disclosure</i>	<i>Comments and explanations</i>
			4.10. Cooperation with local communities in the KGHM Polska Miedź S.A. Group	
<b>GRI 203-1</b>	203: Indirect economic impact 2016	Contribution to the development of infrastructure and the provision of services to the public through commercial activities, the donation of goods and pro bono activities. The impact of these activities on the society	4.12. Expenditures incurred by the Company and the Group to support culture, sports, charities, media, social organisations, trade unions etc 4.13. Public engagement during the war in Ukraine 4.14. The KGHM Polska Miedź S.A. Foundation and sponsorship activities	The indicator also relates to the topic of Economic impact
<b>Respecting human rights</b>				
<b>GRI 3-3</b>	GRI 3. Material topics 2021	Management of material topics	2.7. Ethics / Ethical foundations 2.9. Human rights	
<b>GRI 406-1</b>	406: Counteracting discrimination 2016	Number of incidents of discrimination and corrective action taken on this issue	2.7. Ethics / Ethical foundations	
<b>Development of innovation</b>				
<b>GRI 3-3</b>	GRI 3. Material topics 2021	Management of material topics	3.4. Environmentally-friendly investment and description of measures taken 3.5. Energy transition - projects implemented by KGHM	
<b>Own indicator</b>		Innovations improving energy efficiency or mitigating adverse environmental impacts	3.5. Energy transition - projects implemented by KGHM	
<b>Diversity and equal opportunities</b>				
<b>GRI 3-3</b>	GRI 3. Material topics 2021	Management of material topics	2.15. Declaration on the application of corporate governance 4.7. Diversity in the workplace	
<b>GRI 405-1</b>	405: Diversity and equal opportunities 2016	Diversity of supervisory and management bodies and employees	4.7. Diversity in the workplace	The indicator also relates to the topic of Good workplace
<b>GRI 405-2</b>	405: Diversity and equal opportunities 2016	Ratio of basic and total wage for women to men	4.7. Diversity in the workplace	The indicator also relates to the topic of Good workplace
<b>GRI 406-1</b>	406: Counteracting discrimination 2016	Number of incidents of discrimination and corrective action taken on this issue	2.7. Ethics / Ethical foundations	The indicator also relates to the topic of Respecting human rights
<b>Employee development</b>				
<b>GRI 3-3</b>	GRI 3. Material topics 2021	Management of material topics	4.6. Working conditions and staff development	
<b>GRI 404-1</b>	404: Training and education 2016	Average annual number of training hours per employee	4.6. Working conditions and staff development	The indicator also relates to the topic of Good workplace
<b>GRI 404-2</b>	404: Training and education 2016	Skills development and change facilitation programs	4.6. Working conditions and staff development	The indicator also relates to the topic of Good workplace

<i>Indicator number</i>	<i>Title of the GRI Standard</i>	<i>Name of indicator</i>	<i>Place of disclosure</i>	<i>Comments and explanations</i>
<b>Customer satisfaction</b>				
<b>GRI 3-3</b>	GRI 3. Material topics 2021	Management of material topics	2.7. Ethics / Ethical foundations	
<b>GRI 417-1</b>	417: Marketing and labelling of products and services 2016	Product and service information requirements and labelling		100% - percentage of material categories of products and services of the KGHM Polska Miedź S.A. Group that were tested for compliance with labelling procedures

## 6.4 INFORMATION ON EXTERNAL AUDITING

### GRI 2-5

The contract for the audit and review of the financial statements of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group for the years 2019-2021 with the company PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k. was entered into on 27 February 2019. Following a positive evaluation of the services performed by the existing auditor and of the offer submitted by the auditor to provide services comprised of the audit and review of the financial statements of KGHM Polska Miedź S.A., the Supervisory Board of KGHM Polska Miedź S.A. resolved to extend the life of the aforementioned agreement for the review and audit of the financial statements of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group for the years 2022-2024.

Detailed information on the policies and procedures involved in the selection and providing of auditing services may be found in subsection [2.15 Declaration on the application of corporate governance](#).

KGHM Polska Miedź S.A. made use of the services of the auditing firm for the audit and review of the financial statements of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group for the years 2010-2015, and in the years 2016-2018 with respect to tax advising and financial-accounting services.

The Supervisory Board of the Company selected the auditing firm based on the recommendation of the Supervisory Board's Audit Committee in compliance with laws in force.

Information on the remuneration of the entity entitled to audit the financial statements for the review and audit of financial statements and other remuneration is presented in note 12.10 of the separate financial statements and note 12.10 of the consolidated financial statements.

Moreover, the Statement on non-financial information, as a separate part of this report, was subjected to voluntary expert verification in terms of its methodological propriety and accuracy. The opinion of the external auditor Paweł Bogacz, Ph.D. Hab. Eng. (Stanisław Staszic AGH University of Science and Technology in Kraków) on the conducted evaluation and verification is included in the introduction to the Declaration on non-financial information.





## 6.5 CONTACT

For information, questions and concerns regarding the Statement on Non-Financial Information, please contact the Investor Relations Department of KGHM Polska Miedź S.A., [ir@kghm.com](mailto:ir@kghm.com) +48 76 74 78 280.

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# Economic results

## 7 ECONOMIC PERFORMANCE OF THE GROUP

				
<b>Copper production</b>	<b>C1 cost</b>	<b>Revenues</b>	<b>Adjusted EBITDA</b>	<b>Profit for the period</b>
<b>733</b> kt	<b>2.20</b> USD/lb	<b>33 778</b> PLN mn	<b>8 865</b> PLN mn	<b>4 774</b> PLN mn

### 7.1 PRODUCTION

In 2022, copper production by the Group was lower by 3%, or by 20.6 thousand tonnes compared to 2021. The decrease was in respect of KGHM INTERNATIONAL LTD. (-15.5 thousand tonnes) and Sierra Gorda SCM (-13.6 thousand tonnes on a 55% basis) and was not offset by higher production by KGHM Polska Miedź S.A. (+ 8.4 thousand tonnes).

The increase in copper production by KGHM Polska Miedź S.A. in 2022 was due to higher consumption of purchased copper-bearing materials and higher availability of production lines.

The decrease in copper production by Sierra Gorda SCM was mainly due to the extraction of ore with lower copper content and lower recovery.

The decrease in production by the segment KGHM INTERNATIONAL LTD. was mainly due to the lack of production from the Franke mine from April 2022 (-8.0 thousand tonnes) and lower production by the Robinson mine (-6.8 thousand tonnes). Higher copper production versus the prior year was recorded by the Sudbury Basin mines (+0.6 thousand tonnes).

Detailed information on production results may be found in the sections dedicated to individual segments. The Group's production is shown below.

Table 74. Production by the Group<sup>37</sup>

	2022	2021	Change (%)	IVQ'22	IIIQ'22	IIQ'22	IQ'22
<b>Payable copper (kt)</b>							
<b>Group</b>	<b>733.1</b>	<b>753.7</b>	<b>(2.7)</b>	<b>175.6</b>	<b>179.8</b>	<b>184.5</b>	<b>193.2</b>
- 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
<b>TPM (koz t)</b>							
<b>Group</b>	<b>177.5</b>	<b>163.5</b>	<b>8.6</b>	<b>45.3</b>	<b>41.0</b>	<b>48.4</b>	<b>42.8</b>
- 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
<b>Silver (t)</b>							
<b>Group</b>	<b>1 327.1</b>	<b>1 366.1</b>	<b>(2.9)</b>	<b>305.1</b>	<b>338.7</b>	<b>335.6</b>	<b>347.7</b>
- 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
<b>Molybdenum (mn lbs)</b>							
<b>Group</b>	<b>3.0</b>	<b>8.4</b>	<b>(64.3)</b>	<b>0.5</b>	<b>0.5</b>	<b>0.7</b>	<b>1.3</b>
- 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

<sup>37</sup> Sierra Gorda – 55% share of the Group

## 7.2 SALES STRUCTURE – GEOGRAPHIC AND PRODUCT

The geographic and product structure of the consolidated sales revenue of the Group is presented in the following charts. In accordance with the adopted principle of consolidation by the equity method, sales revenue do not include revenues of the segment Sierra Gorda S.C.M. Detailed information on segment sales is presented in the sections devoted to the results of individual segments.

Chart 30. Geographic structure of Group sales

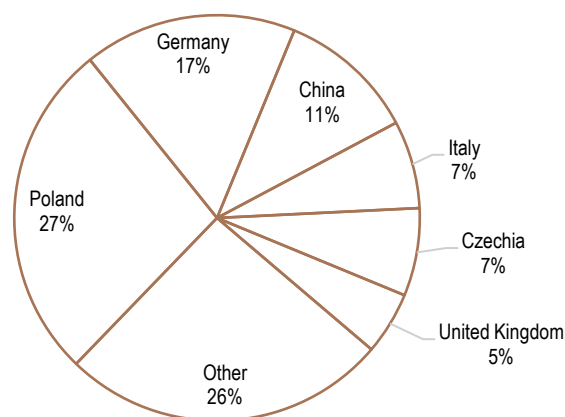
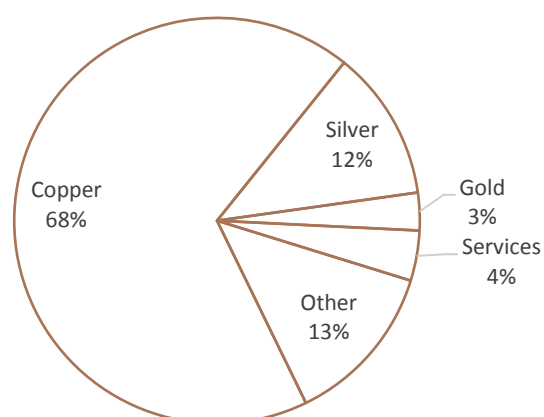


Chart 31. Product structure of Group sales



## 7.3 C1 COST OF PRODUCING PAYABLE COPPER IN THE GROUP

Unit costs by Group segments are presented in the table below. Detailed descriptions of individual items are presented in the sections devoted to individual segments.

Table 75. C1 cost of producing payable copper in the Group (USD/lb)

	2022	2021	Change (%)	IVQ'22	IIIQ'22	IIQ'22	IQ'22
<b>Group</b>	<b>2.20</b>	<b>1.96</b>	<b>+12.2</b>	<b>2.21</b>	<b>2.23</b>	<b>2.18</b>	<b>2.19</b>
- 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

## 7.4 FINANCIAL RESULTS

### STATEMENT OF PROFIT OR LOSS

Table 76. Financial results of the Group (in million PLN)

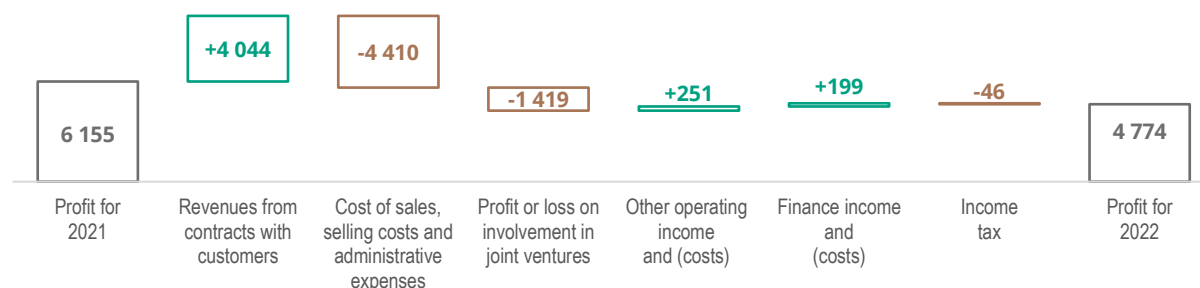
	2022	2021	Change (%)	IVQ'22	IIIQ'22	IIQ'22	IQ'22
Revenues from contracts with customers	33 847	29 803	+13.6	8 151	7 770	8 933	8 993
Cost of sales, selling costs and administrative expenses	(29 503)	(25 093)	+17.6	(7 493)	(7 115)	(7 703)	(7 192)
<b>Profit on sales</b>	<b>4 344</b>	<b>4 710</b>	<b>(7.8)</b>	<b>658</b>	<b>655</b>	<b>1 230</b>	<b>1 801</b>
Profit or loss on involvement 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 / (costs)	(272)	(471)	(42.3)	423	(337)	(251)	(107)
<b>Profit before income tax</b>	<b>6 489</b>	<b>7 824</b>	<b>(17.1)</b>	<b>(376)</b>	<b>1 551</b>	<b>2 806</b>	<b>2 508</b>
Income tax expense	(1 715)	(1 669)	+2.8	(117)	(464)	(525)	(609)
<b>Profit for the period</b>	<b>4 774</b>	<b>6 155</b>	<b>(22.4)</b>	<b>(493)</b>	<b>1 087</b>	<b>2 281</b>	<b>1 899</b>
<b>Adjusted EBITDA<sup>38</sup></b>	<b>8 865</b>	<b>10 327</b>	<b>(14.2)</b>	<b>1 920</b>	<b>1 636</b>	<b>2 176</b>	<b>3 133</b>

Table 77. Main factors impacting the change in profit or loss of the Group

Item	Impact on change of profit or loss (in million PLN)	Description
<b>Revenues from contracts with customers</b>	+4 044	An increase in revenues mainly due to revenues from sales of copper +PLN 2 801 million, silver +PLN 373 million, services +PLN 254 million and gold +PLN 171 million. Detailed reasons for the changes in revenues in the segments KGHM Polska Miedź S.A. and KGHM INTERNATIONAL LTD. are described in parts 7 and 8 of this report.
<b>Cost of sales, selling costs and administrative expenses</b>	(4 410)	<ul style="list-style-type: none"> <li>– an increase in cost of sales, selling costs and administrative expenses due to:</li> <li>– 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 a higher volume of purchased metal-bearing materials by PLN 1 727 million, higher employee benefits costs by PLN 890 million, higher external services by PLN 404 million, higher depreciation/amortisation by PLN 144 million, higher costs of other taxation and fees by PLN 125 million. Compared to 2021, the minerals extraction tax charge was lower by PLN 502 million and the impairment losses on property, plant and equipment and intangible assets by PLN 257 million.</li> <li>– an adjustment to inventories of finished products and work in progress by PLN 464 million (in 2022: -PLN 2 008 million; in 2021: -PLN 1 544 million),</li> </ul>
<b>Profit or loss on involvement in a joint venture</b>	(1 419)	<p>A decrease in the result on involvement in a joint venture, from PLN 2 874 million to PLN 1 455 million, comprised of:</p> <ul style="list-style-type: none"> <li>– a decrease in gains due to the reversal of allowances for impairment of loans granted to a joint venture, PLN 1 507 million,</li> <li>– an increase in interest income on loans granted by PLN 88 million.</li> </ul>
<b>Other operating income and (costs)</b>	+251	<p>An increase in the result on other operating activities, from PLN 711 million to PLN 962 million, comprised mainly of:</p> <ul style="list-style-type: none"> <li>– an increase by PLN 165 million in the result from the measurement and realisation of derivatives,</li> <li>– gain on disposal of subsidiaries, PLN 180 million,</li> <li>– an increase by PLN 50 million in profit/(loss) from the sale of intangible assets and property, plant and equipment,</li> <li>– financial support granted to municipalities, PLN 100 million,</li> <li>– a decrease by PLN 45 million in the result on exchange differences.</li> </ul>
<b>Finance income and (costs)</b>	+199	<p>An increase in the result on finance income and costs, from -PLN 471 million to -PLN 272 million, mainly comprised of:</p> <ul style="list-style-type: none"> <li>– a decrease by PLN 120 million in foreign exchange losses on measurement and realisation of borrowings,</li> <li>– a decrease by PLN 76 million in interest costs on borrowings.</li> </ul>
<b>Income tax</b>	(46)	<p>An increase in income tax mainly due to:</p> <ul style="list-style-type: none"> <li>– lower current income tax by PLN 195 million,</li> <li>– higher deferred income tax by PLN 191 million.</li> </ul>

<sup>38</sup> 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) according to part 2 of the consolidated financial statements – together with Sierra Gorda S.C.M.

