



Integrated Report

of KGHM Polska Miedź S.A. and the
KGHM Polska Miedź S.A. Group
for 2021

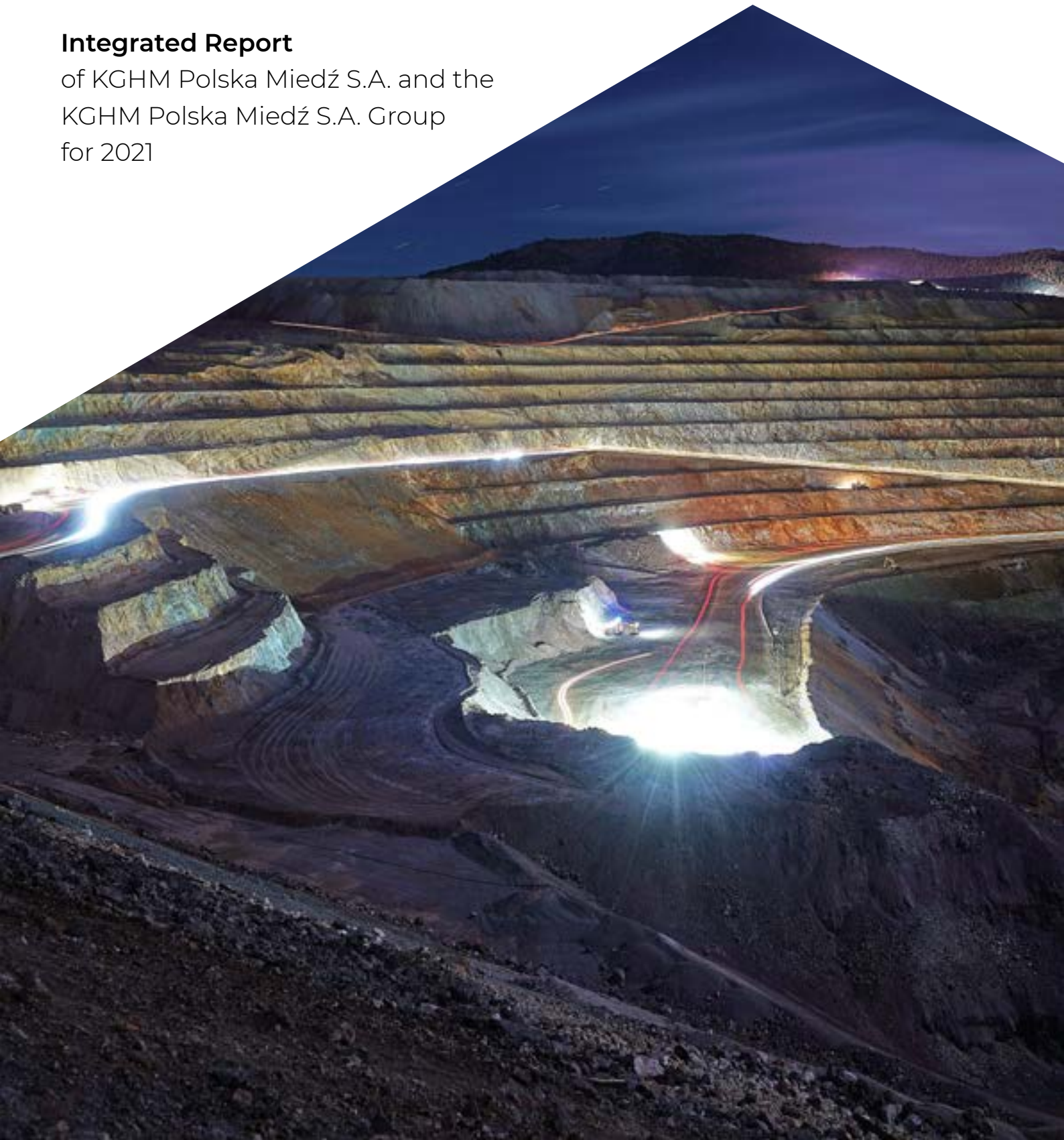


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Welcome to the Integrated Report of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group for 2021

We hereby convey to you the Integrated Report of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group for 2021. This is already our ninth integrated report, a key and comprehensive document that depicts our business, operating and non-financial activities. This Integrated Report describes the Parent Entity KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group, our activities and development directions in greater detail to our stakeholders and particularly to investors, financial institutions and insurers.

The Future is made of Copper

The KGHM Polska Miedź Group is a global, innovative organization involved in technologically advanced exploration, mining and metallurgical operations. For several decades, the Company has been mining and processing valuable underground resources, supplying the world with products that enable its sustainable development. 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. As the years went by, the KGHM Polska Miedź S.A. Group grew its business significantly both in terms of products and the market. KGHM Polska Miedź S.A. is present on four continents: in Europe, South America, North America and Asia. The KGHM Polska Miedź S.A. Group is comprised of KGHM Polska Miedź S.A. as the Parent Entity and several dozen subsidiaries.

In 2021, KGHM Polska Miedź S.A. celebrated the 60th anniversary of establishing the Copper Mining and Smelting Combine; the main theme of the celebration was "The Future is made of Copper", which emphasized the key role of copper in energy transition of the global economy.

In July of 2022, 25 years will have transpired from when KGHM Polska Miedź S.A. first went public on the Warsaw Stock Exchange. Today, the copper giant's shares are listed in the WIG20, WIG30 and WIG-ESG indices. KGHM Polska Miedź S.A. is also among companies included in the FTSE4Good Index Series.

GRI 102-14

Letter from the President to stakeholders

Despite the years marked by the pandemic and the most recent days marred by the dramatic war on the other side of our eastern frontier, we have never surrendered to pessimistic visions and forecasts regarding the global economy and mining industry. We have a clear strategy, which we effectively execute during turbulent times, too. Day after day we create a stable future for our employees and value for our owners, and a plan for future generations in Poland. We supply the raw materials the global economy needs. We incessantly emphasize that the future is made of copper!



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

Dear Stakeholders,

I would like to start our summation of the year 2021 in an atypical way, by quoting a renowned researcher into management processes, Peter Drucker: "The best way to predict the future is to create it." Recent years have presented us with challenges on a scale not yet seen in the global economy, while the tragic events in Ukraine have once more upturned the order of our world. Despite years marked by a pandemic and recent days beneath the pall of the dramatic war on our eastern border, we have never surrendered to pessimistic visions and forecasts about the global economy and the mining sector. We have a clear strategy which we are effectively advancing, even in these turbulent times. Day by day we are creating a stable future for our employees, value for our shareholders, a plan for future Polish generations. We are supplying materials which are vital for the global economy. We are continually emphasising that **the future is made of copper!**

In 2021 KGHM celebrated its 60th jubilee as a company. We recalled the Company's pioneers and the most important events in the history of the copper giant, unswervingly looking towards the future, and above all concentrating on our daily work and enhancing the efficiency of our company's actions. An ambitious climate policy, the strategic treatment of energy transformation and very good production and financial results, mean that we have written new pages in KGHM's history, of which we can be proud. It is with genuine satisfaction that I hereby present you with the results of the Company and of the KGHM Polska Miedź Group for 2021.

In the past year we continued to work under the pressure of the COVID-19 pandemic and the need to ensure the safety of our employees. These actions, however, took on a different form. The world shook off its initial surprise and adapted to the new conditions. The mass distribution of vaccines and the gradual easing of restrictions gave investors cause for optimism. Stock markets indices rose, commodities too, and copper reached an historic high. The highest copper price on the LME in 2021 of 10 724.50 USD/t was recorded on 10 May, and marked an all-time high. This, combined with our strategic vision, effective management and honest labour, enabled KGHM to end the year with excellent operating and financial results, at historic, as-yet-unseen levels. And all of this with outstanding, record-low work safety ratios and ambitious investment plans.

The impressive data, backed by the numbers, is thanks to the efforts of our employees and the effectiveness of the 4E Strategy implemented by the Management Board:

Elasticity/flexibility, **E**fficiency, **E**cology and **E**-Industry are the pillars on which, in the demanding times of the pandemic, we were able to find support in and which enabled us to triumph over many potential threats. Similarly as during the first year of the pandemic, in 2021 neither in KGHM Polska Miedź S.A. nor in any of the Group's international mines were there any production shutdowns whose direct cause was attributable to the pandemic.