Chart 32. Change in profit/loss of the Group for 2022 (in million PLN)



## CASH FLOW

Table 78. Cash flow of the Group (in million PLN)

	2022	2021	Change (%)	4Q'22	3Q'22	2Q'22	1Q'22
<b>Profit before income tax</b>	<b>6 489</b>	<b>7 824</b>	<b>(17.1)</b>	<b>(376)</b>	<b>1 551</b>	<b>2 806</b>	<b>2 508</b>
Exclusions of income and costs, total	(12)	(51)	(76.5)	1 688	(706)	(1 039)	45
Income tax paid	(1 696)	(740)	×2.3	(205)	(192)	(652)	(647)
Change in working capital	(2 317)	(2 767)	(16.3)	(801)	(85)	(1 250)	(181)
<b>Net cash generated from operating activities</b>	<b>2 464</b>	<b>4 266</b>	<b>(42.2)</b>	<b>306</b>	<b>568</b>	<b>(135)</b>	<b>1 725</b>
Expenditures on property, plant and equipment and intangible assets	(4 118)	(3 890)	+5.9	(1 162)	(988)	(884)	(1 084)
Repayment of loans granted to a joint venture	789	1 259	(37.3)	-	-	358	431
Proceeds from disposal of property, plant and equipment and intangible assets	394	98	×4.0	18	3	43	330
Proceeds from the sale of subsidiaries	243	-	×	-	-	92	151
Other cash flow from investing activities	(3)	7	×	(18)	62	(24)	(23)
<b>Net cash used in investing activities</b>	<b>(2 695)</b>	<b>(2 526)</b>	<b>+6.7</b>	<b>(1 162)</b>	<b>(923)</b>	<b>(415)</b>	<b>(195)</b>
Proceeds from / repayments of borrowings	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 shareholders of the Parent Entity	(600)	(300)	×2.0	-	(600)	-	-
Other cash flow from financing activities	53	(19)	×	45	2	(1)	7
Net cash used in financing activities	<b>(446)</b>	<b>(2 200)</b>	<b>(79.7)</b>	<b>(120)</b>	<b>(109)</b>	<b>(141)</b>	<b>(76)</b>
<b>NET CASH FLOW</b>	<b>(677)</b>	<b>(460)</b>	<b>47.2</b>	<b>(976)</b>	<b>(464)</b>	<b>(691)</b>	<b>1 454</b>
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
<b>Cash and cash equivalents at end of the period</b>	<b>1 200</b>	<b>1 904</b>	<b>(37.0)</b>	<b>1 200</b>	<b>2 132</b>	<b>2 635</b>	<b>3 355</b>

Net cash generated from operating activities in 2022 amounted to +PLN 2 464 million and was comprised of profit before income tax of +PLN 6 489 million, increased mainly by adjusted depreciation/amortisation in the amount of +PLN 2 239 million, the reclassification of other comprehensive income to profit or loss due to the realisation of hedging derivatives in the amount of +PLN 492 million and an impairment loss on non-current assets of +PLN 147 million.

The decrease in cash generated from operating activities in 2022 was mainly due to the change in working capital of -PLN 2 317 million, income tax paid of -PLN 1 696 million, an adjustment of gains due to the reversal of allowances for impairment of loans granted to a joint venture of -PLN 873 million, an adjustment due to exchange differences of -PLN 661 million, an adjustment of interest on loans granted to a joint venture of -PLN 582 million, change in assets and liabilities due to derivatives of -PLN 353 million, an adjustment of gains on disposal subsidiaries of -PLN 180 million and gains on disposal of property, plant and equipment and intangible assets in the amount of -PLN 108 million.

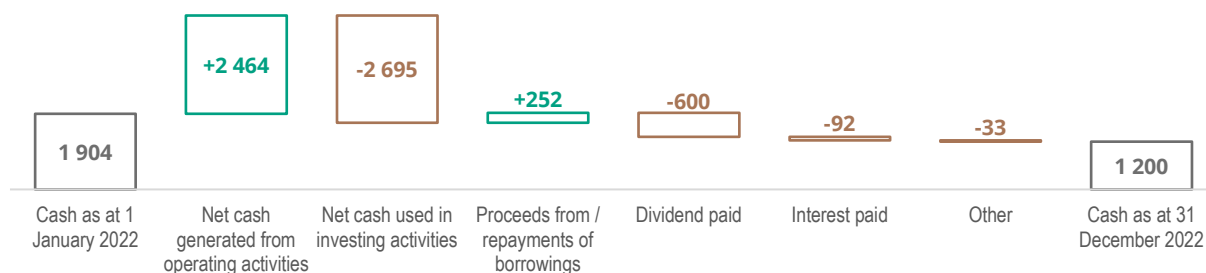
Net cash used in investing activities in 2022 amounted to -PLN 2 695 million and mainly comprised expenditures on property, plant and equipment and intangible assets in the amount of PLN 4 118 million, proceeds from the repayment of loans granted to a joint venture together with interest in the amount 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 used in financing activities in 2022 amounted to -PLN 446 million and mainly comprised the balance of proceeds and repayment of borrowings in the amount of PLN 252 million, dividends paid to shareholders of the Parent Entity in the amount of PLN 600 million and interest paid in the amount of PLN 92 million.

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



Chart 33. Cash flow of the Group in 2022 (in million PLN)



## ASSETS, EQUITY AND LIABILITIES

Table 79. Consolidated assets (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	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
<b>Non-current assets</b>	<b>40 379</b>	<b>36 664</b>	<b>+10.1</b>	<b>41 534</b>	<b>39 679</b>	<b>37 167</b>
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
<b>Current assets</b>	<b>13 065</b>	<b>11 363</b>	<b>+15.0</b>	<b>13 305</b>	<b>13 427</b>	<b>12 874</b>
<b>TOTAL ASSETS</b>	<b>53 444</b>	<b>48 027</b>	<b>+11.3</b>	<b>54 839</b>	<b>53 106</b>	<b>50 041</b>

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.

Non-current assets as at 31 December 2022 amounted to PLN 40 379 million and compared to the end of 2021 were higher by PLN 3 715 million. The increase in non-current assets was mainly with respect to loans granted to joint ventures by PLN 1 736 million and property, plant and equipment and intangible assets by PLN 1 907 million.

Current assets increased by PLN 1 702 million, mainly due to inventories by PLN 2 565 million, trade receivables by PLN 168 million, derivatives by PLN 542 million and other financial and non-financial assets by PLN 289 million. The decrease in current assets was mainly with respect to assets held for sale by PLN 734 million, cash and cash equivalents by PLN 684 million and loans granted to a joint venture by PLN 447 million.

Chart 34. Change in assets of the Group in 2022 (in million PLN)



## EQUITY AND LIABILITIES

Table 80. Consolidated equity and liabilities (in million PLN)

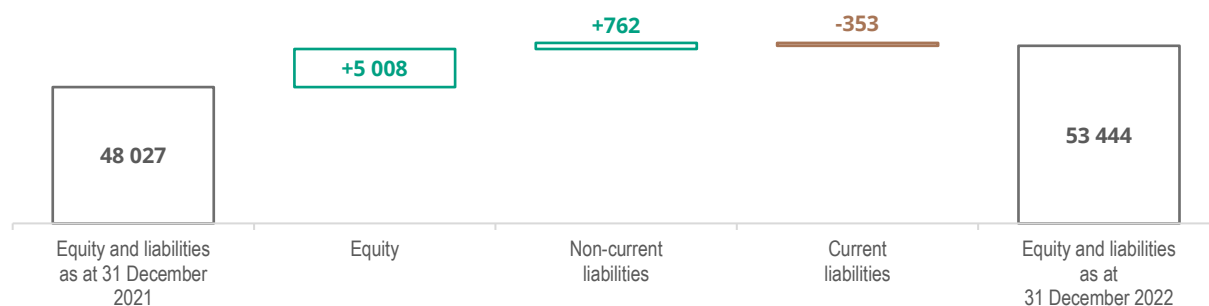
	31.12.2022	31.12.2021	Change (%)	30.09.2022	30.06.2022	31.03.2022
Share capital	2 000	2 000	-	2 000	2 000	2 000
Other reserves from measurement of financial instruments	(427)	(1 705)	(75.0)	(1 085)	(670)	(1 949)
Accumulated other comprehensive income	1 812	2 219	(18.3)	2 093	2 145	2 123
Retained earnings	28 704	24 532	+17.0	29 198	28 112	26 432
<b>Equity attributable to shareholders of the Parent Entity</b>	<b>32 089</b>	<b>27 046</b>	<b>+18.6</b>	<b>32 206</b>	<b>31 587</b>	<b>28 606</b>
<b>Equity attributable to non-controlling interest</b>	<b>57</b>	<b>92</b>	<b>(38.0)</b>	<b>58</b>	<b>57</b>	<b>55</b>
<b>Equity</b>	<b>32 146</b>	<b>27 138</b>	<b>+18.5</b>	<b>32 264</b>	<b>31 644</b>	<b>28 661</b>
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
<b>Non-current liabilities</b>	<b>12 113</b>	<b>11 351</b>	<b>+6.7</b>	<b>12 800</b>	<b>11 272</b>	<b>10 418</b>
Borrowings, leases 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 associated with assets held for sale	-	462	x	-	-	386
<b>Current liabilities</b>	<b>9 185</b>	<b>9 538</b>	<b>(3.7)</b>	<b>9 775</b>	<b>10 190</b>	<b>10 962</b>
<b>Non-current and current liabilities</b>	<b>21 298</b>	<b>20 889</b>	<b>+2.0</b>	<b>22 575</b>	<b>21 462</b>	<b>21 380</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>53 444</b>	<b>48 027</b>	<b>+11.3</b>	<b>54 839</b>	<b>53 106</b>	<b>50 041</b>

Equity as of the end of 2022 amounted to PLN 32 146 million and were 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 of 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 benefits liabilities by PLN 315 million, provisions for decommissioning costs of mines and other facilities by PLN 617 million and deferred tax liabilities by PLN 508 million alongside a decrease in borrowings by PLN 189 million and derivatives 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 derivatives by PLN 455 million, tax liabilities by PLN 220 million, other liabilities by PLN 332 million and liabilities associated with assets held for sale by PLN 462 million. Increases in current liabilities were mainly in respect of borrowings and leases by PLN 262 million, employee benefits liabilities by PLN 211 million and trade and similar payables by PLN 120 million.

Chart 35. Change in equity and liabilities of the Group in 2022 (in million PLN)



## CONTINGENT ASSETS AND LIABILITIES DUE TO GUARANTEES GRANTED

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

As at 31 December 2022, the liabilities of the Group due to guarantees and letters of credit granted amounted to a total of PLN 1 156 million (as at 31 December 2021: PLN 849 million) and due to promissory note payables amounted to PLN 170 million (as at 31 December 2021: PLN 173 million).

The most significant items are liabilities of the Parent Entity aimed at securing the following obligations:

- **Sierra Gorda S.C.M.** – a corporate guarantee in the amount of PLN 969 million (USD 220 million) set as security on the repayment of a bank loan drawn by Sierra Gorda S.C.M. (as at 31 December 2021 in the amount of PLN 670 million, or USD 165 million). The guarantee's validity period falls on September 2024. The carrying amount of the liability due to a financial guarantee granted was recognised in the amount of PLN 57 million (as at 31 December 2021, PLN 58 million)<sup>39</sup>,

### other entities, including the Parent Entity:

- PLN 126 million - securing the proper execution by the Parent Entity of future environmental obligations related to the obligation to restore terrain, following the conclusion of operations of the Żelazny Most tailings storage facility (as at 31 December 2021 in the amount of PLN 124 million), the guarantee is valid for up to 1 year,
- PLN 14 million - securing claims on behalf of the Marshal of the Voivodeship of Lower Silesia to cover costs related to collecting and processing waste, the guarantee is valid up to 1 year,
- PLN 37 million (PLN 30 million and CAD 2 million) securing the obligations related to proper execution of agreements concluded 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 valid for up to 3 years,
- PLN 2 million - securing obligations related to tax and customs duties, the guarantee is valid indefinitely.

Based on the knowledge held, at the end of the reporting period the Group assessed the probability of payments resulting from liabilities due to guarantees and letters of credit granted as low.

## 7.5 FINANCING IN THE GROUP

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 monitoring the level of the Group's debt. Financial liquidity management involves securing an appropriate amount of cash and available debt financing in the short, medium and long term.

### NET DEBT IN THE GROUP

Borrowings of the Group at the end of 2022 amounted to PLN 6 441 million. The debt structure is based on diversified and long-term financing sources, ensuring financial stability over the long term.

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

Table 81. Net debt structure of the Group (in million PLN)

	31.12.2022	31.12.2021	Change (%)	30.09.2022	30.06.2022	31.03.2022
<b>Liabilities due to:</b>	<b>6 443</b>	<b>5 949</b>	<b>+8.3</b>	<b>6 018</b>	<b>6 036</b>	<b>5 956</b>
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
<b>Free cash and cash equivalents</b>	<b>1 179</b>	<b>1 880</b>	<b>(37.3)</b>	<b>2 115</b>	<b>2 619</b>	<b>3 329</b>
<b>Net debt</b>	<b>5 264</b>	<b>4 069</b>	<b>+29.4</b>	<b>4 803</b>	<b>3 417</b>	<b>2 627</b>

<sup>39</sup> The financial guarantee was recognised pursuant to par. 4.2.1. point c of IFRS 9.

Table 82. Net debt structure of the Parent Entity (in million PLN)

	31.12.2022	31.12.2021	Change (%)	30.09.2022	30.06.2022	31.03.2022
<b>Liabilities due to:</b>	<b>6 445</b>	<b>5 922</b>	<b>+8.8</b>	<b>6 906</b>	<b>5 980</b>	<b>5 958</b>
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
<b>Free cash and cash equivalents</b>	<b>971</b>	<b>1 318</b>	<b>(26.3)</b>	<b>1 693</b>	<b>2 020</b>	<b>2 633</b>
<b>Net debt</b>	<b>5 474</b>	<b>4 604</b>	<b>+18.9</b>	<b>5 213</b>	<b>3 960</b>	<b>3 325</b>

### 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.

Table 83. Sources of financing in the Group <sup>40</sup>

<b>Unsecured, revolving syndicated credit facility in the amount of USD 1.5 billion</b>	<p>A credit facility 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 the years 2020-2021 the Parent Entity received a consent of the Syndicate Members to extend the term of the agreement by 2 years, that is to 20 December 2026. The amount of available financing during the extension period will amount to USD 1 438 million (PLN 6 330 million). Interest is based on LIBOR plus a margin, which depends on the net debt/EBITDA ratio.</p> <p>The funds acquired under this credit facility are used to finance general corporate purposes.</p>
<b>Investment loans, including from the European Investment Bank in the total amount of PLN 3.5 billion with financing periods of up to 12 years</b>	<p>Financing agreements signed by the Parent Entity with the European Investment Bank:</p> <ul style="list-style-type: none"> <li>– in August 2014 in the amount of 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 acquired through this loan were used to finance selected investment projects related to modernisation of metallurgy and development of the “Żelazny Most” tailings storage facility,</li> <li>– in December 2017 in the amount of PLN 1 340 million, under which three instalments were drawn with the payback period expiring on 28 June 2030, 23 April 2031 and 11 September 2031. The deadline for accessing the unused amount of PLN 440 million expires in April 2023. The funds acquired through this loan are used to finance the Parent Entity’s development and replacement projects at various stages of the production line.</li> </ul> <p>Interest on the instalments drawn is based on a fixed interest rate.</p>
<b>Debt securities in the amount of PLN 2.0 billion</b>	<p>The program to issue bonds on the Polish market was established under an issue agreement dated 27 May 2019. The issue had 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 WIBOR plus a margin.</p> <p>The funds obtained from the bond issue were used to finance general corporate goals.</p>
<b>Bilateral bank loans in the amount of up to PLN 3.3 billion</b>	<p>The Group holds lines of credit in the form of short-term and long-term bilateral agreements in the 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.</p> <p>The funds obtained under the aforementioned bank loan agreements are a tool supporting the management of current financial liquidity and support the financing of investments.</p>

Another source supporting the Group’s liquidity is reverse factoring. The main goal of implementation of the reverse factoring program was to guarantee the effective management of working capital while ensuring the timely execution of trade payables towards the Group. It should be assumed that reverse factoring is a tool used by the Group as reasonably needed. Agreements with factors were entered into for an unspecified period of time and remain active with the possibility of immediately utilising the offered limits. Reverse factoring is one of the elements available for debt financing which the Group does not plan on withdrawing from, and treats the available program as an effective tool to manage working capital in a situation of negative changes in the economic environment or other factors.

The aforementioned sources fully cover the current, medium- and long-term liquidity needs of the Group.

<sup>40</sup> Detailed information on the aforementioned borrowings and debt securities may be found in notes 8.4.3 of the financial statements

## DEBT POSITION AS AT 31 DECEMBER 2022

The following table presents the Group's borrowing structure and the extent to which borrowing was utilised.

Table 84. Amount available and drawn by the Group (in million PLN)

	Amount drawn as of 31.12.22	Amount drawn as of 31.12.21	Change (%)	Amount available as of 31.12.22	Amount drawn (%) as of 31.12.22
Unsecured, revolving syndicated credit facility	528	(14) <sup>41</sup>	×	6 603	+8.0
Loans	2 434	2 568	(5.2)	3 528	+69.0
Bilateral bank loans	735	749	(1.9)	3 255	+22.6
Debt securities	2 002	2 001	+0.0	2 000	+100.1
<b>Total</b>	<b>5 699</b>	<b>5 304</b>	<b>+7.4</b>	<b>15 386</b>	<b>+37.0</b>

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 with respect to liabilities drawn. The cash and cash equivalents held by the Group along with the external financing obtained ensure that liquidity will be maintained and will enable the achievement of investment goals.

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 in the amount of PLN 15 386 million, out of which PLN 5 699 million had been drawn.

In 2022, the Group continued activities aimed at ensuring long-term financial stability and optimising short-term sources of financing.

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 financial covenants at specified levels. At the reporting date, during the financial year and following the reporting date, up to the date of publication of this report, the level of reportable financial covenants as of 30 June 2022 and 31 December 2022, met the conditions specified in agreements.