Ahead of us are further challenges and goals, the realisation of which we neither wish to nor are able to wait for, and which require of us substantial outlays: in work and in financial resources. **In 2021 we adopted an ambitious climate policy, openly declaring the Company's intention to achieve climate neutrality by 2050.** By 2030 we will reduce total Scope 1 and Scope 2 emissions by 30% compared to emissions in 2020. One of the paths to achieving these goals is the development of our own zero-emissions and low-emissions sources of energy. We included this in the **Strategy of the KGHM Polska Miedź S.A. Group** to the year 2030 with an outlook to 2040, which was approved by the Company's Supervisory Board on 14 January 2022. **To the proven 4Es we added a fifth, key element - Energy.**

Our ambition is to effectively increase the share of renewable energy sources and to generate our own to cover our energy needs. We possess our own low-emissions generating sources fired by natural gas. We are developing RES projects, including photovoltaic power plants on land belonging to KGHM, and are engaged in numerous due diligence processes and the evaluation of assets available for sale.

We joined a sector agreement to develop off-shore wind power. Our goal is to diversify energy sources and we are reaching out for watershed solutions. We are involved in establishing the Lower Silesia Hydrogen Valley, seeing the potential to utilise hydrogen, among others in our metallurgical plants.

One of the key projects which will bring the Company closer to achievement of energy independence is the implementation of **Small Modular Reactor (SMR)** technology. In 2021 we commenced discussions with a supplier of this technology, the company NuScale Power, and in February 2022 we signed an agreement on the start of work to implement this technology in Poland. We are planning to build the first power plant by 2029. This watershed project to generate energy, which is 100% free of carbon dioxide emissions, will also improve the Company's cost efficiency.

In 2021 we recorded an increase in copper production by the Group of 6.3%, or by 44.6 thousand tonnes compared to 2020. The increase was by all of the Group's segments, in particular Sierra Gorda SCM (+22.6 thousand tonnes on a 55% basis) and KGHM Polska Miedź S.A. (+17.2 thousand tonnes). The increase in production and sales volumes, combined with a good price, led to a more-than 26% increase in Group revenues, which amounted to PLN 29.8 billion.

In 2021 the KGHM Polska Miedź S.A. Group was fully capable of meeting its obligations in respect of its borrowings, **and we reduced the Group's debt ratio to a historically low level of 0.6 (net debt/adjusted EBITDA)**, while its net assets rose compared to 2020 by PLN 6.1 billion, reaching at the end of 2021 the level of PLN 27.1 billion.

Adjusted EBITDA of the KGHM Polska Miedź S.A. Group in 2021 was the highest in history at PLN 10.3 billion. We ended the past year with a record consolidated profit for the period, which rose by 242.5% and amounted to PLN 6.2 billion. The separate profit for the period of KGHM rose by 190.6% and amounted to PLN 5.2 billion.

The successes which we are presenting to you today are the result of managerial effectiveness and honest work by our employees, whom I wish to thank in particular. Our companies in Poland and abroad as well as our divisions carried out strategic goals and built the results of the entire KGHM Group. Our international assets achieved record results, and for the first time Sierra Gorda began to repay its liabilities towards the owners. Moreover, North American assets repaid most of their liabilities towards KGHM. Nearly 28% of the increase in copper production by this mine is the effect of higher copper content in ore, higher recovery and higher ore processing, but also **consistent changes in the way the mine is managed.** The increase in revenues by nearly 78% combined with optimisation of costs enabled the achievement, for the 55% interest held by KGHM Polska Miedź S.A., of an operating profit of PLN 3.2 billion (an increase of nearly 2.5-times). The excellent financial condition enabled this investment in Chile, for the first time in its history, to return cash to the Parent Entity, and profit for 2021 amounted to PLN 3.2 billion.

In Poland we continued strategic investments, including the sinking of the GG-1 shaft under the Deposit Access Program, and geological work in the „Retków-Ścinawa” concession. In November

2021, 7 months ahead of schedule, we completed construction of the Southern Quarter, an element of the Żelazny Most Tailings Storage Facility. Thanks to the largest investment by KGHM Polska Miedź S.A. since 2018, the Żelazny Most Tailings Storage Facility is now the largest, and at the same time the most monitored, facility of its type in Europe, as well as one of the largest in the world. This is a key element in the copper production process.

We are investing in metallurgy: in the Cedyňa Wire Rod Plant we are working on building a second Upcast line for the production of oxygen-free CuOFE copper, while the Strategic Program called Hybrid Legnica Smelter and Refinery is our response to expectations connected with the recycling of copper and the Circular Economy concept.

I always emphasise the particular care with which KGHM deals with the question of the safety of our employees. In 2021 we continued to pursue the Employee Safety Improvement Program „Think About Consequences”, utilising innovative technology in accordance with the updated Strategy. The high OHS standards applied by the Company (confirmed by the ISO 45001:2018 certificate), applies to both the Company's employees as well as to companies engaged in contractual services on the grounds of KGHM Polska Miedź S.A. Thanks to the commitment and responsibility of all employees, in 2021 we recorded a **record-low LTIFR_{KGHM}** (Lost Time Injury Frequency Rate KGHM) ratio. The ratio was recorded at 5.63, or a decrease by 23% compared to 2020 and 70% lower compared to the level recorded in 2010. In 2021, despite the exceptionally difficult conditions imposed by the pandemic, KGHM INTERNATIONAL LTD. recorded its best result in history in terms of occupational health and safety.

In the past year we engaged in numerous activities: preventative, communicatory and procedural, aimed at mitigating the impact of the pandemic and reducing possibilities for the spread of the disease. We organised mobile vaccination points, which were freely available both to employees and their families, as well as any other willing people. We also demonstrated our support by helping to equip the health services and through the efforts of volunteers. We adapted our CSR programs to the current situation and to the most severe social problems, engaging in improving psychological health and counteracting depression. We are also continuing our pro-family projects and those involving organisational culture.

In the difficult circumstances of 2021 we celebrated our 60th jubilee, emphasising that „**the future is made of copper**”. We thanked our stakeholders and I would herein like to repeat our thanks.

This year's July will mark a quarter-century since the stock market debut of the copper giant KGHM Polska Miedź S.A. This was a significant event not only for the Company itself, but also for the Polish capital market. Today, after nearly 25 years, we can say with pride that KGHM remains one of the driving forces powering the Warsaw Stock Exchange. Today the shares of KGHM comprise an important component of market indices such as the WIG, WIG20, and WIG30, as well as being a component company of the FTSE4Good Index Series of the London Stock Exchange, which serves as proof of recognition of our activities aimed at enhancing ESG value.

I would like to express my thanks to our shareholders and clients for your trust. To our local communities my sincerest gratitude for being good neighbours and for our mutual efforts to develop the regions in which we operate.

Ahead of us is another year full of challenges. At this moment, although we do not yet know all of the consequences of the war in Ukraine, I am convinced that the experience and resources which we possess will enable us to deal with the changes in the global economy. Copper and the resources which we produce enable the creation of future technologies, and I am firmly convinced that the bright future awaits us.

On behalf of the Management Board of KGHM Polska Miedź S.A. I hereby present you with the Annual Report of the Company and of the KGHM Polska Miedź Group for 2021. At the same time I invite you to review our data and non-financial indicators, whose reporting is especially important to us, along with the attached Non-financial report for the year 2021.