Table 85. Net debt / EBITDA of the Group

	31.12.22	31.12.21	Change (%)	30.09.22	30.06.22	31.03.22
<b>Net debt / EBITDA</b> <sup>42</sup>	<b>0.8</b>	<b>0.6</b>	<b>33.3</b>	<b>0.7</b>	<b>0.5</b>	<b>0.3</b>

<sup>41</sup> Preparatory fee decreases liabilities due to bank loan drawn

<sup>42</sup> 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 due to loans granted by the Parent Entity, in accordance with the measurement pursuant to IFRS 9, amounted to PLN 8 785 million, while the balance of receivables due to loans granted by the Group, in accordance with the measurement pursuant to IFRS 9, amounted to PLN 9 623 million.

Table 86. The most significant<sup>43</sup> loans granted by companies of the Group as of 31 December 2022

Lender	Borrower	Year granted	Total amount of loans	Total balance of receivables due to loans granted <sup>44</sup>		Maturity
<b>Loans granted within the Group</b>						
KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	2015	USD 9 mn	USD 13 mn	PLN 55 mn	31.12.2027
KGHM Polska Miedź S.A.	Future 1 Sp. z o.o.	2013-2016 2017	USD 874 mn PLN 7 mn	USD 1 135 mn	PLN 4 998 mn PLN 9 mn	31.12.2024 31.12.2024
KGHM Polska Miedź S.A.	Quadra FNX Holdings Chile Limitada	2015-2017	USD 442 mn	USD 203 mn	PLN 895 mn	31.12.2024
KGHM Polska Miedź S.A.	Quadra FNX FFI S.à r.l.	2017-2020	USD 511 mn	USD 622 mn	PLN 2 739 mn	15.12.2024 31.12.2024
Future 1 Sp. z o.o.	KGHM INTERNATIONAL LTD.	2012	USD 453 mn	USD 450 mn	PLN 1 981 mn	31.12.2027
Future 1 Sp. z o.o.	Quadra FNX FFI S.à r.l.	2017	USD 1 419 mn	USD 1 428 mn	PLN 6 288 mn	15.12.2024
KGHM INTERNATIONAL LTD.	FNX Mining Company Inc.	2015	USD 140 mn	USD 54 mn	PLN 239 mn	on demand
KGHM INTERNATIONAL LTD.	Robinson Holdings USA Ltd.	2018	USD 161 mn	USD 161 mn	PLN 709 mn	on demand, no later than 30.06.2025
Quadra FNX FFI S.à r.l.	Quadra FNX Holdings Chile Limitada	2018-2020	USD 347 mn	USD 436 mn	PLN 1 919 mn	31.12.2024
Quadra FNX FFI S.à r.l.	KGHM Chile SpA	2021	USD 7 mn	USD 7 mn	PLN 30 mn	31.12.2024
DMC Mining Services Ltd.	DMC Mining Services Chile SpA	2019-2021	USD 22 mn	USD 24 mn	PLN 105 mn	on demand
FNX Mining Company Inc./ DMC Branch	DMC Mining Services Ltd.	2019-2021	CAD 57 mn	CAD 57 mn	PLN 185 mn	on demand
<b>Loans granted to other entities</b>						
Quadra FNX FFI S.à r.l.	Sierra Gorda S.C.M.	2012	USD 1 700 mn	2 182 USD mn	PLN 9 603 mn	on demand, no later than 15.12.2024

## 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.

<sup>43</sup> the balance of receivables over PLN 25 million

<sup>44</sup> Including accrued, unpaid interest as at 31 December 2022

## 7.6 ECONOMIC OUTLOOK FOR 2023 AND ACHIEVEMENTS OF 2022 TARGETS

KGHM Polska Miedź S.A. does not publish forecasts of financial results. However, in regulatory filings dated 14 January 2022 and 21 December 2022 the Company published its main Budget assumptions respectively for 2022 and 2023, which are presented in the table below.

Table 87. 2022 targets versus achievements and targets for 2023

		2022	Budget 2022	Execution (%)	Budget 2023	Change (%)
<b>KGHM Polska Miedź S.A.</b>						
Production of copper in concentrate	kt	392.5	392.1	100.1	389.7	(0.7)
Production of silver in concentrate	t	1 315.8	1 279.6	102.8	1 261.5	(4.1)
Electrolytic copper production, including:	kt	586.0	585.1	100.2	582.1	(0.7)
- from own concentrate	kt	381.5	393.6	96.9	385.3	+1.0
Metallic silver production	t	1 298.4	1 221.8	106.3	1 300.9	+0.2
Copper products sales volume	kt	565.0	583.0	96.9	606.8	+7.4
Silver products sales volume	t	1 338.3	1 278.1	104.7	1 303.0	(2.6)
Total unit cost of electrolytic copper production from own concentrate <sup>45</sup>	PLN/t	27 775	26 455	105.0	36 340	+30.8
Capital expenditures on property, plant and equipment <sup>46</sup>	PLN mn	2 604	2 835	91.9	3 250	+24.8
Other investments, including loans <sup>47</sup>	PLN mn	31	202	15.3	2 129	×68.7
<b>KGHM INTERNATIONAL LTD.</b>						
Payable copper production	kt	56.2	54.1	103.9	56.0	(0.4)
TPM production	koz t	55.9	53.1	105.3	59.2	+5.9
<b>Sierra Gorda (55%)</b>						
Payable copper production	kt	90.8	90.8	100.0	80.3	(11.6)
Molybdenum production	mn lbs	2.9	2.9	100.0	5.7	+96.6

### ACHIEVEMENT OF TARGETS IN 2022

In 2022, production of electrolytic copper by the Company was in line with the target in the Budget, with lower production from own concentrate by 12.1 thousand tonnes and higher production from purchased metal-bearing materials by 13.0 thousand tonnes. Silver production was higher by 76 tonnes (+6%). As a result, sales of silver were also higher than planned (+60 tonnes, or 5%).

Sales of copper were lower than assumed in the Budget by 18 thousand tonnes (-3%) as a result of matching customers' ongoing needs.

Production of payable copper and precious metals by KGHM INTERNATIONAL LTD. was higher than assumed in the Budget respectively by 2.1 thousand tonnes (+4%) and 2.8 thousand troy ounces (+5%).

Sierra Gorda ended 2022 with payable copper production at the target level, 90.8 thousand tonnes.

The total unit cost of electrolytic copper production from own concentrate in KGHM Polska Miedź S.A. was higher than planned by 5%, mainly due to the higher costs of materials, technological fuels and energy carriers and 3% lower production from own concentrate (-12.1 thousand tonnes).

Capital expenditures on property, plant and equipment were realised at the level of PLN 2 604 million, or 9% lower than assumed in the Budget. Other investments however, including increases in share capital of subsidiaries and other equity investments, amounted to PLN 31 million versus the target of PLN 202 million. Pursuant to the methodology applied in the presentation of budgetary expenses, the amount of equity investments realised in 2022 was adjusted by proceeds resulting from restructuring of FIZAN.

<sup>45</sup> The sum of costs of mining, flotation, smelter processing per electrolytic copper, together with support functions and cathode selling costs, adjusted by the value of inventories of half-finished products and work in progress, less anode slimes and divided by the volume of electrolytic copper production from own concentrate.

<sup>46</sup> Excluding costs of borrowing, leases per IFRS 16 unrelated to an investment project as well as expenditures on development work - uncompleted

<sup>47</sup> Acquisition of shares and investment certificates as well as loans, adjusted by proceeds resulting from the restructuring of FIZAN.



## TARGETS FOR 2023

**Production** – lower copper production by the Group in 2023 by 14.6 thousand tonnes (-2%) compared to the amount recorded in 2022:






- KGHM Polska Miedź S.A. -3.9 thousand tonnes (-1%) with higher production from own concentrate by 3.8 thousand tonnes,
- KGHM INTERNATIONAL LTD. LTD. -0.2 thousand tonnes (0%),
- Sierra Gorda -10.5 thousand tonnes (-12%) - the main reason for the lower production is operating in regions with lower metal content.

The targeted level of **sales** of KGHM Polska Miedź S.A. is higher than by 41.8 thousand tonnes (+7%)

Total **unit cost** of electrolytic copper production from own concentrate (KGHM Polska Miedź S.A) will increase by 31% due to the adopted assumptions regarding higher prices of materials and technological fuels as well as energy-related factors.

**Capital expenditures on property, plant and equipment** (excluding costs of borrowing, leases per IFRS 16 unrelated to an investment project and expenditures on uncompleted development work) - an expected increase by 25% as compared to the amount achieved in 2022 due to the greater scope of work and the expected price increases. A significant increase in expenditures is expected with respect to other investments as a result of planned investments in renewable energy sources.

## 8 ECONOMIC RESULTS OF THE SEGMENT KGHM POLSKA MIEDŹ S.A.

				
<b>Copper production</b>	<b>C1 cost</b>	<b>Revenues</b>	<b>Adjusted EBITDA</b>	<b>Profit for the period</b>
<b>586</b> kt	<b>2.38</b> USD/lb	<b>28 429</b> PLN mn	<b>5 400</b> PLN mn	<b>3 533</b> PLN mn

### 8.1 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:

<b>in mining</b>	<ul style="list-style-type: none"> <li>– expanding mining operations within the Deep Głogów (Głogów Głęboki-Przemysłowy) area,</li> <li>– continuation of work related to exploration of the „Radwanice” and „Retków” copper ore deposits,</li> <li>– improvement of the ore extraction technology, greater mining efficiency and improved occupational health and safety, by: <ul style="list-style-type: none"> <li>▪ adapting the geometry of mining systems to local geological and mining conditions,</li> <li>▪ improving the efficiency of technological and active methods of limiting the threat of rock bursts and of other associated natural threats, and</li> <li>▪ proper barren rock management in mining areas (selective extraction, siting of rock, mechanical ore mining),</li> </ul> </li> <li>– 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,</li> <li>– sinking the GG-1 shaft to the target depth of 1 351 m (in the breach),</li> <li>– continued construction of the Surface-based Air Conditioning Station at the GG-1 Shaft with target capacity of 40 MW,</li> <li>– expansion of the mine dewatering system,</li> <li>– maintaining the efficiency of mining vehicles in an assortment required to execute production tasks along with successive replacement of the machine park,</li> <li>– realisation of the planned scope of mine development and access work using the commissioning system at the level of 56.6 thousand meters,</li> </ul>
<b>in ore processing</b>	<ul style="list-style-type: none"> <li>– maintaining the production capacity of individual areas of the Concentrators Division Areas to the amount and quality of ore supplied,</li> <li>– 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,</li> </ul>

	<ul style="list-style-type: none"> <li>– tests were conducted on flotation machinery of new construction under 1/4th technical scale conditions, dedicated to the recovery of small grains,</li> <li>– 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),</li> <li>– an installation for the removal of carbonates from the product of flotation and treatment of concentrates was brought online in the Polkowice Region concentrator,</li> <li>– 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,</li> </ul>
<b>in metallurgy</b>	<ul style="list-style-type: none"> <li>– the share of imported concentrates and copper scrap was increased in order to carry out the planned high level of electrolytic copper production,</li> <li>– planned maintenance of the flash furnace complex at the Głogów II Copper Smelter and Refinery was carried out,</li> <li>– environmental impact was minimised by improving the efficiency of the dedusting and hermetic sealing of processes and the optimisation of water and effluents management,</li> <li>– optimal utilisation of infrastructure enabled the full execution of production tasks in terms of the main products,</li> <li>– an increase in the share of recycling in copper production as a result of an increase in the processing of scrap in the furnaces of the Głogów Copper Smelter and Refinery and maximisation of scrap processing in all fire phases in the Legnica Copper Smelter and Refinery,</li> </ul>
<b>in occupational health and safety</b>	<ul style="list-style-type: none"> <li>– the activation and moderation of the engagement of all Company employees in the question of occupational health and safety,</li> <li>– consistent implementation of the Employee Safety Improvement Program – „Think About the Consequences”,</li> <li>– the implementation of agreed elements of the Program to eliminate the most frequent threats to workplace safety through utilisation of innovative technology,</li> <li>– constant monitoring of threats occurring in the workplace and the realisation of organisational and technical goals aimed at limiting professional risks and accident rates,</li> <li>– the commencement of additional organisational and technical initiatives aimed at improving workplace safety, in particular with respect to the Company's mines,</li> <li>– continuous improvement of the occupational safety and hygiene management system implemented by the Company pursuant to the PN ISO 45000:2018 standard.</li> </ul>

## MINE 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.

Average copper content in extracted ore amounted to 1.45% and was lower than the level achieved in 2021. In the case of silver in ore, content was lower and amounted to 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 (or 535 thousand tonnes more compared to 2021). The higher amount of ore extracted by the Mining Divisions, of a lower copper content, directly led to obtaining a higher amount of copper in concentrate, which amounted to 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%.

Table 88. Mine production of KGHM Polska Miedź S.A.

	Unit	2022	2021	Change (%)	4Q'22	3Q'22	2Q'22	1Q'22
Mined ore (wet weight)	mn t	32.1	31.6	+1.6	7.9	8.1	8.0	8.2
Mined ore (dry weight)	mn 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.

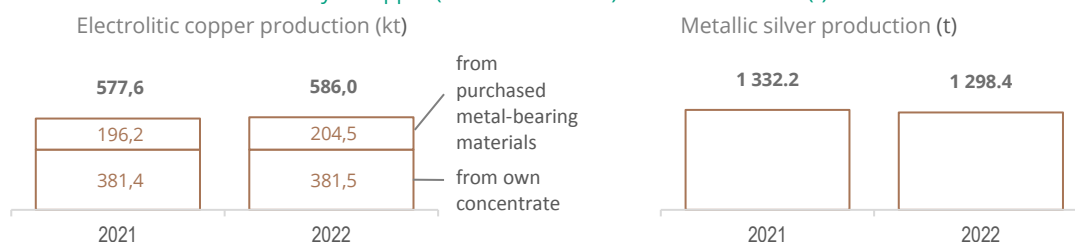
The production of other metallurgical products (silver, wire rod and OFE rod) derives from the level of electrolytic copper production and depends on the type of raw material used, and above all on market demand.

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

Table 89. Metallurgical production of KGHM Polska Miedź S.A.

	Unit	2022	2021	Change (%)	4Q'22	3Q'22	2Q'22	1Q'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 metal-bearing 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

Chart 36. Production of electrolytic copper (thousand tonnes) and metallic silver (t)



## MAIN PRODUCTION GOALS

The main goals set by the Management Board in terms of production and occupational health and safety for 2023 are a continuation of actions taken in 2022, i.e.:

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

### Key tasks in 2023:

<b>in mining</b>	<ul style="list-style-type: none"> <li>– access and development work to intersect the deposit in the Deep Głogów (Głogów Głęboki-Przemysłowy) and Gaworzyce mining areas,</li> <li>– continuation of work related to exploration of the copper ore deposit in the areas of „Radwanice” and „Retków”,</li> <li>– continuation of work related to prevention of gas-related threats (hydrogen sulphide and methane) and the use of new technical solutions and means of prevention to counteract this threat,</li> <li>– continuation of work related to utilising the capacity of the input and output ventilation shafts in the interconnected mine ventilation system,</li> <li>– maintaining the efficiency of mining vehicles in an assortment required to execute production tasks,</li> <li>– realisation of the planned scope of mine development and access work using the commissioning system in 2023 at the level of 55.3 thousand meters,</li> </ul>
<b>in ore processing</b>	<ul style="list-style-type: none"> <li>– optimising the work of the drum driers by new-generation control systems,</li> <li>– maintaining the availability of the machine park and the production capacity of individual Concentrators Division Areas to the amount of ore supplied and to simultaneously-advanced investments,</li> <li>– maintaining the production of concentrates in an amount and quality necessary for optimal use of the production capacity of the smelters and refineries,</li> <li>– modernisation of the compressed air installation at the Lubin Region Concentrator – limitation of power consumption,</li> <li>– monitoring and assessing the impact of technological water to the technological parameters and state of technical infrastructure,</li> <li>– optimisation of water management,</li> <li>– conducting tests at an industrial scale of RFC (Reflux Flotation Cell) flotation machinery,</li> </ul>
<b>in metallurgy</b>	<ul style="list-style-type: none"> <li>– the execution of a planned production line maintenance shutdown at the Legnica Copper Smelter and Refinery,</li> <li>– increasing the share of recycling in copper production as a result of an increase in the processing of scrap in the furnaces of the Głogów Copper Smelter and Refinery and maximisation of scrap processing in all fire phases at the Legnica Copper Smelter and Refinery,</li> <li>– maintaining the high level of electrolytic copper production by the Legnica Copper Smelter and Refinery and the Głogów Copper Smelter and Refinery,</li> </ul>

	<ul style="list-style-type: none"> <li>– further minimisation of environmental impact by actions directed towards improving the effectiveness of the dedusting and hermetic sealing processes and optimisation of water-effluents management,</li> <li>– optimum management of materials between the metallurgical facilities,</li> </ul>
<b>in occupational health and safety</b>	<ul style="list-style-type: none"> <li>– permanent improvement of actions to shape the attitudes of employees, education and mitigation of situations which could potentially result in accidents,</li> <li>– introduction of further technical and organisational solutions decreasing the risk of workplace accidents in the Company's facilities,</li> <li>– implementation of technical solutions to balance changes in workplace conditions, in particular in mining,</li> <li>– continuous improvements in the monitoring of workplace hazards and the advancement of organisational and technical goals aimed at further limitation of professional risks and accident rates,</li> <li>– preparation for changes in hygienic and biological standards for the workplace environment,</li> <li>– preparation for generational changes in and the introduction of active solutions in age management,</li> <li>– improvement of the occupational safety and hygiene management system implemented by the Company in 2020 pursuant to the OHS ISO 45001:2018 standard,</li> <li>– implementation of IT solutions in the area of workplace safety, in particular workplace data and information analytics.</li> </ul>

## 8.2 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 amounted to 77.8 thousand troy ounces.

Table 90. Sales volume of basic products of KGHM Polska Miedź S.A.