Respectfully,

Marcin Chludziński

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



IMPORTANCE OF COPPER FOR ENERGY TRANSITION

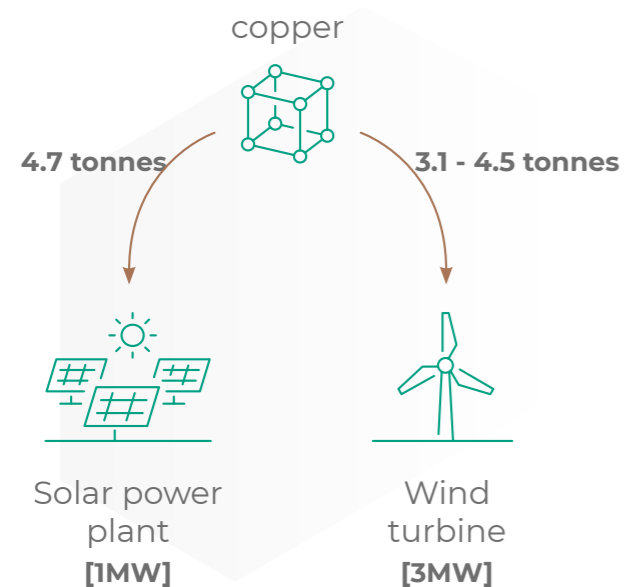
The European non-ferrous metals industry is a complex ecosystem of mining, smelting, processing, refining and recycling operations spread across the continent. It consists of more than 900 plants producing and processing base, precious and specialty metals, which employ half a million people. The industry's annual turnover is estimated at EUR 120 billion. It is the output of the European non-ferrous metals industry that makes energy transformation and the vision of a climate-neutral Europe possible.

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 metric tonnes of copper and the construction of a 1 MW solar power plant requires from 3.1 to 4.5 metric 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 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. 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 metric tonnes of copper will be needed by 2050 for the technologies facilitating a 75% reduction of EU greenhouse gas emissions. This amount is roughly the same as the current level of global metallurgical production of copper (which is slightly over 21 million tonnes) and more than ten times greater than the current production capacity of the European Union. 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 production capacity 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%, and emissions from copper production in Europe currently represent just 0.4% of all EU greenhouse gas emissions.

¹The estimate based on, among others, the EU "High-RES" scenario till 2050 and the EU Energy Roadmap 2050, https://ec.europa.eu/energy/sites/ener/files/documents/2012_energy_roadmap_2050_en_0.pdf

²<https://icsg.org/wp-content/uploads/2021/11/ICSG-Factbook-2021.pdf>

KGHM'S COMMITMENTS TO ENVIRONMENT AND CLIMATE

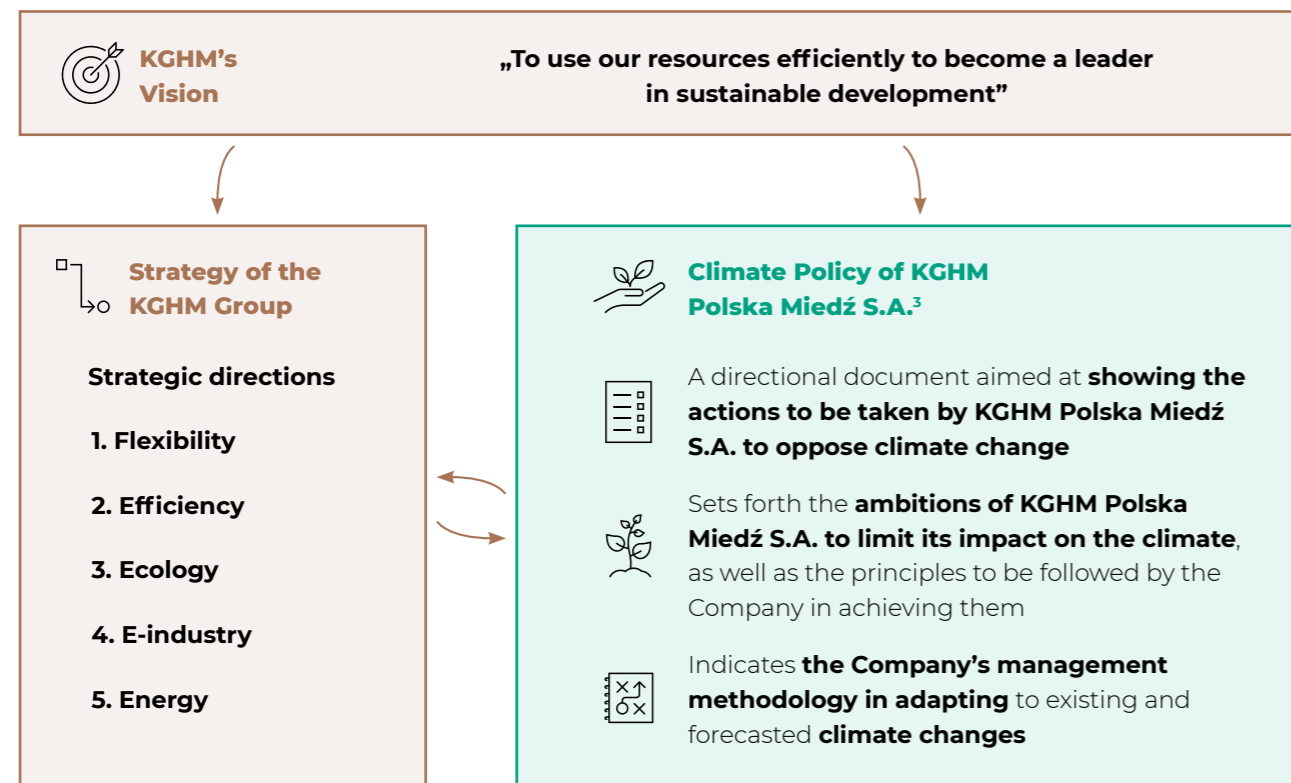
KGHM Polska Miedź S.A., as one of the world's leaders in the production of copper and silver, intends to continuously and consciously develop its activities in accordance with the principles of sustainable development and responsible business, conducting its operations in a manner which takes into account both the impact of the organisation on the climate and the impact of climate change on the Company.

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 this 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 purpose is to present the climate ambitions of KGHM Polska Miedź S.A. and to specify the necessary scope of process and organizational changes for their implementation and continuous improvement

CLIMATE POLICY OF KGHM POLSKA MIEDŹ S.A.

Testifying to KGHM's ambitions of reducing its environmental footprint



CLIMATE POLICY OF KGHM POLSKA MIEDŹ S.A.

The Policy will serve as direct support in advancing the the UN's Sustainable Development goals. Moreover, its implementation ensures the achievement of measurable benefits for the Company and its stakeholders.

The Climate Policy of KGHM Polska Miedź S.A. will directly support achievement of the UN's⁴ Sustainable Development goals:



Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all



Goal 12: Ensure sustainable consumption and production patterns



Goal 13: Take action for the sustainable development goals

Thanks to the preparation and implementation of the Climate Policy, KGHM will:

- Once again demonstrate its far-reaching goal of reducing the Company's carbon footprint
- Strengthen its market position, achieving a potentially better positioning of its products
- Comply with the latest standards set forth in the Warsaw Stock Exchange's Best Practices for Listed Companies
- Adapt to changes in the regulatory environment associated with the rise in energy prices and CO₂ emissions rights
- Lead to the substantial decarbonisation of the entire Polish economy, as one of the most energy-intensive enterprises in the country
- Be a response to the ever-increasing expectations of the financial markets, shareholders and investors
- Ensure further improvement in living and working conditions in those regions where it operates
- Systematically enhance its ESG ratings

³The scope and focus of impact of the Climate Policy comprises the Parent Entity of the KGHM Group – KGHM Polska Miedź S.A. – which will subsequently expand its principles to the Group's subsidiaries

⁴The Sustainable Development goals described in the final document of the UN summit „Transforming our world: the 2030 Agenda for Sustainable Development”, adopted by the United Nations General Assembly on 25 September 2015.