	Unit	2022	2021	Change (%)	4Q'22	3Q'22	2Q'22	1Q'22
Cathodes and cathodes 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
<b>Total copper and copper products</b>	<b>kt</b>	<b>565.0</b>	<b>561.5</b>	<b>+0.6</b>	<b>135.1</b>	<b>137.2</b>	<b>149.5</b>	<b>143.2</b>
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 2021 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.

Table 91. Revenues from contracts with customers of KGHM Polska Miedź S.A. (in million PLN)

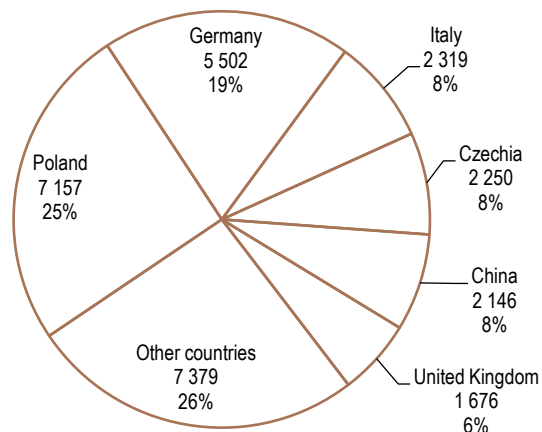
	2022	2021	Change (%)	4Q'22	3Q'22	2Q'22	1Q'22
Cathodes and cathodes parts	10 803	9 462	+14.2	2 658	2 521	2 946	2 678
Copper wire rod and OFE rod	11 283	9 461	+19.3	2 518	2 542	3 107	3 115
Other copper products	122	156	(21.8)	29	26	36	31
<b>Total copper and copper products</b>	<b>22 207</b>	<b>19 079</b>	<b>+16.4</b>	<b>5 205</b>	<b>5 089</b>	<b>6 089</b>	<b>5 824</b>
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	+8.5	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
<b>Total revenues from contracts with customers</b>	<b>28 429</b>	<b>24 618</b>	<b>+15.5</b>	<b>6 646</b>	<b>6 572</b>	<b>7 656</b>	<b>7 555</b>

## GEOGRAPHICAL BREAKDOWN OF SALES

In 2022, KGHM Polska Miedź S.A. earned most of its revenues from domestic sales, which amounted to 25% of total revenues. The remaining major customers of KGHM came from Germany (19%), Italy (8%), Czechia (8%), China (8%) and the United Kingdom (6%).

The following chart shows the geographic structure of revenues in 2022. Sales revenue includes the result from the settlement of hedging instruments.

Chart 37. Sales revenue of KGHM Polska Miedź S.A. by market (in million PLN)



## 8.3 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 copper electrolytic 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%.

Table 92. Expenses by nature of KGHM Polska Miedź S.A. (in million PLN)

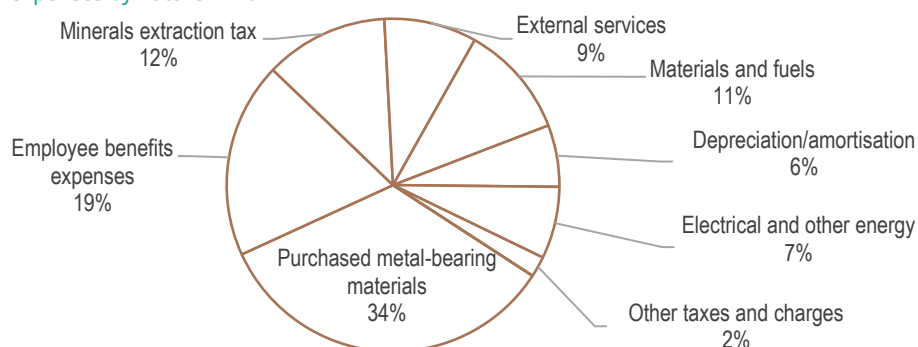
	2022	2021	Change (%)	4Q'22	3Q'22	2Q'22	1Q'22
Depreciation of property, plant and equipment and amortisation of intangible assets	1 504	1 435	+4.8	387	376	377	364
Employee benefits expenses	4 832	4 249	+13.7	1 344	1 168	1 332	988
Materials and energy, including:	13 687	10 242	+33.6	3 446	3 291	3 640	3 310
- 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
External 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
<b>Total expenses by nature</b>	<b>25 895</b>	<b>21 901</b>	<b>+18.2</b>	<b>6 790</b>	<b>6 155</b>	<b>6 743</b>	<b>6 207</b>

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 2021 by PLN 2 769 million, mainly due to an increase in the following costs:

- 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 remuneration 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.

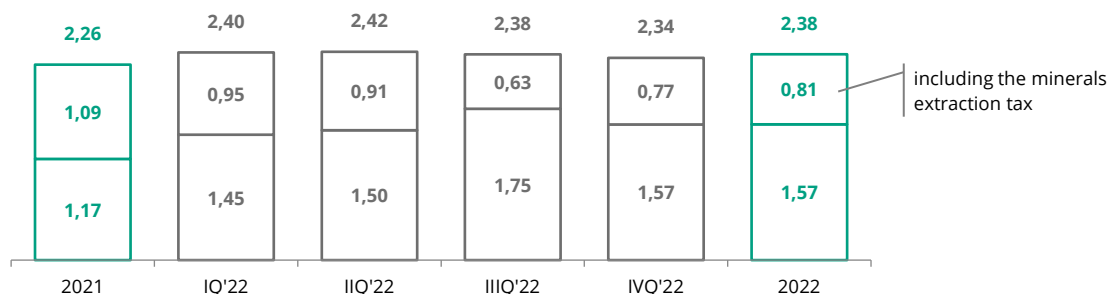
The structure of expenses by nature in 2022 is presented below. As compared to the prior year, they were at a very similar level.

Chart 38. Structure of expenses by nature in 2022



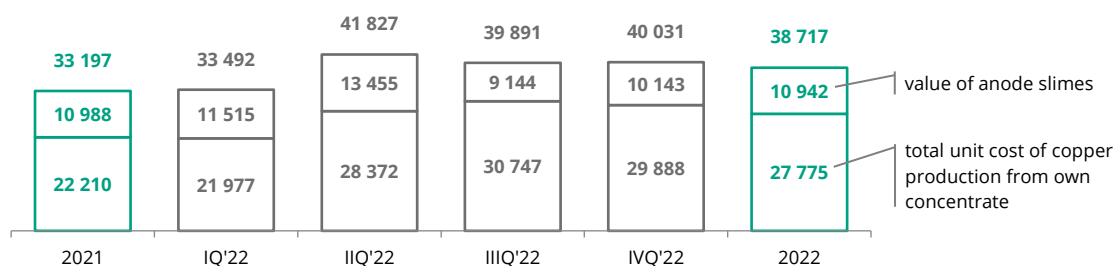
The Company's operating costs are decisively impacted by the costs of electrolytic copper production (prior to decrease by the value of by-products), whose share is around 96%.

Chart 39. Cost of producing copper in concentrate – C1 (USD/lb)



**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) amounted to respectively: in 2021: 2.26 USD/lb and in 2022: 2.38 USD/lb. 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.

Chart 40. 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%), alongside similar production from own concentrate. The increase in the unit cost was mainly due to an increase in prices of energy, fuels and technological materials, external services and higher labour costs. 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.

## 8.4 FINANCIAL RESULTS OF THE SEGMENT KGHM POLSKA MIEDŹ S.A.

### 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 (%)	4Q'22	3Q'22	2Q'22	1Q'22
Revenues from contracts with customers	28 429	24 618	+15.5	6 646	6 572	7 656	7 555
- adjustment to revenues due to 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)
<b>Profit or loss on sales</b>	<b>3 966</b>	<b>4 104</b>	<b>(3.4)</b>	<b>593</b>	<b>629</b>	<b>1 142</b>	<b>1 602</b>
<b>Other operating income and (costs)</b>	<b>1 299</b>	<b>3 088</b>	<b>(57.9)</b>	<b>(901)</b>	<b>807</b>	<b>1 052</b>	<b>341</b>
- 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	x	-	-	-	-
- impairment losses on shares and investment certificates in subsidiaries	-	(182)	x	-	-	-	-
- reversal of impairment losses on financial instruments measured at amortised cost	213	807	(73.6)	31	(10)	139	53
- other	(84)	76	x	78	(170)	(44)	52
<b>Finance income and (costs)</b>	<b>(269)</b>	<b>(476)</b>	<b>(43.5)</b>	<b>447</b>	<b>(355)</b>	<b>(256)</b>	<b>(105)</b>
- 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)
<b>Profit/(loss) before income tax</b>	<b>4 996</b>	<b>6 716</b>	<b>(25.6)</b>	<b>139</b>	<b>1 081</b>	<b>1 938</b>	<b>1 838</b>
Income tax expense	(1 463)	(1 547)	(5.4)	(144)	(351)	(455)	(513)
<b>PROFIT FOR THE PERIOD</b>	<b>3 533</b>	<b>5 169</b>	<b>(31.7)</b>	<b>(5)</b>	<b>730</b>	<b>1 483</b>	<b>1 325</b>
Depreciation/amortisation recognised in profit or loss	(1 434)	(1 363)	+5.2	(370)	(369)	(373)	(322)
<b>Adjusted EBITDA <sup>48</sup></b>	<b>5 400</b>	<b>5 474</b>	<b>(1.4)</b>	<b>963</b>	<b>998</b>	<b>1 515</b>	<b>1 924</b>

Table 94. Main factors impacting the change in profit or loss of KGHM Polska Miedź S.A.

Item	Impact on change in result (in million PLN)	Description
<b>An increase in revenues from contracts with customers (+PLN 3 811 million)</b>	+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)
<b>An increase in cost of sales, selling costs and administrative expenses <sup>49</sup></b>	(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).

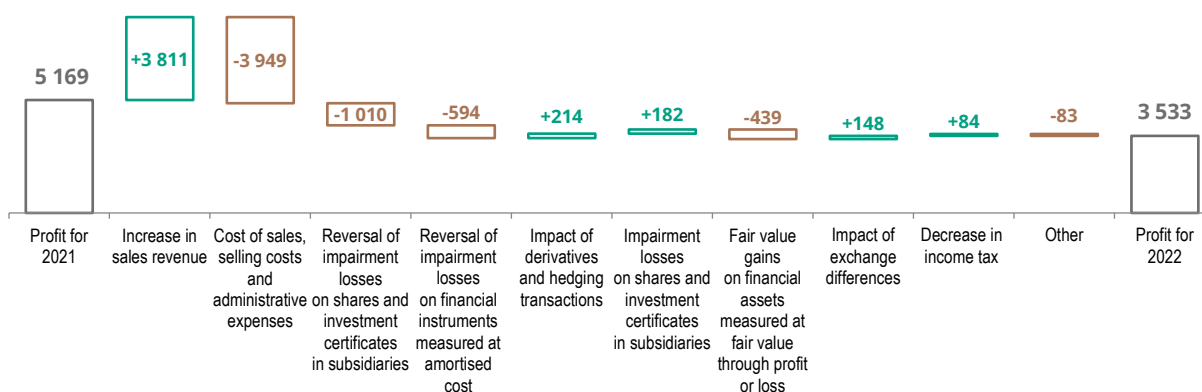
<sup>48</sup> Adjusted EBITDA = profit on sales + depreciation/amortisation (recognised in profit or loss) + impairment loss (-reversal of impairment losses) on non-current assets, recognised in cost of sales, selling costs and administrative expenses

<sup>49</sup> Costs of products, merchandise and materials sold plus selling costs and administrative expenses



<b>Reversal of impairment losses on shares in subsidiaries</b>	(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.
<b>Reversal of impairment losses on financial instruments measured at amortised cost</b>	(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).
<b>Impact of derivatives and hedging transactions</b>	+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
<b>Impairment losses on shares and investment certificates in subsidiaries</b>	+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.
<b>Fair value gains on financial assets measured at fair value through profit or loss</b>	(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).
<b>Impact of exchange differences</b>	+148	A decrease by PLN 11 million in the result due to exchange differences on assets and liabilities other than borrowings – in other operating activities An increase by PLN 159 million in the result due to exchange differences on borrowings (presented in finance costs)
<b>Decrease in income tax</b>	+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

Chart 41. Change in profit for the period of KGHM Polska Miedź S.A. (in million PLN)



## CASH FLOWS

Table 95. Statement of cash flows of KGHM Polska Miedź S.A. (in million PLN)

	2022	2021	Change (%)	IVQ'22	IIIQ'22	IIQ'22	IQ'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)
<b>Net cash generated from/(used in) operating activities</b>	<b>1 791</b>	<b>1 963</b>	<b>×0.9</b>	<b>70</b>	<b>306</b>	<b>(424)</b>	<b>1 839</b>
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)
<b>Net cash generated from/(used in) investing activities</b>	<b>(1 629)</b>	<b>(607)</b>	<b>×2.7</b>	<b>(676)</b>	<b>(574)</b>	<b>2</b>	<b>(381)</b>
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)
<b>Net cash used in financing activities</b>	<b>(506)</b>	<b>(2 091)</b>	<b>×0.2</b>	<b>(109)</b>	<b>(57)</b>	<b>(218)</b>	<b>(122)</b>
<b>NET CASH FLOW</b>	<b>(344)</b>	<b>(735)</b>	<b>×0.5</b>	<b>(715)</b>	<b>(325)</b>	<b>(640)</b>	<b>1 336</b>
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
<b>Cash and cash equivalents at end of the period</b>	<b>985</b>	<b>1 332</b>	<b>×0.7</b>	<b>985</b>	<b>1 703</b>	<b>2 029</b>	<b>2 654</b>

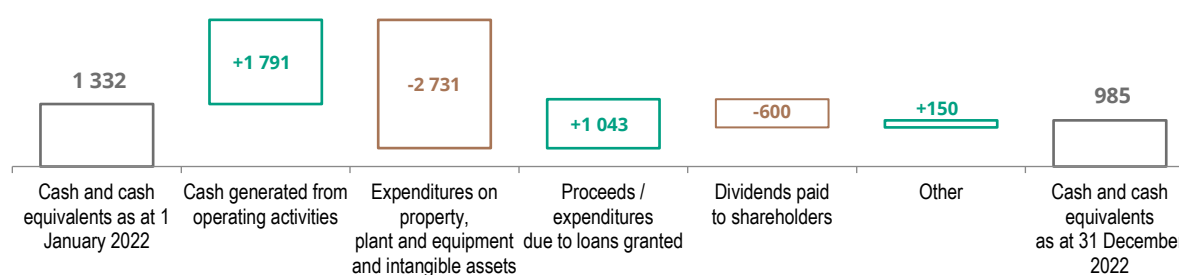
Net cash generated from operating activities in 2022 amounted to +PLN 1 791 million and mainly comprised profit before income tax in the amount of PLN 4 996 million, adjusted by the exclusion of income and costs in the amount of +PLN 247 million, less income tax paid in the amount of PLN 1 575 million 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 and amounted to PLN 985 million.

Chart 42. Cash flow of KGHM Polska Miedź S.A. (in million PLN)



## ASSETS, EQUITY AND LIABILITIES

Table 96. Assets of KGHM Polska Miedź S.A. (in million PLN)

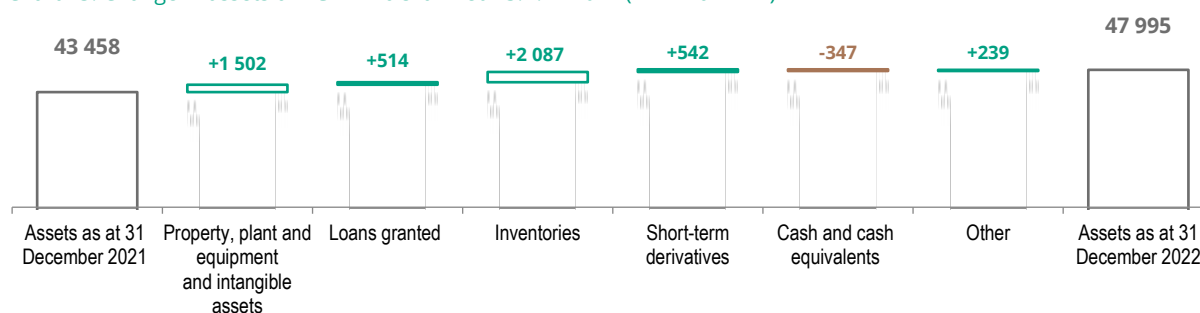
	31.12.2022	31.12.2021	Change (%)	30.09.2022	30.06.2022	31.03.2022
Property, plant and equipment and intangible assets	22 497	20 995	+7.2	21 855	21 511	20 789
Investments in subsidiaries, other than loans granted	3 701	3 691	+0.3	3 701	3 698	3 691
Financial instruments, including:	10 392	9 931	+4.6	11 419	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
<b>Non-current assets</b>	<b>36 707</b>	<b>34 671</b>	<b>+5.9</b>	<b>24 048</b>	<b>52</b>	<b>51</b>
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	-	-	x	-	2 029	2 654
<b>Current assets</b>	<b>11 288</b>	<b>8 787</b>	<b>+28.5</b>	<b>11 260</b>	<b>11 261</b>	<b>10 142</b>
<b>TOTAL ASSETS</b>	<b>47 995</b>	<b>43 458</b>	<b>+10.4</b>	<b>35 308</b>	<b>47 206</b>	<b>10 193</b>

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.

Chart 43. Change in assets of KGHM Polska Miedź S.A. in 2022 (in million PLN)



The carrying amounts of equity and liabilities as of 31 December 2022 are presented below.

Table 97. 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
<b>Equity</b>	<b>29 675</b>	<b>25 840</b>	<b>+14.8</b>	<b>29 126</b>	<b>26 976</b>	<b>26 803</b>
Borrowings, lease 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)
<b>Non-current liabilities</b>	<b>10 311</b>	<b>9 707</b>	<b>+6.2</b>	<b>303</b>	<b>250</b>	<b>259</b>
Borrowings, lease 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
<b>Current liabilities</b>	<b>8 009</b>	<b>7 911</b>	<b>+1.2</b>	<b>8 331</b>	<b>8 818</b>	<b>9 186</b>
<b>Non-current and current liabilities</b>	<b>18 320</b>	<b>17 618</b>	<b>+4.0</b>	<b>19 165</b>	<b>18 230</b>	<b>17 926</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>47 995</b>	<b>43 458</b>	<b>+10.4</b>	<b>48 291</b>	<b>45 206</b>	<b>44 729</b>

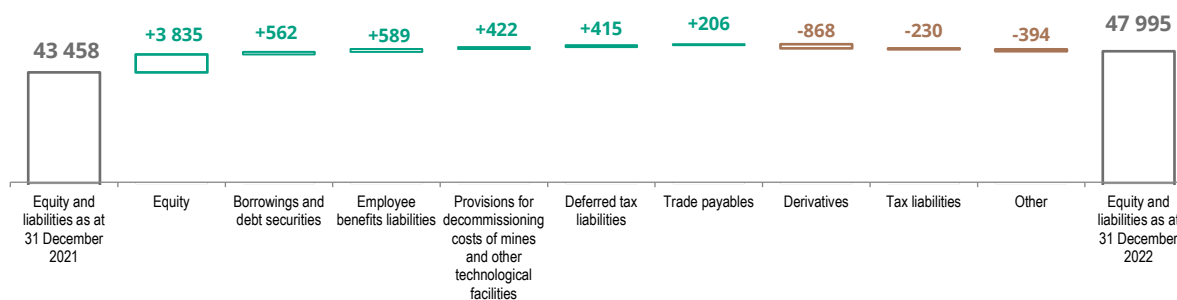
There was an increase in equity and liabilities, mainly due to increases in the following items:

- 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).

Chart 44. Change in equity and liabilities of KGHM Polska Miedź S.A. in 2022 (in million PLN)



### CONTINGENT ASSETS AND LIABILITIES DUE TO GUARANTEES 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. Following are the most important liabilities representing securities:

**Sierra Gorda S.C.M.** – security for the realisation of signed 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 security for the proper execution by the Company of future environmental obligations related to the obligation to restore terrain, following the conclusion 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 security for the restoration costs of the Robinson mine, 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 security on 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 security to cover obligations related to customs-tax duties, the guarantee is in force indefinitely,
- PLN 7 million (PLN 2 million and CAD 2 million) - a security 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 security 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.

As far as the Company is aware, at the end of the reporting period the Company determined the probability of paying the amounts related to the contingent liabilities as low.

## 8.5 CAPITAL EXPENDITURES

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 amounted to PLN 2 877 million and were higher than in the prior year by 11.3%.

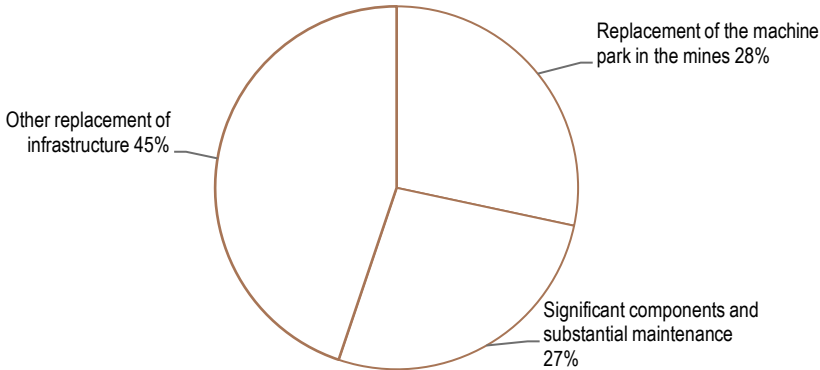
Table 98. Structure of expenditures on property, plant and equipment and intangible assets of KGHM Polska Miedź S.A. (in million PLN)

	2022	2021	Change (%)	4Q'22	3Q'22	2Q'22	1Q'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 - uncompleted	9	7	+28.6	2	2	1	4
Leases per IFRS 16	74	77	(3.9)	10	21	34	9
<b>Total</b>	<b>2 877</b>	<b>2 586</b>	<b>+11.3</b>	<b>1 049</b>	<b>699</b>	<b>643</b>	<b>486</b>
<i>including borrowing costs</i>	182	119	+52.9	59	52	25	46

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

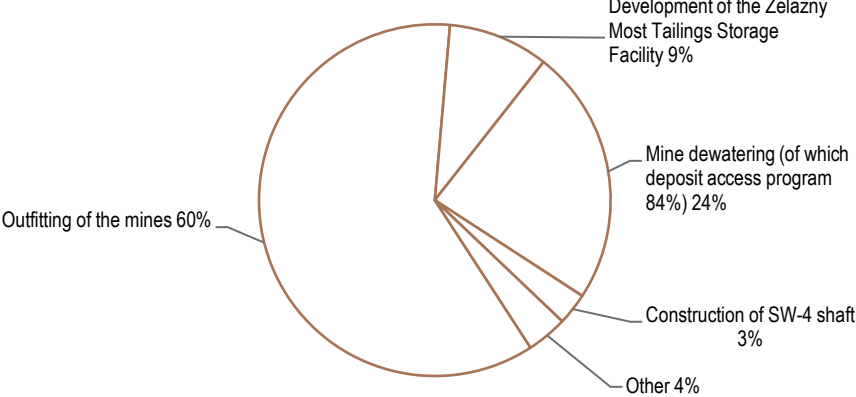
**Projects related to the replacement of equipment** aimed at maintaining production equipment in an undeteriorated condition, represent 43% of total expenditures incurred.

Chart 45. Structure of expenditures on the replacement of equipment of KGHM Polska Miedź S.A.



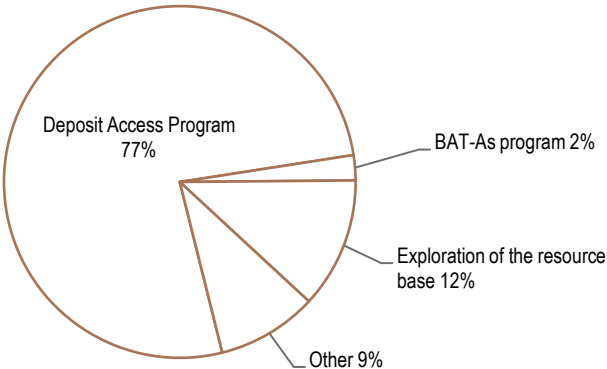
**Projects related to maintaining mine production** aimed at maintaining mine production on the level set in approved Production Plan (development of infrastructure to match mine advancement) represent 32% of total expenditures incurred.

Chart 46. Structure of expenditures on maintaining mine production of KGHM Polska Miedź S.A.



**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.






Chart 47. Structure of expenditures on development of KGHM Polska Miedź S.A.



**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.

Detailed information on the advancement of key investment projects may be found in part 5 of this Report in the section on advancement of the Strategy in 2022.

## 9 ECONOMIC RESULTS OF THE SEGMENT KGHM INTERNATIONAL LTD.

				
<b>Copper production</b>	<b>C1 cost</b>	<b>Revenues</b>	<b>Adjusted EBITDA</b>	<b>Profit</b>
<b>56.2</b> kt	<b>2.14</b> USD/lb	<b>3 217</b> PLN mn	<b>1 001</b> PLN mn	<b>900</b> PLN mn

### 9.1 PRODUCTION

Table 99. Production of KGHM INTERNATIONAL LTD.

	Unit	2022	2021	Change (%)	4Q'22	3Q'22	2Q'22	1Q'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) <sup>50</sup>	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) <sup>51</sup>	koz t	17.3	13.2	+31.1	5.8	3.8	4.9	2.8

In 2022, copper production in the segment KGHM INTERNATIONAL LTD. amounted to 56.2 thousand tonnes, or a decrease by 15.5 thousand tonnes (-22%) compared to 2021. The deciding factors in the decrease in copper production were the quality of the ore processed by the Robinson mine (lower content and recovery compared to 2021), as well as the sale of the Franke mine finalised on 26 April 2022.

The increase in precious metals production by 4.6 thousand troy ounces (+9%) was mainly due to the higher extraction of platinum and palladium in Sudbury.

### 9.2 REVENUES

Table 100. Volume and sales revenue of KGHM INTERNATIONAL LTD. (in million USD)

	Unit	2022	2021	Change (%)	4Q'22	3Q'22	2Q'22	1Q'22
<b>Revenues from contracts with customers<sup>52</sup>, including:</b>	<b>USD mn</b>	<b>720</b>	<b>806</b>	<b>(10.7)</b>	<b>210</b>	<b>132</b>	<b>168</b>	<b>210</b>
- copper	USD mn	451	600	(24.8)	124	75	107	145
- nickel	USD mn	12	8	+50.0	3	3	2	4
- TPM – precious metals	USD mn	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 sales volume	kt	0.4	0.5	(20.0)	0.1	0.1	0.1	0.1
TPM sales volume	koz t	55.2	46.7	+18.2	16.8	11.5	15.9	11.0

<sup>50</sup> McCreedy West mine in the Sudbury Basin

<sup>51</sup> As above

<sup>52</sup> Reflects processing premium

Table 101. Sales revenue of KGHM INTERNATIONAL LTD. (in million PLN)

	Unit	2022	2021	Change (%)	4Q'22	3Q'22	2Q'22	1Q'22
<b>Revenues from contracts with customers<sup>53</sup>, including:</b>	<b>PLN mn</b>	<b>3 217</b>	<b>3 125</b>	<b>+2.9</b>	<b>953</b>	<b>648</b>	<b>740</b>	<b>876</b>
- copper	PLN mn	2 015	2 325	(13.3)	561	379	470	605
- nickel	PLN mn	55	31	+77.4	17	11	12	15
- TPM – precious metals	PLN mn	448	318	+40.9	127	103	110	108

The sales revenue of the segment KGHM INTERNATIONAL LTD. in 2022 amounted to USD 720 million, or a decrease by USD 86 million (-11%) mainly due to a lower volume of copper sales (lower production, the sale of the Franke mine and delays in railway transport servicing the sale of concentrate from the Robinson mine).

Moreover, from the point of view of revenues, achieved prices of copper sold were unfavourable, which were lower than in 2021. There was however a 19% increase in the revenues of DMC Mining Services Ltd. due to a higher scope of mining services performed. The main factors responsible for the change in revenues compared to 2021 are discussed in the section on the financial results of the segment KGHM INTERNATIONAL LTD.

Due to weakening of the PLN versus the USD, the revenues of segment in PLN were 3% higher than those achieved in 2021.

### 9.3 COSTS

Table 102. C1 payable copper production cost of KGHM INTERNATIONAL LTD.

	Unit	2022	2021	Change (%)	4Q'22	3Q'22	2Q'22	1Q'22
C1 payable copper production cost <sup>54</sup>	USD/lb	2.14	2.01	+6.5	2.47	2.07	1.77	2.23

The average weighted unit cash cost of copper production for all mines in the segment KGHM INTERNATIONAL LTD. in 2022 amounted to 2.14 USD/lb, or an increase by 7% compared to the corresponding period of 2021. The increase in C1 was due to a lower copper sales volume by 17% compared to 2021 as well as higher mining and processing costs per unit sale of copper. A positive factor limiting the increase in C1 was the increase in revenues from sales of precious metals, which decrease C1.

### 9.4 FINANCIAL RESULTS

Table 103. Financial results of KGHM INTERNATIONAL LTD. (in million USD)

	2022	2021	Change (%)	4Q'22	3Q'22	2Q'22	1Q'22
Revenues from contracts with customers	720	806	(10.7)	210	132	168	210
Cost of sales, selling costs and administrative expenses, including: <sup>55</sup>	(631)	(633)	(0.3)	(200)	(134)	(147)	(150)
recognition/reversal of impairment losses on non-current assets	(8)	(40)	(80.0)	(8)	-	-	-
<b>Profit/(loss) on sales</b>	<b>89</b>	<b>173</b>	<b>(48.6)</b>	<b>10</b>	<b>(2)</b>	<b>21</b>	<b>60</b>
<b>Profit/(loss) before taxation, including:</b>	<b>229</b>	<b>679</b>	<b>(66.3)</b>	<b>(23)</b>	<b>(21)</b>	<b>167</b>	<b>106</b>
Income tax	(27)	0	x	(4)	(1)	(10)	(12)
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>202</b>	<b>679</b>	<b>(70.3)</b>	<b>(28)</b>	<b>(21)</b>	<b>157</b>	<b>94</b>
Depreciation/amortisation recognised in profit or loss	(127)	(133)	(4.5)	(46)	(28)	(27)	(26)
<b>Adjusted EBITDA<sup>56</sup></b>	<b>224</b>	<b>346</b>	<b>(35.2)</b>	<b>64</b>	<b>26</b>	<b>47</b>	<b>87</b>

<sup>53</sup> reflects processing premium

<sup>54</sup> C1 unit production cost of copper - cash cost of payable copper production, reflecting costs of ore extraction and processing, the minerals extraction tax, transport costs, administrative expenses during the mining phase and smelter treatment and refining charges (TC/RC) less by-product value

<sup>55</sup> Cost of products, merchandise and materials sold, selling costs and administrative expenses

<sup>56</sup> Adjusted EBITDA = profit on sales + depreciation/amortisation (recognised in profit or loss) + impairment losses (-reversal of impairment losses) on non-current assets, recognised in cost of sales, selling costs and administrative expenses



Table 104. Financial results of KGHM INTERNATIONAL LTD. (in million PLN)

	2022	2021	Change (%)	4Q'22	3Q'22	2Q'22	1Q'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: <sup>57</sup>	(2 820)	(2 463)	+14.5	(905)	(645)	(645)	(625)
recognition/reversal of impairment losses on non-current assets	(36)	(162)	(77.8)	(36)	-	-	-
<b>Profit/(loss) on sales</b>	<b>397</b>	<b>662</b>	<b>(40.0)</b>	<b>48</b>	<b>3</b>	<b>95</b>	<b>251</b>
<b>Profit/(loss) before taxation, including:</b>	<b>1 022</b>	<b>2 631</b>	<b>(61.2)</b>	<b>(98)</b>	<b>(44)</b>	<b>724</b>	<b>440</b>
Income tax	(122)	1	x	(22)	(7)	(43)	(50)
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>900</b>	<b>2 632</b>	<b>(65.8)</b>	<b>(120)</b>	<b>(51)</b>	<b>681</b>	<b>390</b>
Depreciation/amortisation recognised in profit or loss	(568)	(516)	+10.1	(207)	(133)	(118)	(110)
<b>Adjusted EBITDA<sup>58</sup></b>	<b>1 001</b>	<b>1 340</b>	<b>(25.3)</b>	<b>291</b>	<b>136</b>	<b>213</b>	<b>361</b>

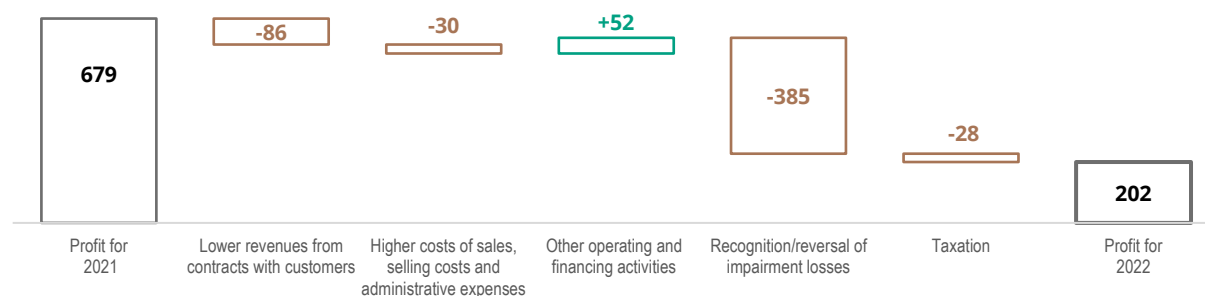
Table 105. Key factors impacting the change in financial result of KGHM INTERNATIONAL LTD.