IDENTIFYING OPPORTUNITIES IN THE TRANSFORMATION TO A LOW-EMISSIONS ECONOMY

The Climate Policy is a major step in seizing opportunities, and consequently in building long-term value

Supports the transformation into a low-emissions economy

KGHM, as **one of the world's largest copper producers**, will have a substantial impact on the success of the transformation into a low-emissions economy, as is clear from the need to **secure the anticipated increasing demand for copper**, as a key component in a future, green economy

Lower emissions is a competitive advantage

Reducing the Company's emissions and its products' carbon footprint will be one of its competitive advantages. It is therefore vital to set ambitious emissions reduction objectives and support their achievement by dedicated processes within KGHM

Regulatory environment

KGHM **will actively take advantage of the opportunities** arising from the climate transformation, including benefits connected with dedicated EU funds

KGHM is **adapting to changes in the regulatory environment** and the associated obligations deriving from KGHM's impact on the climate, as well as the impact of the climate on the Company

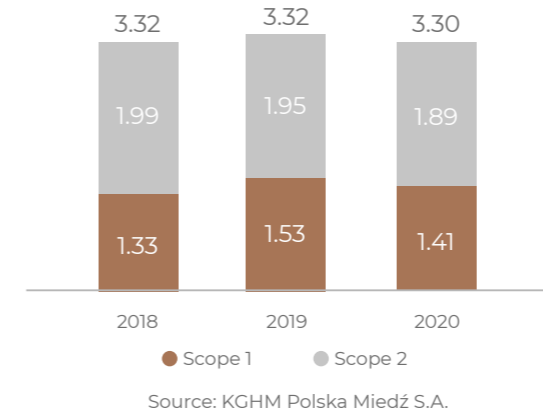
Stakeholder expectations

The actions being taken in connection with the Climate Policy and the obligations arising therefrom will be beneficial not only for KGHM's surroundings, but will also have a substantial **impact on building the Company's long-term shareholder value**

INVENTORISATION OF KEY SOURCES OF GREENHOUSE GAS EMISSIONS

At the Parent Entity level, to be followed in turn at the Group level

Scope 1 and 2 greenhouse emissions of KGHM Polska Miedź S.A. [mn t CO₂e]



Annual CO₂-equivalent emissions by KGHM Polska Miedź S.A. are around 3.3 mn tonnes, of which around 40% are Scope 1 and 60% are Scope 2 pursuant to GHG Protocol⁵

In 2022 KGHM will conduct a full inventarisation of Scope 1 and Scope 2 emissions in its subsidiaries so as to publish complete information on Scope 1 and Scope 2 emissions for the entire organisation pursuant to GHG Protocol at the latest by mid-2023.

Moreover, KGHM will publish data on Scope 3 emissions by the Group at the latest in the first half of 2024.

CLIMATE NEUTRALITY BY 2050

Achieving climate neutrality by 2050 is the overriding goal of the Climate Policy of KGHM Polska Miedź S.A. Intermediate goal – the reduction of total Scope 1 and Scope 2 emissions by 2030 by 30%⁶.



Main goals of decarbonisation:

- Reduce indirect emissions (Scope 2):**
 - Develop internal zero-emission and low-emission sources
 - Improve energy efficiency in the production divisions and enhance the efficiency of technological processes
 - Purchase RES energy under PPA contracts
- Gradually reduce direct emissions (Scope 1):**
 - Admixture of hydrogen in technological processes
 - Initial implementation of electromobility projects

Reduction goals for the entire KGHM Group will be announced at the latest in the first half of 2023



Main goals of decarbonisation:

- Total reduction of indirect emissions (Scope 2):**
 - Power and heat solely from zero-emission sources (mainly conversion to internal zero-emission sources)
- Maximum reduction of direct emissions (Scope 1):**
 - Hydrogen technology
 - Electromobility
 - Implementation of advanced production technology
 - Utilisation of CCU and CCS technology⁷⁾
- Potential offset of other emissions**

Details regarding capital expenditures on actions to restrict greenhouse gas emissions will be included and announced as part of the Decarbonisation Program of the KGHM Group

⁵Level of emissions calculated pursuant to the GHG Protocol standard, though this does not include the entire Group. KGHM Polska Miedź S.A. is the major emitter of greenhouse gases in the KGHM Group.

⁶Main goal in respect of Scope 1 and Scope 2 GHG emissions, assuming their maximum possible reduction. Reduction goals in reference to 2020 emissions.

⁷CCU (carbon capture and utilisation) and CCS (carbon capture and storage) technology

IMPLEMENTATION OF THE CLIMATE POLICY OF KGHM POLSKA MIEDŹ S.A.

Adapting the Company's operating principles to achieve its GHG emissions reduction targets and reflecting climate risk in its internal processes

KGHM wants to be a major participant in the green transformation. This is reflected not only in the development of its primary activities, but also in the introduction of a variety of changes in the way the Company operates, aimed at demonstrating our awareness of climate change and strengthening our Communications in this regard with all of our stakeholders.

- To ensure compliance with best market practice, KGHM will work towards the implementation of a climate reporting system based on the recommendations from 2017 of the Task Force on Climate-Related Financial Disclosures („TCFD⁸ Recommendations”)
- The first step in the implementation of the new reporting system will be the preparation of corporate structures to meet the requirements of the TCFD Recommendations by implementing a variety of changes in KGHM Polska Miedź S.A.
- The changes currently being planned will encompass the key business and management processes – in particular those connected with or impacting GHG emissions by KGHM.

Organisational and process changes in KGHM Polska Miedź S.A. To comply with the TCFD Recommendations



Corporate governance

Changes aimed at the introduction of mechanisms for monitoring and supervising climate questions by KGHM's management and supervisory staff, including the Management Board



Strategy

Changes aimed at the introduction of mechanisms to reflect the climate question in the processes of updating, implementing and monitoring the Strategy



Risk management

Changes aimed at the comprehensive integration of climate risk into the current system of Corporate Risk Management in KGHM Polska Miedź S.A.



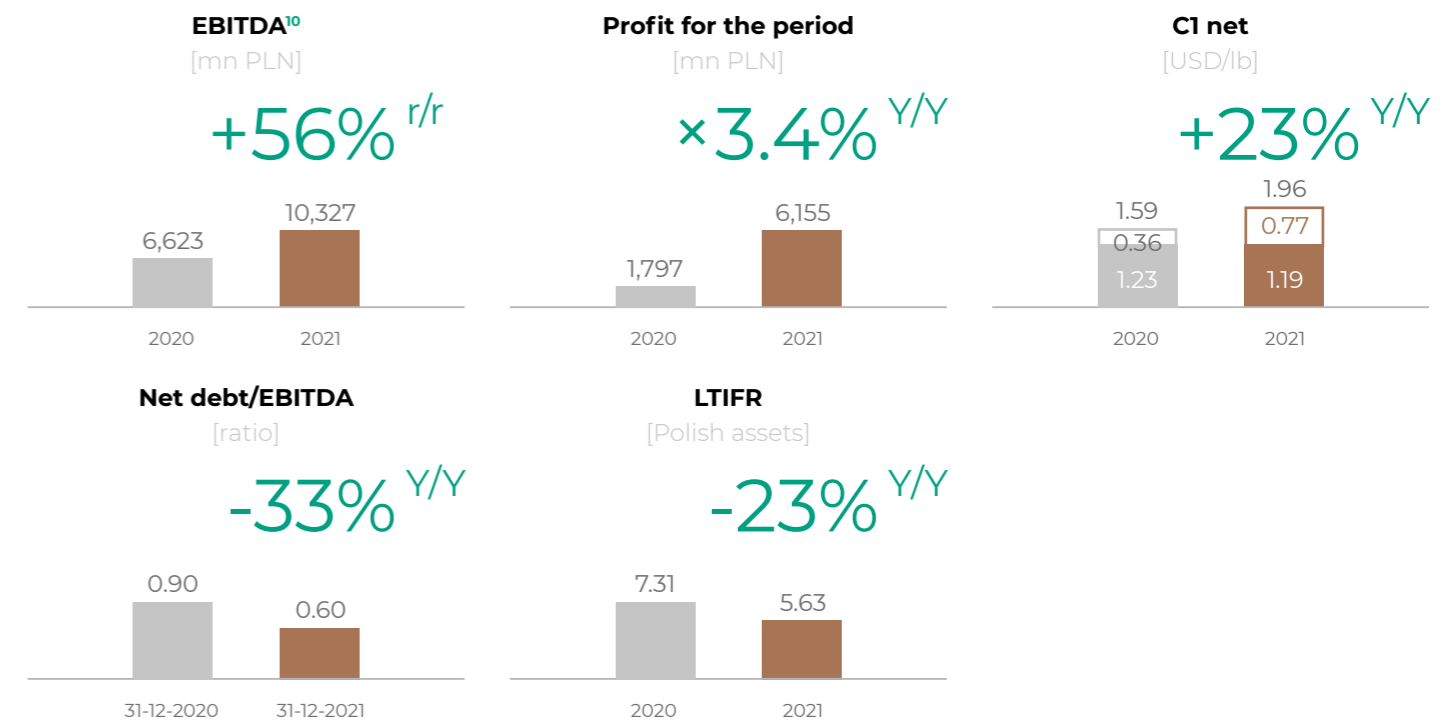
Indicators and targets

Changes aimed at introducing a process of measuring emissions by the KGHM Group which is fully compliant with GHG Protocol, and at implementing preliminary indicators appropriate for monitoring improvements in the resilience of the business model of KGHM Polska Miedź S.A. to climate change

SUMMARY OF 2021

SUMMATION OF THE YEAR IN THE KGHM GROUP

Selected key statistics in 2021⁹



WE CARE, WE ACT, WE PROTECT

We effectively protect the health and safety of our employees, actively support our volunteers and are involved in assisting refugees from Ukraine.