Item	Description
<b>Lower revenues – impact on results -USD 86 million</b>	Lower revenues due to a change in the metal sales volume - <b>USD 97 million</b> , of which: <ul style="list-style-type: none"> <li>– copper (-11 kt; - USD 113 million),</li> <li>– precious metals (+8.5 koz t; + USD 15 million)</li> <li>– other (+USD 1 million)</li> </ul>
	Lower revenues due to a change in the metal sales prices <b>-USD 34 million</b> , of which: <ul style="list-style-type: none"> <li>– copper (-USD 35 million)</li> <li>– precious metals (-USD 4 million)</li> <li>– other, mainly nickel (+USD 5 million)</li> </ul>
	Higher revenues realised by DMC Mining Services Ltd. <b>+USD 20 million</b>
	Other factors <b>+USD 25 million</b> , mainly with respect to deferred revenues due to precious metals sales contracts
<b>Lower cost of sales, selling costs and administrative expenses - impact on results +USD 2 million</b>	Higher costs of expenses by nature prior to the change in inventories and costs of manufacturing products for own needs <b>-USD 11 million</b> (mainly higher costs of labour and external services). Costs were higher despite the sale of the Franke mine (on 26 April 2022)
	Change in products and work in progress as well as costs of manufacturing products for own needs – impact on results <b>+USD 13 million</b> (lower costs: -USD 144 million versus -USD 131 million in 2021)
	Recognition/reversal of impairment losses on property, plant and equipment – impact on results <b>+USD 32 million</b> (-USD 8 million due to impairment losses on non-current assets of the Carlota mine versus -USD 40 million in 2021 (Robinson: reversal of impairment loss +USD 10 million, impairment losses on non-current assets of Sudbury, Franke and Carlota combined -USD 50 million).
	Recognition/reversal of write-down of inventories – impact on results <b>-USD 27 million</b> (recognised write-down of -USD 10 million in 2022 versus reversal of write-down in the amount of +USD 17 million in 2021)
<b>Impact of other operating and financing activities -USD 366 million</b>	Other factors <b>-USD 4 million</b>
<b>Taxation – impact on results (-USD 28 million)</b>	Reversal of allowance for impairment of loans granted for the construction of the Sierra Gorda mine <b>-USD 418 million</b> (reversal of allowance +USD 196 million versus +USD 614 million in 2021).
	Other factors <b>+USD 52 million</b> , including +USD 35 million due to the sale of the Oxide project to Sierra Gorda S.C.M., and +USD 18 million result on the sale of assets of the Franke mine.
	An increase in income tax, comprised of: <ul style="list-style-type: none"> <li>– lower current tax by USD 7 million (as a result of lower profit before tax after deduction of gains from the reversal of impairment losses),</li> <li>– higher deferred tax by USD 35 million (due to higher deferred tax liabilities).</li> </ul>

<sup>57</sup> Cost of products, merchandise and materials sold, selling costs and administrative expenses

<sup>58</sup> Adjusted EBITDA = profit on sales + depreciation/amortisation (recognised in profit or loss) + impairment losses (-reversal of impairment losses) on non-current assets, recognised in cost of sales, selling costs and administrative expenses

Chart 48. Change in profit or loss of KGHM INTERNATIONAL LTD. (in million USD) <sup>59</sup>



## 9.5 CASH EXPENDITURES

Table 106. Cash expenditures of KGHM INTERNATIONAL LTD. (in million USD)






	2022	2021	Change (%)	4Q'22	3Q'22	2Q'22	1Q'22
Victoria project	49	38	+28.9	12	12	15	10
Stripping and other	155	224	(30.8)	22	42	38	53
<b>Total</b>	<b>204</b>	<b>262</b>	<b>(22.1)</b>	<b>34</b>	<b>54</b>	<b>53</b>	<b>63</b>

Table 107. Cash expenditures of KGHM INTERNATIONAL LTD. (in million PLN)

	2022	2021	Change (%)	4Q'22	3Q'22	2Q'22	1Q'22
Victoria project	221	147	+50.3	57	57	63	44
Stripping and other	692	867	(20.2)	103	202	168	219
<b>Total</b>	<b>913</b>	<b>1 014</b>	<b>(10.0)</b>	<b>160</b>	<b>259</b>	<b>231</b>	<b>263</b>

Cash expenditures by the segment KGHM INTERNATIONAL LTD. in 2022 amounted to USD 204 million, and were lower by USD 58 million (-22%) compared to 2021. Expenditures on the Victoria project were higher, while the decrease in other expenditures was mainly due to lower expenditures on stripping aimed at future extraction by the Robinson mine.

## 10 ECONOMIC RESULTS OF THE SEGMENT SIERRA GORDA S.C.M.

				
<b>Copper production</b>	<b>C1 cost</b>	<b>Revenues</b>	<b>Adjusted EBITDA</b>	<b>Profit for the period</b>
<b>90.8</b> kt (55%)	<b>1.50</b> USD/lb	<b>3 974</b> PLN mn (55%)	<b>2 190</b> PLN mn (55%)	<b>239</b> PLN mn (55%)

The segment Sierra Gorda S.C.M. is a joint venture (under the JV company JV Sierra Gorda S.C.M.), whose owners are KGHM INTERNATIONAL LTD. (55%) and the Australian mining group South32 (45%).

The following production and financial data are presented on a 100% basis for the joint venture and proportionally to the interest in the company Sierra Gorda S.C.M. (55%), pursuant to the methodology of presentation of data in note 2 of the consolidated financial statements.

<sup>59</sup> Cost of sales, selling costs and administrative expenses excluding recognition/reversal of impairment losses on property, plant and equipment, and costs of other operating activities excluding recognition/reversal of allowances for impairment of loans granted for the construction of the Sierra Gorda mine

## 10.1 PRODUCTION

In 2022, Sierra Gorda S.C.M. produced copper and molybdenum at a lower level than in 2021, which was directly attributable to mining in areas with lower content of these metals.

Table 108. Production of copper, molybdenum and precious metals by Sierra Gorda S.C.M.<sup>60</sup>

	Unit	2022	2021	Change (%)	4Q'22	3Q'22	2Q'22	1Q'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	mn lbs	5.3	14.9	(64.4)	0.9	0.9	1.4	2.1
Molybdenum production – segment (55%)	mn lbs	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 exceptional in terms of copper content in extracted ore, which was substantially higher than the level achieved in previous years since the commencement of commercial production in 2015. Extraction of deposits with lower copper content was the main reason for the decrease in payable copper production in 2022 (-13%), despite maintaining the volume of processed ore at a comparable level to that recorded in 2021.

In terms of molybdenum production, the decrease versus the level recorded in 2021 amounted to 64% and is also the result of the planned mining in areas with a substantially lower content of this metal, as well as the deterioration in the recovery of molybdenum during the processing phase.

## 10.2 SALES

Revenues from sales in 2022 amounted to USD 1 617 million (on a 100% basis), or PLN 3 974 million respectively to the 55% interest held by KGHM Polska Miedź S.A.

Table 109. Sales volume and revenues of Sierra Gorda S.C.M.

	Unit	2022	2021	Change (%)	4Q'22	3Q'22	2Q'22	1Q'22
<b>Revenues from contracts with customers<sup>61</sup>, including from the sale of:</b>	<b>USD mn</b>	<b>1 617</b>	<b>2 151</b>	<b>(24.8)</b>	<b>458</b>	<b>335</b>	<b>303</b>	<b>521</b>
- copper	USD mn	1 322	1 762	(25.0)	365	275	223	459
- molybdenum	USD mn	153	244	(37.3)	58	23	42	30
- TPM (gold)	USD mn	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	mn lbs	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
<b>Revenues from contracts with customers<sup>62</sup> - segment (55%)</b>	<b>PLN mn</b>	<b>3 974</b>	<b>4 585</b>	<b>(13.3)</b>	<b>1 143</b>	<b>893</b>	<b>744</b>	<b>1 194</b>

Revenues decreased by 25% compared to the levels recorded in 2021. Such a significant drop is the direct result of extracting ore with lower copper and molybdenum content, which led to lower sales respectively by 11% (copper) and 47% (molybdenum). This change in the sales volume is responsible for approximately half of the USD 534 million fall in revenues. Other reasons for the decrease in revenues include primarily factors related to selling prices and the refining premium, which were higher due to the market situation in 2022.

The decrease in the segment's revenues (in PLN) was not as substantial as in the case of revenues presented in the financial statements of Sierra Gorda S.C.M. (in USD) due to the exchange rates applied in converting the statements (3.88 USD/PLN in 2021 versus 4.47 USD/PLN in 2022).

The detailed impact of individual factors on changes in revenues is presented in the subsection discussing the financial results of Sierra Gorda S.C.M.

<sup>60</sup> Payable metal in concentrate

<sup>61</sup> reflecting treatment/refining and other charges

<sup>62</sup> reflecting treatment/refining and other charges

### 10.3 COSTS

The cost of sales, selling costs and administrative expenses incurred by Sierra Gorda S.C.M. amounted to USD 1 107 million, of which USD 964 million were costs of products sold, and USD 143 million total selling costs and administrative expenses. Proportionally to the interest held (55%) the costs of the segment Sierra Gorda amounted to PLN 2 721 million.

Table 110. Cost of sales, selling costs and administrative expenses and production cost of payable copper (C1) of Sierra Gorda S.C.M.

	Unit	2022	2021	Change (%)	4Q'22	3Q'22	2Q'22	1Q'22
Cost of sales, selling costs and administrative expenses (prior to the reversal of the impairment loss in 2021)	USD mn	(1 107)	(1 030)	+7.5	(281)	(286)	(267)	(273)
Reversal of impairment loss on non-current assets	USD mn	-	1 182	(100.0)	-	-	-	-
Cost of sales, selling costs and administrative expenses (prior to the reversal of the impairment loss in 2021) – segment 55%	PLN mn	(2 721)	(2 196)	(23.9)	(705)	(748)	(642)	(626)
<b>C1 unit cost<sup>63</sup></b>	<b>USD/lb</b>	<b>1.50</b>	<b>0.78</b>	<b>+92.3</b>	<b>1.55</b>	<b>1.68</b>	<b>1.41</b>	<b>1.35</b>

The increase in operating costs and in the C1 cash cost of producing copper by Sierra Gorda S.C.M. in 2022 reflected the rate of changes on the market for energy, materials and fuels. Compared to 2021, prices were higher mainly in respect of:

- diesel fuel (+79%)
- electricity (+78%)
- explosives (+49%)
- external services, milling materials and other direct materials.

The aforementioned factors were the main cause for the increase in cost of sales, selling costs and administrative expenses by USD 77 million (+8%) in comparison to 2021 and the increase in C1 unit cost of producing copper by 0.72 USD/lb (+92%). In the case of C1, an additional negative factor was the decrease in sales of molybdenum, which directly translates into a lower deduction due to associated metals. Also important was the lower level of copper sales, and thus the unfavourable impact of fixed costs on a unit of copper sales.

### 10.4 FINANCIAL RESULTS

#### STATEMENT OF PROFIT OR LOSS

In 2022, adjusted EBITDA amounted to USD 891 million, of which proportionally to the interest held (55%) PLN 2 190 million is attributable to the KGHM Group.

Table 111. Results of Sierra Gorda S.C.M. in USD million (on a 100% basis)

	2022	2021	Change (%)	4Q'22	3Q'22	2Q'22	1Q'22
Revenues from contracts with customers	1 617	2 151	(24.8)	458	335	303	521
Cost of sales, selling costs and administrative expenses (prior to the reversal of the impairment loss)	(1 107)	(1 030)	+7.5	(281)	(285)	(267)	(273)
Reversal of the impairment loss on non-current assets	-	1 182	(100.0)	-	-	-	-
<b>Profit/(loss) on sales</b>	<b>510</b>	<b>2 303</b>	<b>(77.9)</b>	<b>176</b>	<b>50</b>	<b>36</b>	<b>248</b>
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>97</b>	<b>1 435</b>	<b>(93.2)</b>	<b>47</b>	<b>(26)</b>	<b>(28)</b>	<b>104</b>
Depreciation/amortisation recognised in profit or loss	(381)	(365)	+4.4	(77)	(98)	(96)	(110)
<b>Adjusted EBITDA<sup>64</sup></b>	<b>891</b>	<b>1 485</b>	<b>(40.0)</b>	<b>254</b>	<b>146</b>	<b>133</b>	<b>358</b>

<sup>63</sup> C1 unit production cost of copper - cash cost of payable copper production, reflecting costs of ore extraction and processing, the minerals extraction tax, transport costs, administrative expenses during the mining phase and smelter treatment and refining charges (TC/RC) less by-product value

<sup>64</sup> 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

Table 112. Results of the segment Sierra Gorda S.C.M. proportionally to the interest held (55%) in million PLN

	2022	2021	Change (%)	4Q'22	3Q'22	2Q'22	1Q'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 (prior to the reversal of the impairment loss)	(2 721)	(2 196)	+23.9	(705)	(748)	(642)	(626)
Reversal of the impairment loss on non-current assets	-	2 639	(100.0)	2 639	-	-	-
<b>Profit/(loss) on sales</b>	<b>1 253</b>	<b>5 029</b>	<b>(75.1)</b>	<b>438</b>	<b>145</b>	<b>102</b>	<b>568</b>
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>239</b>	<b>3 178</b>	<b>(92.5)</b>	<b>117</b>	<b>(57)</b>	<b>(60)</b>	<b>239</b>
Depreciation/amortisation recognised in profit or loss	(937)	(777)	+20.6	(196)	(257)	(231)	(253)
<b>Adjusted EBITDA</b> <sup>65</sup>	<b>2 190</b>	<b>3 167</b>	<b>(30.8)</b>	<b>634</b>	<b>402</b>	<b>333</b>	<b>821</b>

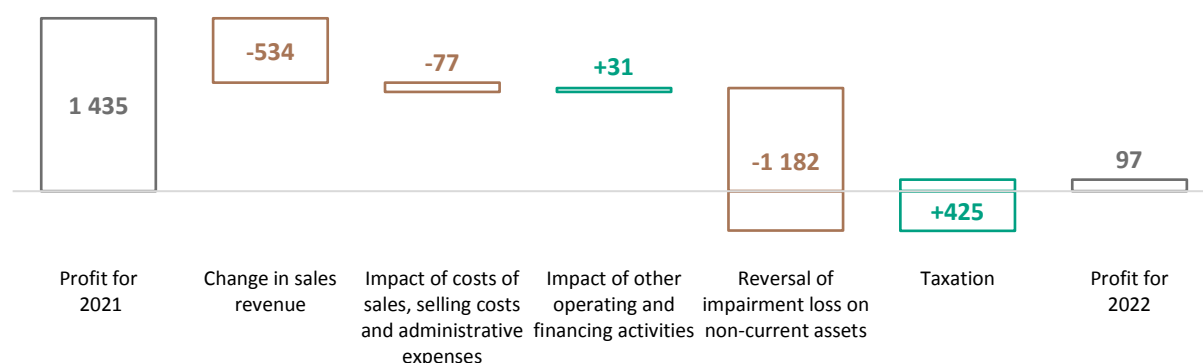
A summary of the major factors affecting revenues and costs, and therefore EBITDA, is presented in the following list of the major factors responsible for the decrease in profit for the period of Sierra Gorda S.C.M. by USD 1 338 million.

Table 113. Main factors impacting the change in the financial result of the segment Sierra Gorda S.C.M.

Item	Description
<b>Lower sales revenue - impact on result -USD 534 million</b>	<p>Lower revenues from copper sales (-USD 440 million), mainly due to :</p> <ul style="list-style-type: none"> <li>- less favourable price factors (-USD 248 million),</li> <li>- lower sales volume by 20 kt (-USD 180 million),</li> <li>- higher transport and refining premiums (-USD 13 million)</li> </ul> <p>Lower revenues from molybdenum sales (-USD 91 million), mainly due to:</p> <ul style="list-style-type: none"> <li>- less favourable price factors (-USD 39 million)</li> <li>- lower sales volume (-USD 54 million)</li> </ul> <p>Impact of other factors:</p> <ul style="list-style-type: none"> <li>- lower revenues from sales of silver and gold (-USD 2 million),</li> </ul>
<b>Change in cost of sales, selling costs and administrative expenses - impact on result -USD 1 259 million</b>	<p>Higher cost of sales, selling costs and administrative expenses prior to reflecting the reversal of the impairment losses in 2021) mainly due to prices of materials, fuels and energy, which in 2022 were significantly higher (-USD 77 million)</p> <p>In 2021 the result included the reversal of the impairment losses on non-current assets from prior years (+USD 1 182 million). At the end of 2022, Sierra Gorda did not recognise any impairment losses or reversals of impairment losses on non-current assets)</p>
<b>Impact of other operating and financing activities +USD 31 million</b>	<ul style="list-style-type: none"> <li>- an increase in other operating costs (-USD 3 million),</li> <li>- lower finance costs (+USD 34 million), mainly due to lower interest due to repayment of the loan to build the mine, drawn from the Owners of Sierra Gorda S.C.M. (repayment of USD 560 million in 2021 and USD 350 million in 2022)</li> </ul>
<b>Taxation +USD 425 million</b>	<ul style="list-style-type: none"> <li>- income tax +USD 394 million (profit before income tax USD 169 million versus USD 1 931 million in 2021)</li> <li>- other, including the mining tax +USD 31 million</li> </ul>

<sup>65</sup> As above

Chart 49. Change in profit/loss for the period of Sierra Gorda S.C.M. <sup>66</sup> (in USD million)



## 10.5 CASH EXPENDITURES

In 2022, cash expenditures on property, plant and equipment and intangible assets, reflected in the statement of cash flows of Sierra Gorda S.C.M. amounted to USD 420 million, of which the majority, or USD 166 million (40%) were cash expenditures incurred on stripping to gain access to further areas of the deposit, with the rest related to development work and the replacement of property, plant and equipment.

Table 114. Cash expenditures of Sierra Gorda S.C.M.

	Unit	2022	2021	Change (%)	4Q'22	3Q'22	2Q'22	1Q'22
Cash expenditures on property, plant and equipment	USD mn	420	284	+47.9	119	78	74	149
Cash expenditures on property, plant and Equipment – segment (55% share)	PLN mn	1 031	605	+70.4	296	211	182	342

The increase in cash expenditures by 48% compared to 2021 was mainly due to the takeover in 2022 of the Oxide project from KGHM INTERNATIONAL LTD.

In 2022 cash generated from operating activities was higher than cash expenditures, and moreover Sierra Gorda transferred USD 350 million to the partners in order to repay the loan granted by the Owners for the construction of the mine, of which USD 193 million is attributable to the KGHM Polska Miedź S.A. Group, proportionally to its share in the company (in 2021, USD 560 million was repaid, or USD 308 million proportionally to the 55% share).

## 11 ECONOMIC RESULTS OF OTHER SEGMENTS

Companies in the remaining segments are very diversified in their operations. They include companies supporting the core business and others of a non-operating nature or playing an important role in fulfilling the policy of corporate social responsibility.

Table 115. Financial results of other segments (prior to consolidation adjustments)

	2022	2021	Change (%)	4Q'22	3Q'22	2Q'22	1Q'22
Sales revenue	12 889	10 329	+24.8	3 304	3 061	3 469	3 055
- including from external clients	2 766	2 468	+12.1	715	664	672	715
<b>Profit/loss on sales</b>	<b>2</b>	<b>(39)</b>	<b>x</b>	<b>(36)</b>	<b>33</b>	<b>46</b>	<b>(41)</b>
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>(51)</b>	<b>(140)</b>	<b>(63.6)</b>	<b>(51)</b>	<b>28</b>	<b>25</b>	<b>(53)</b>
Depreciation/amortisation recognised in profit or loss	(273)	(258)	+5.8	(70)	(67)	(68)	(68)
<b>Adjusted EBITDA <sup>67</sup></b>	<b>274</b>	<b>346</b>	<b>(20.8)</b>	<b>32</b>	<b>100</b>	<b>115</b>	<b>27</b>

In 2022, other segments recorded a loss on sales, prior to recognition of consolidation adjustments, in the amount of PLN 51 million, or an improvement as compared to 2021 by PLN 89 million (the loss for 2021 amounted to PLN 140 million). The profit for the period is comprised of individual companies of the KGHM Group after eliminating turnover between companies within the same segment.

<sup>66</sup> Cost of sales, selling costs and administrative expenses – excluding recognition/reversals of impairment losses on property, plant and equipment

<sup>67</sup> 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

Table 116. Revenues earned by companies of the KGHM Group (excluding inter-segment revenues)

Revenues from sales in 2022	From external customers	From KGHM Polska Miedź SA	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. w Legnicy	251	7	258
Miedziove Centrum Zdrowia S.A.	225	31	256
POL - MIEDŹ TRANS Sp. z o.o.	51	173	224
Other	573	383	956
<b>TOTAL</b>	<b>2 766</b>	<b>10 123</b>	<b>12 889</b>

Metraco S.A. is the largest buyer of copper scrap in Poland and in Central-Eastern Europe, specialising in the comprehensive servicing of KGHM Polska Miedź S.A. with respect to the supply of scrap used in the metallurgical facilities for production.

Mercus Logistyka Sp. z o.o. serves as a logistical operator for KGHM Polska Miedź S.A. with respect to the supply of necessary materials and merchandise.

PeBeKa S.A. carries out construction projects for KGHM Polska Miedź S.A., specialising in mining, drilling, tunnelling and infrastructure projects.

Energetyka Sp. z o.o. is involved in supplying KGHM Polska Miedź S.A. with oil-based fuels and the generation, transmission and distribution of heat.

Centrozłom Wrocław S.A. does not operate on behalf of KGHM Polska Miedź S.A., and is involved in such areas as the purchase, processing and sale of scrap: steel, iron and non-ferrous metals (copper, bronze, brass, aluminium and zinc).

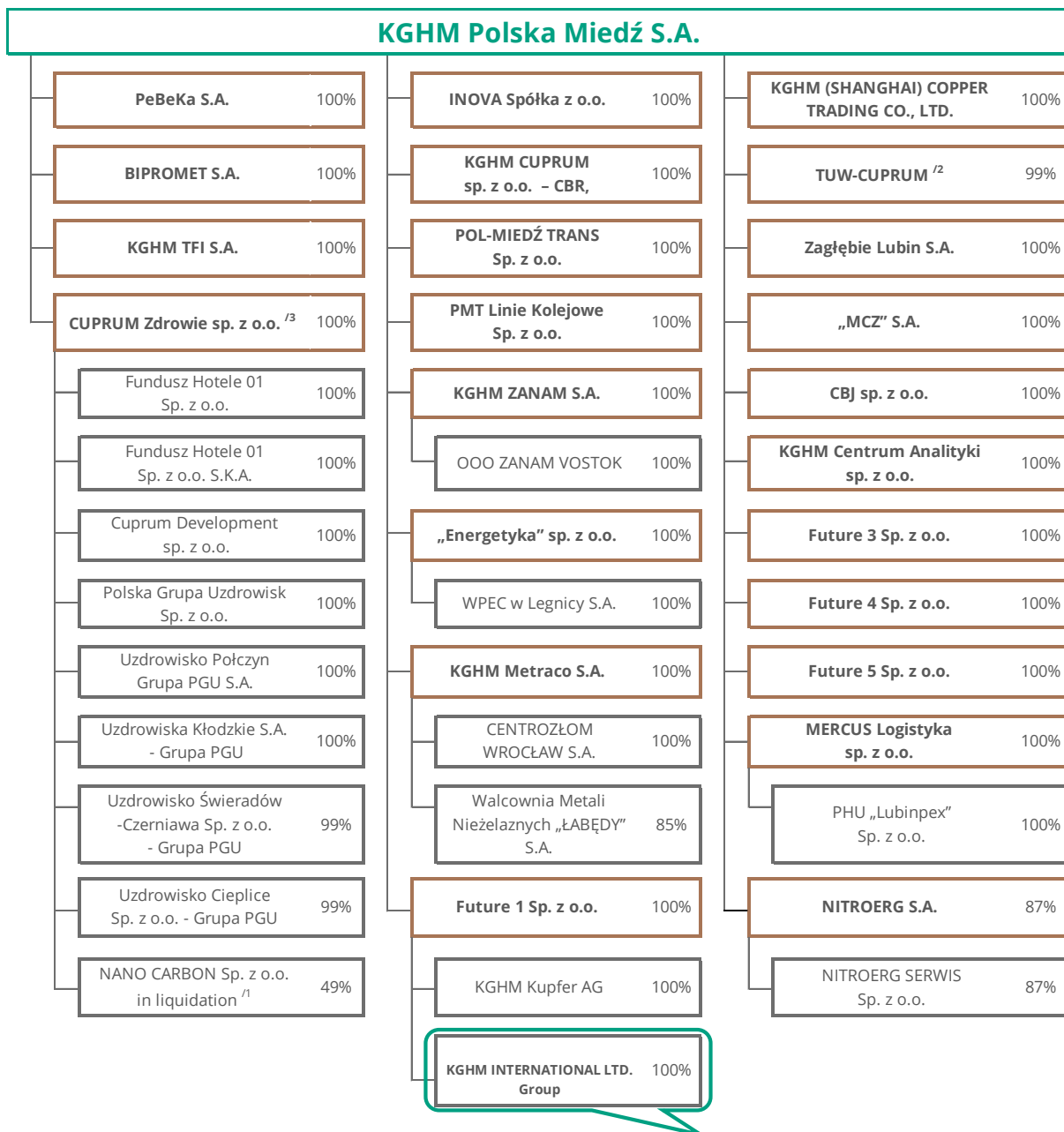
The following companies earned the best profit on sales: KGHM ZANAM S.A. (PLN 36 million), Metraco S.A. (PLN 31 million), PeBeKa S.A. (PLN 21 million) and NITROERG S.A. (PLN 16 million). The weakest results were recorded by Zagłębie Lubin (-PLN 18 million). The adjustment to profit on sales due to the segment's internal turnover (i.e. between subsidiaries) amounts to PLN 122 million, which means a surplus of inter-segment revenues over costs, including manufacturing costs.



## APPENDIX 1 – KGHM POLSKA MIEDŹ S.A. GROUP STRUCTURE

As at 31 December 2022

Percentages represent the total share of the Group.



1/ joint venture accounted for using the equity method

2/ unconsolidated subsidiary

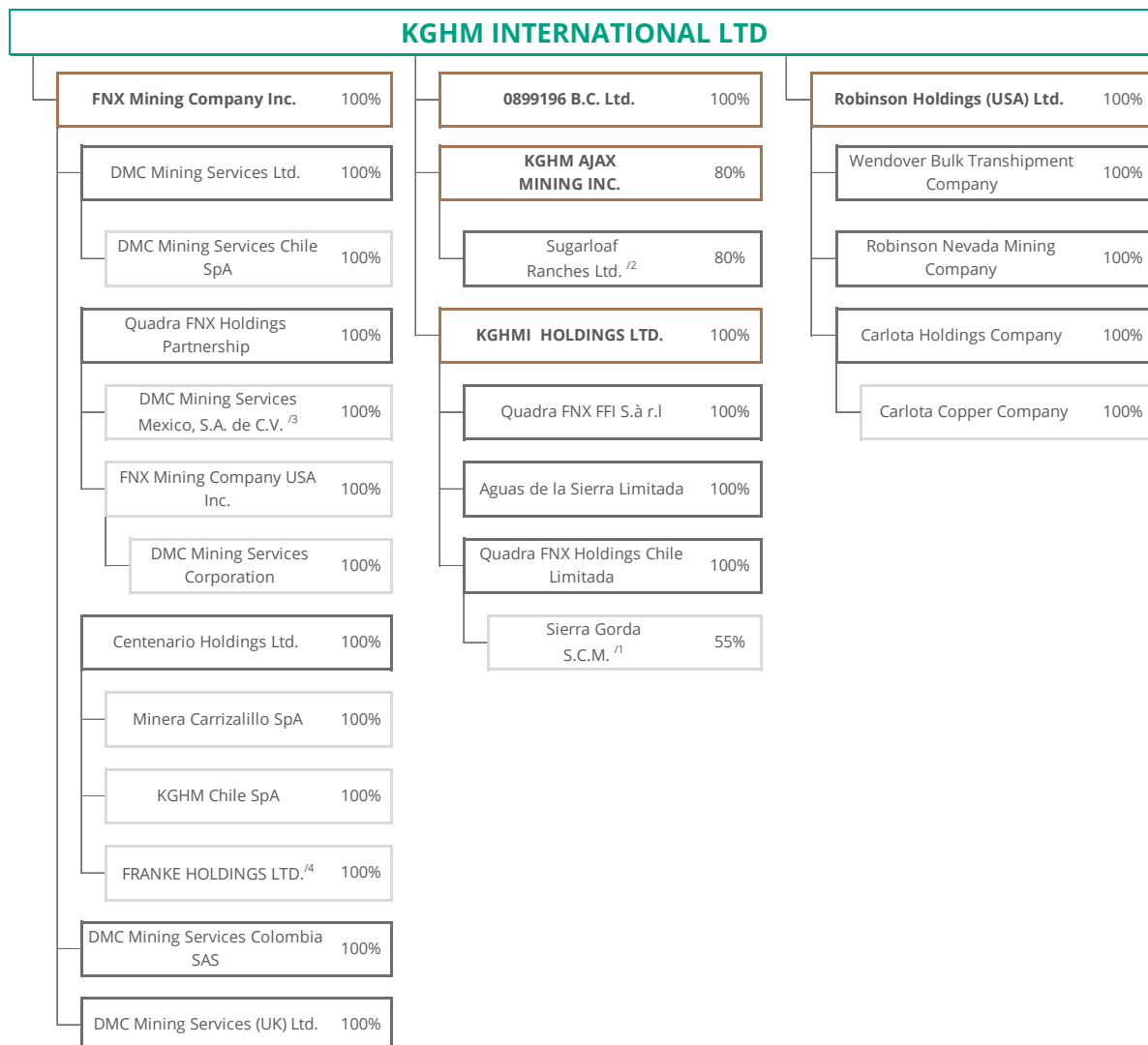
3/ previous name Cuprum Nieruchomości sp. z o.o.

Group structure presented in Appendix 2

## APPENDIX 2 – KGHM INTERNATIONAL LTD. GROUP STRUCTURE

As at 31 December 2022

Percentages represent the total share of the Group.



1/ joint venture accounted for using the equity method

2/ actual Group interest 80%

3/ name changed from 11.02.2022, formerly Raise Boring Mining Services S.A. de C.V.

4/ shares in FRANKE HOLDINGS LTD. are held respectively by: Centenario Holdings Ltd. 66.2%, KGHM International Ltd. 30.3% and FNX Mining Company Inc. 3.5%

## APPENDIX 3 – ACTIVITIES OF SUBSIDIARIES AND JOINT VENTURES OF KGHM POLSKA MIEDŹ S.A.

### COMPANIES IN POLAND

Entity	Head Office	Activities
KGHM Polska Miedź S.A.	Poland	mining of copper ore, excavation of salt, production of copper and precious metals
„Energetyka” sp. z o.o.	Poland	generation, transmission and distribution of electrical and heating energy; water-effluents management; trade in oil-based products
PeBeKa S.A.	Poland	mine construction (construction of shafts and drifts), construction of roadway/railway tunnels; specialist construction, drilling services (geological/exploration drilling)
KGHM ZANAM S.A.	Poland	production of mining machinery and equipment, construction machinery; machinery repairs; production maintenance services; advancement of investments; steel construction services; roadway cargo transport
KGHM CUPRUM sp. z o.o. - CBR	Poland	design and R&D activities
CBJ sp. z o.o.	Poland	research and chemical-physical analysis; measurement of imissions and emissions; industrial research
INOVA Spółka z o.o.	Poland	design and production – innovative solutions in electrical engineering, automated equipment and communication systems; certification and attestation of machinery and equipment
KGHM Metraco S.A.	Poland	trade and processing of non-ferrous metals scrap; rhenium recovery from acidic industrial waste; processing of shaft slag into road-building material and sale of such; trading in salt; recovery of copper and silver from smelter tiles; trading in chemical factors
POL-MIEDŹ TRANS Sp. z o.o.	Poland	railway cargo transport
NITROERG S.A.	Poland	production of explosives, fuel additives and initiating systems
MERCUS Logistyka sp. z o.o.	Poland	materials logistics; trade in consumer goods; production of bundled electrical cables and hydraulic cables; passenger roadway transport
NITROERG SERWIS Sp. z o.o.	Poland	comprehensive drilling and blasting work for mines, sales of explosives and initiating systems
CENTROZŁOM WROCŁAW S.A.	Poland	recovery of raw materials from segregated materials – purchase and sale of metal scrap, waste recycling, sale of metallurgical products and production of reinforcing building materials
Walcownia Metali Nieżelaznych „ŁABĘDY” S.A.	Poland	production of pressed goods from copper and its alloys; rolling services
PHU „Lubinpex” Sp. z o.o.	Poland	gastronomic, commercial and catering services
PMT Linie Kolejowe Sp. z o.o.	Poland	authorized management of railway infrastructure
KGHM TFI S.A.	Poland	creation and management of investment funds
WPEC w Legnicy S.A.	Poland	production of heat from its own sources, transmission and distribution of heat, servicing
Uzdrowiska Kłodzkie S.A. - Grupa PGU		
Uzdrowisko Połczyn Grupa PGU S.A.	Poland	services in the following areas: spa-healing, sanatorium, preventative medicine, rehabilitation, biological renewal, recreation based on natural healing materials and bioclimatic conditions
Uzdrowisko Cieplice sp. z o.o. - Grupa PGU	Poland	
Uzdrowisko Świeradów-Czerniawa Sp. z o.o. - Grupa PGU	Poland	
Fundusz Hotele 01 Sp. z o.o.		
Fundusz Hotele 01 Sp. z o.o. S.K.A.	Poland	special-purpose companies not involved in operating activities
Polska Grupa Uzdrowisk Sp. z o.o.	Poland	centre of common services for spa companies
„MCZ” S.A.	Poland	hospital services; medical practice; activities related to protecting human health; occupational medicine
Zagłębie Lubin S.A.	Poland	management of a football club, organisation of professional sporting events
BIPROMET S.A.	Poland	design services, consulting, technical conceptual work, general realisation of investments, rental of real estate
Cuprum Development sp. z o.o.	Poland	activities related to real estate market services, construction services, design work and financing; this company is not involved in operating activities