PANDEMIC

- Vaccinations
- Educational programs
- Combatting depression



AID FOR UKRAINE

- Transports of medical supplies
- Overnight accommodations for those in need
- Help in transporting and feeding refugees
- Legal, psychological and medical assistance



⁸ TCFD – Task Force on Climate-Related Financial Disclosures

⁹ Consolidated data unless otherwise indicated, i.e. in the case of LTIFR – only KGHM Polska Miedź S.A.

¹⁰ Sum of segments; adjusted EBITDA = EBITDA (profit/(loss) on sales + depreciation/amortisation) adjusted by impairment losses on non-current assets

EMPLOYEE SAFETY AS A STRATEGIC PRIORITY FOR THE KGHM GROUP 2021

ISO 45001:2018

Occupational Health and Safety Management System Certificate.

Leader's Gold Card of Workplace Safety

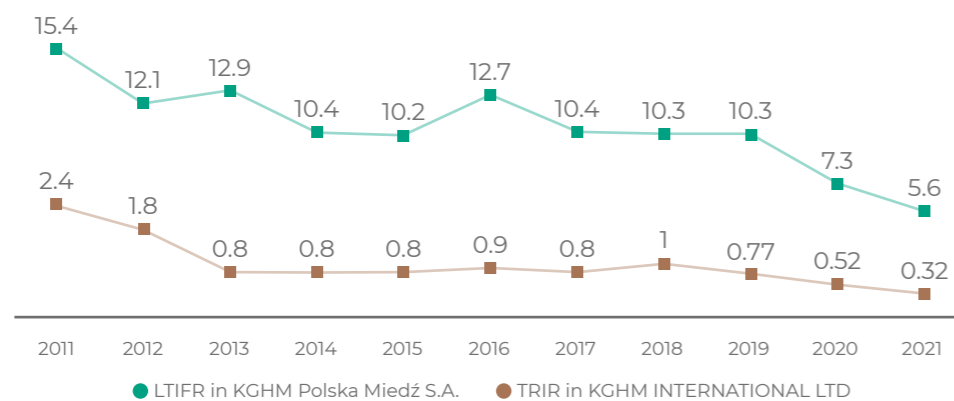
A decrease of 23% (y/y) in the number of recognized accidents at work from 213 to 165 registered at the end of 2021.

Historically-low accident ratio

Once more KGHM's employees met the challenge. In 2021 we again achieved excellent results in Occupational Health and Safety. Despite the threat caused by the SARS CoV-2 virus pandemic, thanks to the mutual efforts and commitment of our employees, the number of workplace accidents **decreased from 213 in 2020 to 165 at the end of 2021**. The main decrease was in accidents caused by human error.

Accident ratios¹¹

-23% Change¹² LTIFR in KGHM Polska Miedź S.A. **-38%** Change¹² TRIR in KGHM INTERNATIONAL



¹¹ LTIFR (Lost Time Injury Frequency Rate); 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 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

¹² Average accident rate for 2021 compared to the average for 2020

STRATEGY OF THE KGHM POLSKA MIEDŹ S.A. GROUP TO THE YEAR 2030 WITH AN OUTLOOK TO 2040

While the Mission and Vision of KGHM remain unchanged, in order to reflect the changes in the general environment, the strategic directions were augmented by a fifth element – Energy.

Mission	To always have copper
Vision	To use our resources efficiently to become the leader in sustainable development

Development directions #5E



KEY ELEMENTS OF THE STRATEGY ADVANCED IN 2021

Production

- Stable, uninterrupted production maintained in Poland and abroad despite the pandemic.
- Stable copper production from the domestic assets: mined production 442.6 kt; metallurgical production 577.6 kt).
- Stable payable copper production from the international assets: Sierra Corda 104.4 kt (55%); Robinson 53.6 kt; Carlota 5.5 kt; Franke 10.7 kt; Sudbury Basin 1.9 kt).
- Continuation of projects aimed at automatisisation under KGHM 4.0.

Efficient Organisation

- Continuation of digital transformation under the KGHM 4.0 Program.
- Optimisation of the international assets portfolio.
- Actions aimed at increasing the participation of Group companies in building the value of KGHM.

Development

- Continuation of the Deposit Access Program (sinking of GG-1 shaft, selection of contractor to build the GG-2 shaft).
- Continued development of the Żelazny Most Tailings Storage Facility (99% of physical work completed).
- Continuation of exploration projects in Poland and development projects in the international assets (Victoria, SG Oxide).
- 18.7% of KGHM's need for electricity was supplied by its own generating sources.
- Advancement of actions connected with increasing Energy generation from own sources, incl. RES; development of hydrogen technology (founding of Lower Silesia Hydrogen Valley) and nuclear (SMRs – agreement with NuScale, USA).
- Continuation of work aimed at building a second Upcast line at the Cedynia wire rod plant.

Innovation

- Continuation of R&D projects under the CuBR venture and the Implementation Doctorates Program.
- Advancement of initiatives related to testing EV mining machinery.
- Continuation of projects subsidised under the Horizon Europe Framework Program and KIC Raw Materials.
- Activities involving intellectual property (trademarks, patents for inventions).
- Development of IT tools supporting management as regards R&D and Knowledge Management in the KGHM Group.

People and the Environment

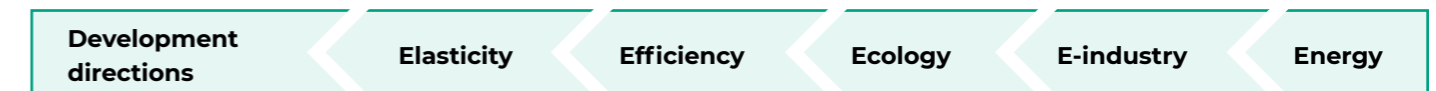
- Continuation of the Program to adapt the Company's production installations to BAT conclusions for the nonferrous metals industry and to restrict emissions of arsenic (BATAs).
- Continuation of the Occupational Health and Safety Program (LTIFR: 5.63; TRIR: 0.32).
- Adoption of the KGHM Climate Policy.
- Conclusion of a project to implement a mine machinery anti-collision system – 100% completed.

Financial Stability

- Optimisation of the financing structure – more efficient management of liquidity.
- Basing the KGHM Group's financing structure on long-term instruments.
- Optimisation of the receivables recovery period and the payables payment period.
- Effective market and credit risk management in the KGHM Group.
- Development and commencement of implementation of an integrated controlling model for the KGHM Group.

THE KGHM GROUP'S STRATEGY CONSISTS OF 5 PILLARS BASED ON 5 DEVELOPMENT DIRECTIONS

Strategy of the KGHM Group for the years 2022-2030 with an outlook to 2040



THE FINANCIAL SITUATION OF THE KGHM GROUP REMAINS STABLE AND SAFE

Total unit production cost of electrolytic copper from own concentrate KGHM Polska Miedź S.A.¹³ [k PLN/t]



Investments of KGHM Polska Miedź S.A.¹⁴ [mln PLN]



Liquidity of the KGHM Group [net debt / adjusted EBITDA]¹⁵



CASH FLOW WITHIN THE GROUP IN 2021 PROCEEDS TO KGHM POLSKA MIEDŹ S.A.

The International Assets paid USD 532.4 million to KGHM Polska Miedź S.A.¹⁶



¹³ Sum of costs of extraction, floatation and metallurgical processing per cathode, together with support functions and cathode selling costs, adjusted by the value of inventories of half-finished products and work in progress, less the value of anode slimes and divided by the volume of electrolytic copper production from own concentrates

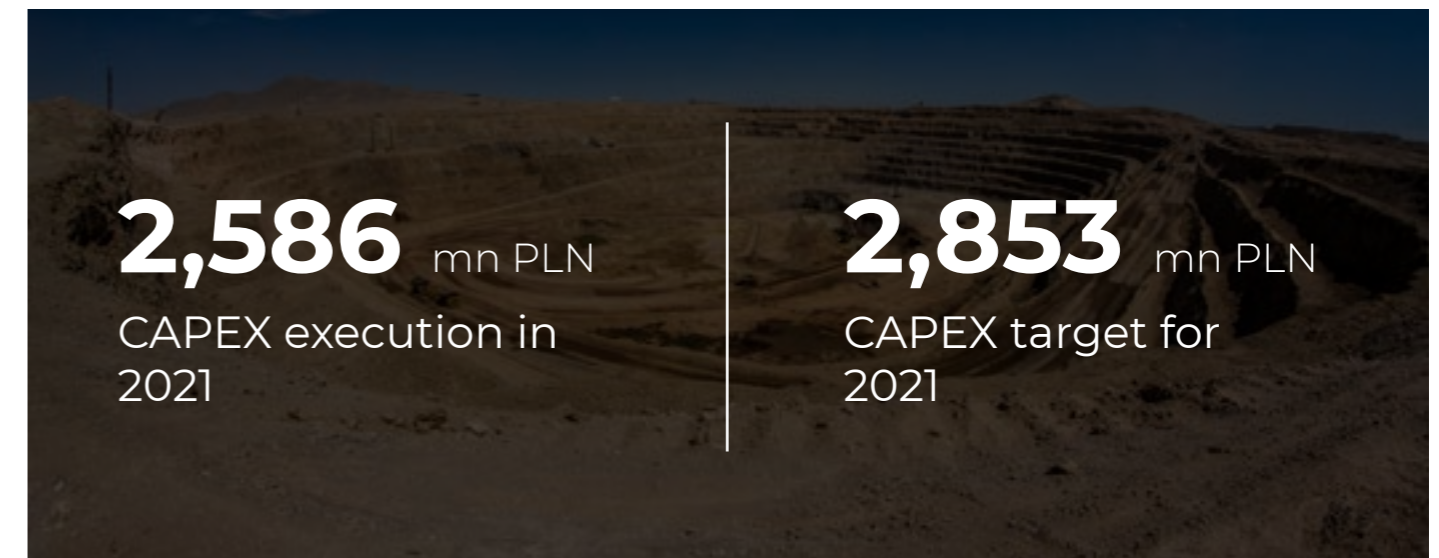
¹⁴ Capital expenditures – excluding costs of borrowing, leasing per IFRS 16 unrelated with an investment project and development work – uncompleted; Other expenditures – acquisition of shares and investment certificates of subsidiaries and associates and loans granted

¹⁵ Adjusted EBITDA for 12 months, to the end of the reporting period, excluding EBITDA of the joint venture Sierra Gorda S.C.M.

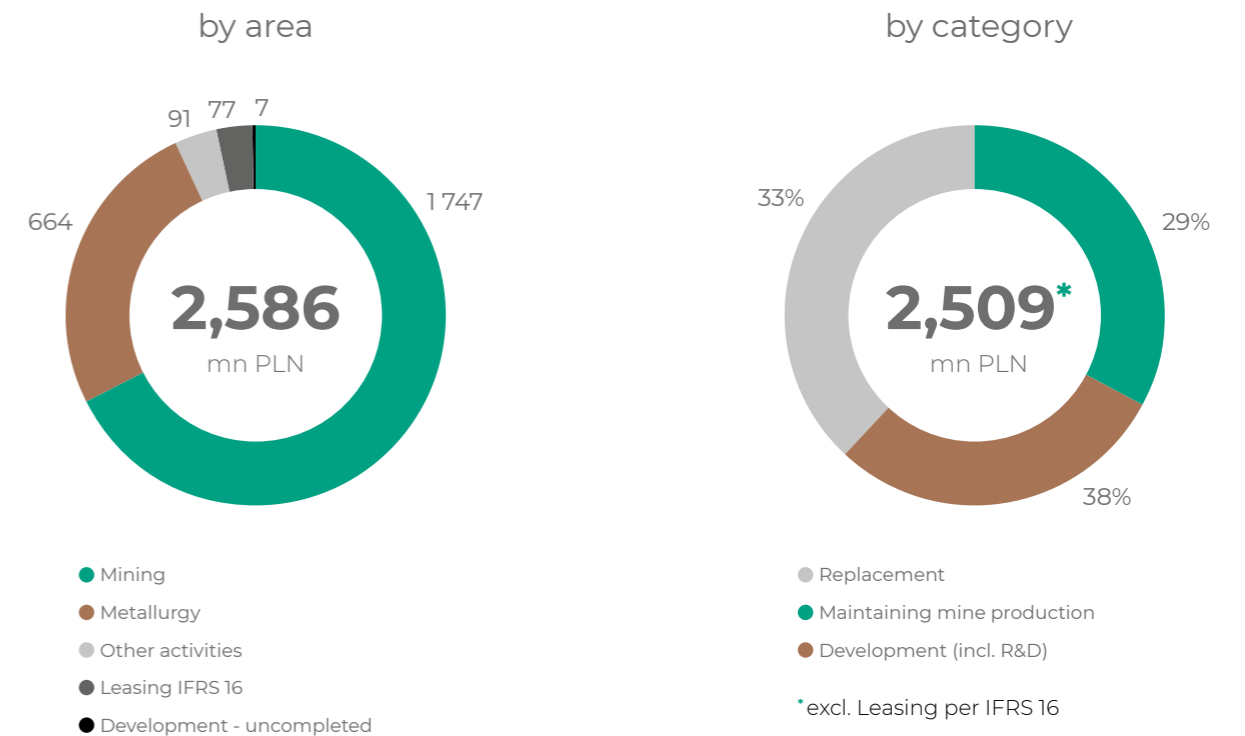
¹⁶ all amounts are prior to taxation, excluding accrued WHT