Entity	Head Office	Activities
<b>CUPRUM Zdrowie sp. z o.o.</b>	Poland	holding activities (a parent entity for e.g. spa companies)
<b>KGHM Centrum Analityki sp. z o.o.</b>	Poland	support of data analysis in the Group, including BigData creation
<b>Future 3 Sp. z o.o.</b>		
<b>Future 4 Sp. z o.o.</b>	Poland	companies not engaged in operations
<b>Future 5 Sp. z o.o.</b>		
<b>NANO CARBON Sp. z o.o. in liquidation</b>	Poland	production of graphene and research into its properties

## INTERNATIONAL COMPANIES (AND FUTURE 1 SP. Z O.O.)

Entity	Head Office	Activities
<b>DIRECT SUBSIDIARIES</b>		
<b>Future 1 Sp. z o.o.</b>	Poland	management and control of other companies, including the KGHM INTERNATIONAL LTD. Group
<b>KGHM (SHANGHAI) COPPER TRADING CO. LTD.</b>	China	Service and coordination activities involving copper/rhenium sales and procurement support
<b>INDIRECT SUBSIDIARIES</b>		
<b>COMPANIES BELONGING TO Future 1 Sp. z o.o.</b>		
<b>KGHM INTERNATIONAL LTD.</b>	Canada	the founding, development, management or control of companies in the KGHM INTERNATIONAL LTD. Group
<b>KGHM Kupfer AG</b>	Germany	in 2022 did not engage in operations
<b>COMPANIES BELONGING TO KGHM INTERNATIONAL LTD.</b>		
<b>KGHM Ajax Mining Inc.</b>	Canada	development of copper mining projects
<b>Sugarloaf Ranches Ltd.</b>	Canada	agricultural activities (this company owns assets in the form of land designated for future mining activities related to the Ajax project)
<b>Robinson Nevada Mining Company</b>	USA	copper ore mining, production and sale of copper
<b>Carlota Copper Company</b>	USA	copper ore leaching, production and sale of copper
<b>FNX Mining Company Inc.</b>	Canada	mining of copper and nickel ore, production and sale of copper and nickel
<b>Aguas de la Sierra Limitada</b>	Chile	the ownership and exercise of water rights in Chile
<b>Robinson Holdings (USA) Ltd.</b>	USA	technical and management services
<b>DMC Mining Services Corporation</b>	USA	contract mining services
<b>KGHM Chile SpA</b>	Chile	management and exploration services on behalf of third parties
<b>Minera Carrizalillo SpA</b>	Chile	the ownership of water and deposits rights
<b>Wendover Bulk Transhipment Company</b>	USA	shipment services
<b>DMC Mining Services Mexico, S.A. de C.V.</b>	Mexico	mine drilling services
<b>KGHMI Holdings Ltd.</b>	Canada	the management and control of other companies
<b>Carlota Holdings Company</b>	USA	the management and control of other companies
<b>Quadra FNX FFI S.à r.l.</b>	Luxembourg	financial services
<b>Centenario Holdings Ltd.</b>	Canada	the management and control of other companies
<b>Franke Holdings Ltd.</b>	Canada	the management and control of other companies
<b>Quadra FNX Holdings Chile Limitada</b>	Chile	the management and control of other companies
<b>FNX Mining Company USA Inc.</b>	USA	the management and control of other companies
<b>Quadra FNX Holdings Partnership</b>	Canada	the management and control of other companies
<b>0899196 B.C. Ltd.</b>	Canada	the management and control of other companies
<b>DMC Mining Services Ltd.</b>	Canada	contract mining services
<b>DMC Mining Services Chile SpA</b>	Chile	contract mining services

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Entity	Head Office	Activities
Sierra Gorda S.C.M.	Chile	the operation of an open-pit copper and molybdenum mine
DMC Mining Services Colombia SAS	Columbia	contract mining services
DMC Mining Services (UK) Ltd.	United Kingdom	contract mining services
<b>COMPANY BELONGING TO KGHM ZANAM S.A. (99%) and Przedsiębiorstwo Budowy Kopalń PeBeKa S.A. (1%)</b>		
Obszczestwo s ograniczennoj otwietstwiennostju ZANAM VOSTOK	Russian Federation	sale and after-sales service of mining machinery

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**APPENDIX 4 - 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**

Table 117. Activities related to nuclear power and natural gas

Template 1 Activities related to nuclear power and natural gas.		
Row	Activities related to nuclear power	
1.	The company conducts research, development, demonstration and deployment of innovative electricity generation facilities that produce energy through nuclear processes with minimum fuel cycle waste, finances or has exposure to such activity.	NO
2.	The company conducts the construction and safe operation of new nuclear power facilities to generate electricity or process heat, including for district heating or industrial processes such as hydrogen production, as well as their modernisation in terms of safety using the best available technology, finances or has exposure to such activity.	NO <sup>68</sup>
3.	The company conducts safe operation of existing nuclear power facilities generating electricity or process heat, including for district heating or industrial processes such as hydrogen production, as well as their modernisation in terms of safety, finances or has exposure to such activity.	NO
Activities related to natural gas		
4.	The company conducts the construction or operates facilities for generation of electricity using gaseous fossil fuels, finances or has exposure to such activity.	NO
5.	The company conducts the construction, modernisation or operates facilities for combines generation of heat/cooling and electricity using gaseous fossil fuels, finances or has exposure to such activity.	YES
6.	The company conducts the construction, modernisation or operates facilities for heat generation producing heat/cooling energy using gaseous fossil fuels, finances or has exposure to such activity.	NO

<sup>68</sup> On 22 December 2021 the Management Board of KGHM Polska Miedź S.A. (hereafter: "the Company") adopted Resolution No. 312/XI/2021 regarding the adoption for realisation of the Strategic Program called "Energy Development Program" (hereafter: "Program"). One of the main operational goals of the Program is to develop nuclear power sources for generating electricity. In order to implement the Program, on 14 February 2022 the Company entered into an Early Works Agreement with the company NuScale Power, LLC (a supplier of nuclear technology; hereafter "NuScale") under which, among others, a feasibility study is to be prepared for the construction of a nuclear power plant using small modular nuclear reactor (SMR) technology. Moreover, the Company is engaged in actions aimed at selecting the optimal siting for the planned SMR-technology nuclear power plant. Due to the long-term nature of the design work underway, the Company may incur the first expenditures in this regard possibly in 2023.

Table 118. Turnover - Taxonomy-compliant economic activity (denominator)

Template 2 Taxonomy-compliant economic activity (denominator)							
Row	Types of economic activity	Amount and share (information to be provided in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (in million PLN)	%	Amount (in million PLN)	%	Amount (in million PLN)	%
1.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
2.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
3.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
4.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
5.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
6.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
7.	<b>Amount and share of other taxonomy-compliant economic activities not listed in rows 1-6 above in the denominator of the applicable key performance indicator</b>	340.5	1.01%	340.5	1.01%	0.0	0.00%
8.	<b>Total applicable key performance indicator</b>	33 847.3		33 847.3		0.0	



Table 119. Turnover - Taxonomy-compliant economic activity (numerator)

Template 3 Taxonomy-compliant economic activity (numerator)							
Row	Types of economic activity	Amount and share (information to be provided in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (in million PLN)	%	Amount (in million PLN)	%	Amount (in million PLN)	%
1.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
2.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
3.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
4.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
5.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
6.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
7.	<b>Amount and share of other taxonomy-compliant economic activities not listed in rows 1-6 above in the denominator of the applicable key performance indicator</b>	340.5	100.00%	340.5	100.00%	0.0	100.00%
8.	<b>Total amount and total share of other taxonomy-compliant economic activities in the denominator of the applicable key performance indicator</b>	340.5	100.00%	340.5	100.00%	0.0	100.00%

Table 120. Turnover - Taxonomy-eligible but taxonomy non-compliant economic activity

Template 4 Taxonomy-eligible but taxonomy non-compliant economic activity							
Row	Types of economic activity	Amount and share (information to be provided in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (in million PLN)	%	Amount (in million PLN)	%	Amount (in million PLN)	%
1.	The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
2.	The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
3.	The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
4.	The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
5.	The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
6.	The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
7.	<b>Amount and share of other taxonomy-eligible but taxonomy non-compliant economic activities not listed in rows 1-6 above in the denominator of the applicable key performance indicator</b>	185.5	0.55%	185.5	0.55%	0.0	0.00%
8.	<b>Total amount and total share of taxonomy-eligible but taxonomy non-compliant economic activities in the denominator of the applicable key performance indicator</b>	185.5	0.55%	185.5	0.55%	0.0	0.00%

Table 121. Turnover - Taxonomy-non-eligible activity

Template 5 Taxonomy-non-eligible activity			
Row	Types of economic activity	Amount (in million PLN)	%
1.	The amount and share of taxonomy non-eligible economic activity referred to in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%
2.	The amount and share of taxonomy non-eligible economic activity referred to in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%
3.	The amount and share of taxonomy non-eligible economic activity referred to in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%
4.	The amount and share of taxonomy non-eligible economic activity referred to in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%
5.	The amount and share of taxonomy non-eligible economic activity referred to in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%
6.	The amount and share of taxonomy non-eligible economic activity referred to in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%
7.	<b>Amount and share of other taxonomy non-eligible economic activities not listed in rows 1-6 above in the denominator of the applicable key performance indicator</b>	33 321.3	98.45%
8.	<b>Total amount and total share of taxonomy non-eligible economic activities in the denominator of the applicable key performance indicator</b>	33 321.3	98.45%

Table 122. Capital expenditure - Taxonomy-compliant economic activity (denominator)

Template 2 Taxonomy-compliant economic activity (denominator)							
Row	Types of economic activity	Amount and share (information to be provided in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (in million PLN)	%	Amount (in million PLN)	%	Amount (in million PLN)	%
1.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
2.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
3.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
4.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
5.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
6.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
7.	<b>Amount and share of other taxonomy-compliant economic activities not listed in rows 1-6 above in the denominator of the applicable key performance indicator</b>	8.8	0.22%	8.8	0.22%	0.0	0.00%
8.	<b>Total applicable key performance indicator</b>	4 101.8		4 101.8		0.0	

Table 123. Capital expenditure - Taxonomy-compliant economic activity (numerator)

Template 3 Taxonomy-compliant economic activity (numerator)							
Row	Types of economic activity	Amount and share (information to be provided in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (in million PLN)	%	Amount (in million PLN)	%	Amount (in million PLN)	%
1.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
2.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
3.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
4.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
5.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
6.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
7.	<b>The amount and share of other taxonomy-compliant economic activities not listed in rows 1-6 above in the denominator of the applicable key performance indicator</b>	8.8	100.00%	8.8	100.00%	0.00	0.00%
8.	<b>Total amount and total share of other taxonomy-compliant economic activities in the denominator of the applicable key performance indicator</b>	8.8	100.00%	8.8	100.00%	0.00	0.00%

Table 124. Capital expenditure - Taxonomy-eligible but taxonomy non-compliant economic activity

Template 4 Taxonomy-eligible but taxonomy non-compliant economic activity							
Row	Types of economic activity	Amount and share (information to be provided in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (in million PLN)	%	Amount (in million PLN)	%	Amount (in million PLN)	%
1.	The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
2.	The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
3.	The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
4.	The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
5.	The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	15.9	0.39%	15.9	0.39%	0.00	0.00%
6.	The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
7.	<b>Amount and share of other taxonomy-eligible but taxonomy non-compliant economic activities not listed in rows 1-6 above in the denominator of the applicable key performance indicator</b>	189.6	4.62%	189.6	4.62%	0.0	0.00%
8.	<b>Total amount and total share of taxonomy-eligible but taxonomy non-compliant economic activities in the denominator of the applicable key performance indicator</b>	205.5	5.01%	205.5	5.01%	0.0	0.00%

Table 125. Capital expenditure - Taxonomy-non-eligible activity

Template 5 Taxonomy-non-eligible activity			
Row	Types of economic activity	Amount (in million PLN)	%
1.	The amount and share of taxonomy non-eligible economic activity referred to in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%
2.	The amount and share of taxonomy non-eligible economic activity referred to in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%
3.	The amount and share of taxonomy non-eligible economic activity referred to in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%
4.	The amount and share of taxonomy non-eligible economic activity referred to in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%
5.	The amount and share of taxonomy non-eligible economic activity referred to in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%
6.	The amount and share of taxonomy non-eligible economic activity referred to in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%
7.	<b>Amount and share of other taxonomy non-eligible economic activities not listed in rows 1-6 above in the denominator of the applicable key performance indicator</b>	3 887.5	94.77%
8.	<b>Total amount and total share of taxonomy non-eligible economic activities in the denominator of the applicable key performance indicator</b>	3 887.5	94.77%



Table 126. Operating expenditure - Taxonomy-compliant economic activity (denominator)

Template 2 Taxonomy-compliant economic activity (denominator)							
Row	Types of economic activity	Amount and share (information to be provided in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (in million PLN)	%	Amount (in million PLN)	%	Amount (in million PLN)	%
1.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
2.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
3.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
4.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
5.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
6.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
7.	<b>Amount and share of other taxonomy-compliant economic activities not listed in rows 1-6 above in the denominator of the applicable key performance indicator</b>	35.4	1.91%	35.4	1.91%	0.0	0.00%
8.	<b>Total applicable key performance indicator</b>	1 850.9		1 850.9		0.0	

Table 127. Operating expenditure - Taxonomy-compliant economic activity (numerator)

Template 3 Taxonomy-compliant economic activity (numerator)							
Row	Types of economic activity	Amount and share (information to be provided in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (in million PLN)	%	Amount (in million PLN)	%	Amount (in million PLN)	%
1.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
2.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
3.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
4.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
5.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
6.	The amount and share of taxonomy-compliant economic activity referred to in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
7.	<b>The amount and share of other taxonomy-compliant economic activities not listed in rows 1-6 above in the denominator of the applicable key performance indicator</b>	35.4	100.00%	35.4	100.00%	0.0	0.00%
8.	<b>Total amount and total share of other taxonomy-compliant economic activities in the denominator of the applicable key performance indicator</b>	35.4	100.00%	35.4	100.00%	0.0	0.00%

Table 128. Operating expenditure - Taxonomy-eligible but taxonomy non-compliant economic activity

Template 4 Taxonomy-eligible but taxonomy non-compliant economic activity							
Row	Types of economic activity	Amount and share (information to be provided in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (in million PLN)	%	Amount (in million PLN)	%	Amount (in million PLN)	%
1.	The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
2.	The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
3.	The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
4.	The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
5.	The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	20.4	1.10%	20.4	1.10%	0.0	0.00%
6.	The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%	0.0	0.00%	0.0	0.00%
7.	<b>Amount and share of other taxonomy-eligible but taxonomy non-compliant economic activities not listed in rows 1-6 above in the denominator of the applicable key performance indicator</b>	121.6	6.57%	121.6	6.57%	0.0	0.00%
8.	<b>Total amount and total share of taxonomy-eligible but taxonomy non-compliant economic activities in the denominator of the applicable key performance indicator</b>	142.0	7.67%	142.0	7.67%	0.00	0.00%

Table 129. Operating expenditure - Taxonomy-non-eligible activity

<b>Template 5 Taxonomy-non-eligible activity</b>			
<b>Row</b>	<b>Types of economic activity</b>	<b>Amount (in million PLN)</b>	<b>%</b>
1.	The amount and share of taxonomy non-eligible economic activity referred to in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%
2.	The amount and share of taxonomy non-eligible economic activity referred to in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%
3.	The amount and share of taxonomy non-eligible economic activity referred to in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%
4.	The amount and share of taxonomy non-eligible economic activity referred to in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%
5.	The amount and share of taxonomy non-eligible economic activity referred to in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%
6.	The amount and share of taxonomy non-eligible economic activity referred to in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator	0.0	0.00%
7.	<b>Amount and share of other taxonomy non-eligible economic activities not listed in rows 1-6 above in the denominator of the applicable key performance indicator</b>	1 673.5	90.42%
8.	<b>Total amount and total share of taxonomy non-eligible economic activities in the denominator of the applicable key performance indicator</b>	1 673.5	90.42%

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**SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD**

This report was authorised for issue on 21 March 2023

President  
of the Management Board

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Tomasz Zdzikot

Vice President  
of the Management Board

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Mateusz Wodejko

Vice President  
of the Management Board

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Marek Pietrzak

Vice President  
of the Management Board

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Mirosław Kidoń

Vice President  
of the Management Board

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Marek Świder