A RATIONALE AND RESPONSIBLE INVESTMENT PROGRAM

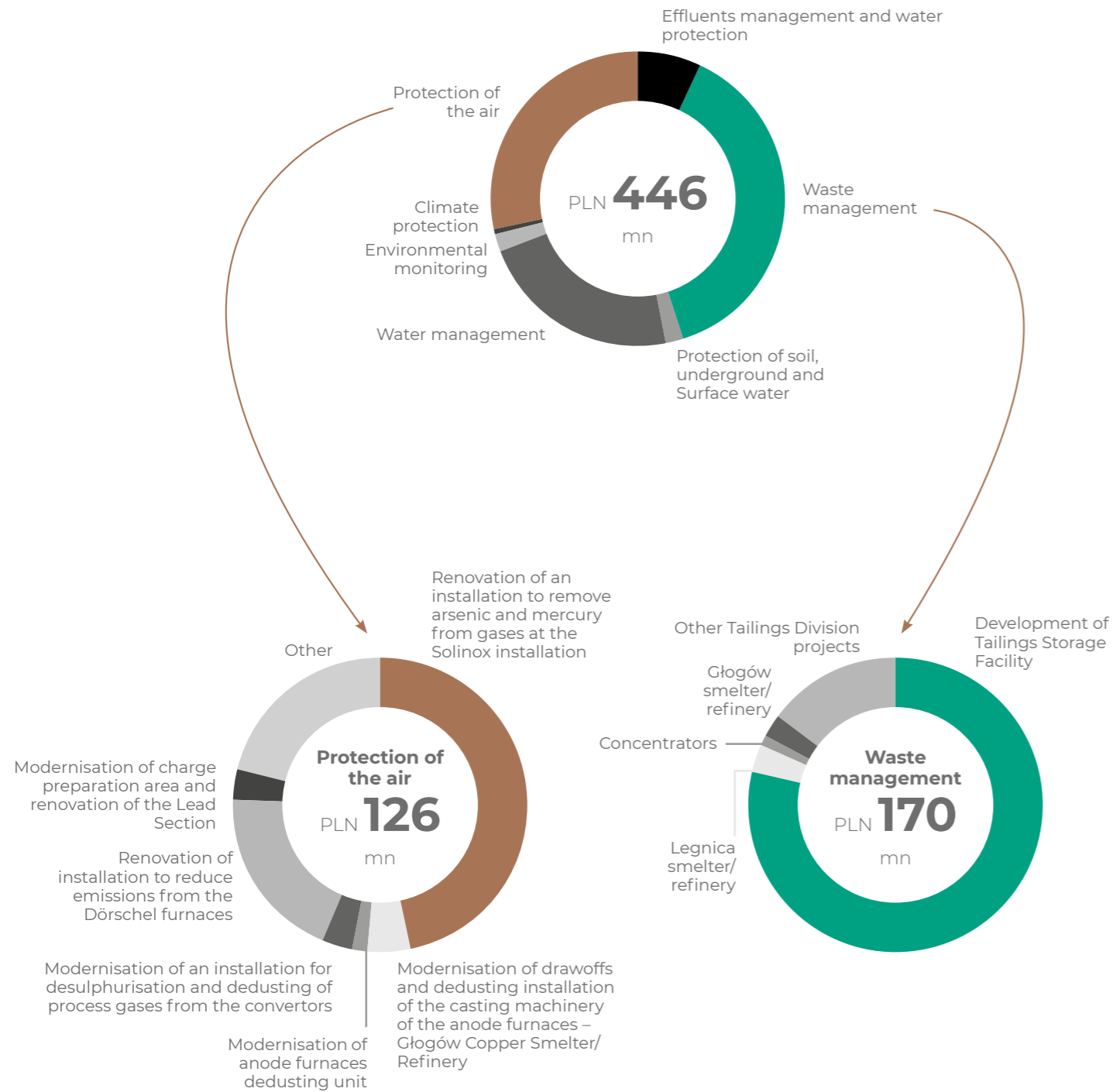
Capital expenditures by KGHM Polska Miedź S.A. in 2021



CAPEX execution in 2021



ENVIRONMENTAL INVESTMENTS



ENERGY DEVELOPMENT PROGRAM, INCLUDING RES

Actions in 2021



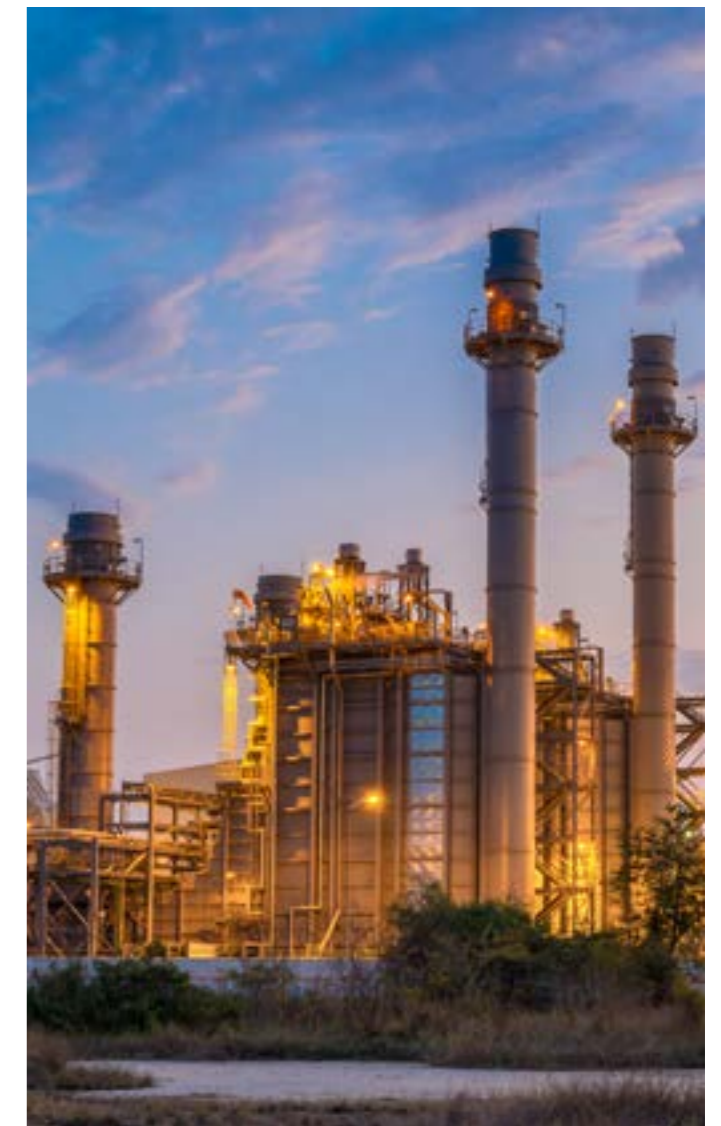
Development of energy generation, including RES:

- Further permits are in the process of being obtained and design work is underway on the Obora Sandpit and HM Głogów I-III) PV sites
- An analysis of the connection possibilities for the EPV HM Głogów I-III site was prepared
- Work is being finalised on developing a PV plant at the Cedynia Wire Rod Plant
- Preparatory work commenced on another two PV power plants
- The Company actively expressed its opinions as regards municipal plans and studies
- A structure was prepared in terms of acquiring external energy generation sources
- 2 preliminary offers were submitted to acquire wind farms
- An agreement was signed to develop nuclear power based on SMR technology
- Preparatory work is underway to submit applications for the construction of offshore wind farms



Energy security

The CCGT gas-steam blocks provided energy security as regards power supply in the case of a blackout, and steam heat for internal purposes of the core production business

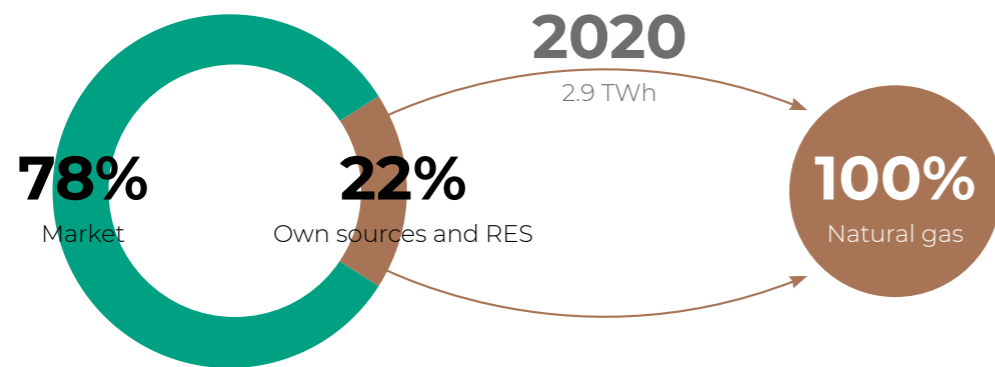


¹⁸The numerical designation HM Głogów I-III refers to the plot numbers

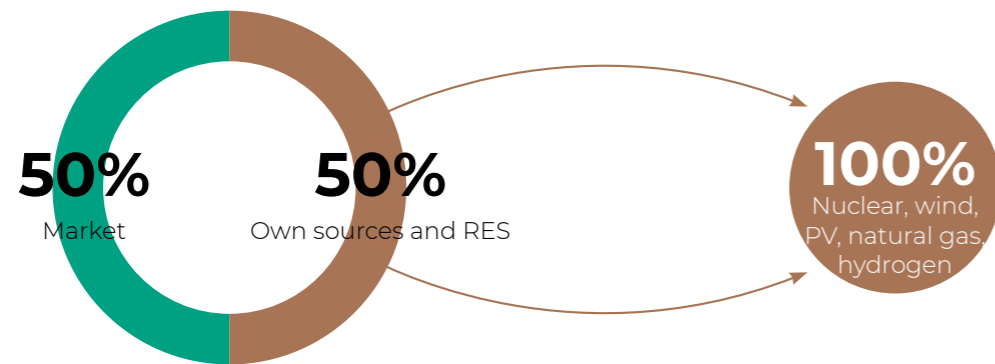
BY 2030 THE INCREASE IN SHARE OF RES WILL LEAD TO A SUBSTANTIAL REDUCTION IN CO₂ EMISSIONS

Share of power source in supplies to KGHM Polska Miedź S.A.

2020 – base year:



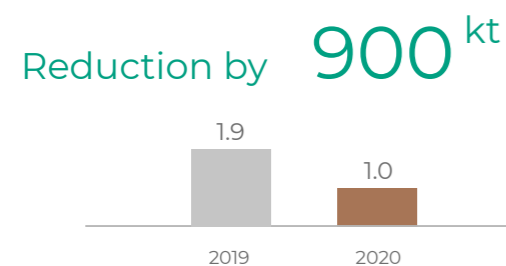
Rok 2030 - goal:



2021:

Own generation sources covered 18.70% of KGHM's total power needs in 2021.

Estimated CO₂ emissions due to electricity consumption [mn tonnes]



100%

100% of electricity to be generated by RES in the Sierra Gorda mine from 2023

Implementation of the „Development of Energy generation, incl. RES” Program alongside changes in the national energy system structure will enable the avoidance of approx. 900 kt of CO₂ annually

KGHM AWARDED

For effective advancement of its strategy, management and excellent financial results



COMPANY OF THE YEAR IN CENTRAL-EASTERN EUROPE

Grantem during the Economic Forum in Karpacz for excellent financial and operating results and for building a global brand



MARCIN CHLUDZIŃSKI MOST VALUABLE CEO

The President of KGHM Polska Miedź S.A. was recognised as the most valuable president amongst listed companies in the ranking „TOP30. Assessment of Polish managers 2021” with a value of PLN 1.8 billion



ECONOMIC AWARD BY THE PRESIDENT OF POLAND

KGHM Polska Miedź S.A. received the Economic Award of the President of Poland in the category „International Success”.



AMBER OF THE POLISH ECONOMY 2021



THE BEST OF THE BEST - THE ANNUAL REPORT 2020



KGHM A TRIPLE LAUREAT OF THE PROGRAM LEADERS OF SOCIAL RESPONSIBILITY

Good Company, Good Employer and Eco-Firm – KGHM won awards in all three categories in the Polish Program Leaders of Social Responsibility (CSR). The competition identifies companies which pursue activities to support society, beyond the business sphere.

Chapter 1

KGHM Polska Miedź S.A. Group and its cooperating environment

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About us

The KGHM Polska Miedź S.A. Group is a global, innovative organisation involved in technologically advanced exploration, mining and metallurgical operations. For several decades, the Company has been mining and processing valuable underground resources, supplying the world with products that enable its sustainable development.

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. As the years went by, the KGHM Polska Miedź S.A. Group grew its business significantly both in terms of products and the market. KGHM Polska Miedź S.A. is present on four continents: in Europe, South America, North America and Asia. The KGHM Polska Miedź S.A. Group is comprised of KGHM Polska Miedź S.A. as the Parent Entity and several dozen subsidiaries. In 2021, KGHM Polska Miedź S.A. celebrated the 60th anniversary of establishing the Copper Mining and Smelting Combine; the main theme of the celebration was "The Future is made of Copper", which emphasized the key role of copper in energy transition of the global economy.

As at 31 December 2021, the Group was composed of KGHM Polska Miedź S.A. as the Parent Entity and 69 subsidiaries (including one FIZAN closed-end, non-public investment fund), employing more than 34 thousand people globally, trusting that what they do is important for the world. Owing to their knowledge, courage and responsibility, the KGHM Polska Miedź S.A. Group produces valuable products, predominantly metals. Its core business is the production of copper along with other non-ferrous metals. We should also note the development of the resource base, which is a key element in securing the mining potential of geological resources. The Company is ranked among the world's top producers of copper and silver. It also produces gold, molybdenum, nickel, rhenium, lead and platinum. The high quality of

the copper, silver and other products have been confirmed by certificates awarded by various international commodity exchanges. By adopting a responsible approach, the KGHM Polska Miedź S.A. Group sets a good example for others, acting in accordance with its values in a transparent and socially responsible manner.

The cohesion of such a complex organisation is built on a set of common values: **ZERO HARM, TEAMWORK, RESULTS DRIVEN, ACCOUNTABILITY AND COURAGE**. KGHM is a company with 60 years of history, operating 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 metallurgical facilities, 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 respecting sustainable development principles. The Company has been listed on the Warsaw Stock Exchange for nearly 25 years and is included in the WIG20, WIG30 and WIG-ESG indices. KGHM Polska Miedź S.A. is also among companies included in the FTSE4Good Index Series.

Specifically, the business of the KGHM Polska Miedź S.A. Group includes primarily:

- mining of copper ores and non-ferrous metal ores
- production of metals, among others copper, silver, molybdenum, nickel, gold, platinum, palladium,
- manufacturing of goods from copper and precious metals,
- recycling of non-ferrous metals,
- underground construction services,
- manufacturing of mining machinery and equipment,
- transportation services,
- research, analysis and design services,
- production of road construction aggregate,
- recovery of metals accompanying copper ore.

The activity of the KGHM Polska Miedź S.A. Group with respect to the exploration for and extraction of copper and nickel ore and precious metals deposits is based on the concessions held by KGHM Polska Miedź S.A. for extraction of deposits in Poland and the legal titles held by companies belonging to the KGHM INTERNATIONAL LTD. Group for the exploration for and extraction of raw materials in the USA, Canada and Chile.

ORGANIZATIONAL STRUCTURE OF KGHM POLSKA MIEDŹ S.A. AND THE KGHM POLSKA MIEDŹ S.A. GROUP

As at 31 December 2021, the Group was composed of KGHM Polska Miedź S.A. as the Parent Entity and 69 subsidiaries (including one FIZAN closed-end, non-public investment fund) 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 is comprised of KGHM INTERNATIONAL LTD. and 26 of its subsidiaries. As at the end date of the reporting period, the KGHM Polska Miedź S.A. Group held stakes in two joint ventures – Sierra Gorda S.C.M. and NANO CARBON Sp. z o.o. in liquidation.



The Group's main entities, which are engaged in the mining sector, comprise three primary reporting segments which are independently evaluated by management bodies. KGHM Polska Miedź S.A., KGHM INTERNATIONAL LTD. and Sierra Gorda S.C.M. Other companies, with the exception of Future 1 Sp. z o.o., Future 3 Sp. z o.o., Future 4 Sp. z o.o., Future 5 Sp. z o.o., Future 7 Sp. z o.o. in liquidation, are classified into the "other segments" category.

The diagram below presents major production assets and projects executed as part of the following reporting segments: KGHM Polska Miedź S.A., KGHM INTERNATIONAL LTD., Sierra Gorda S.C.M. and other segments.

REPORTING SEGMENTS OF THE KGHM POLSKA MIEDŹ S.A. GROUP

KGHM Polska Miedź S.A.	KGHM International LTD.	Sierra Gorda S.C.M. ¹⁹	Other segments
Activities			
Mined and metallurgical production of metals - Cu, Ag, Au	Mined production of metals - Cu, Ni, Au, Pt, Pd, Ag, Mo	Mined production of metals - Cu, Mo, Au, Ag	<ul style="list-style-type: none"> Companies supporting the core business of KGHM Polska Miedź S.A. Closed-end investment funds and companies in their portfolios Companies playing an important role in advancing CSR policy Special purpose companies in the golding structure
Main production assets			
Underground mine <ul style="list-style-type: none"> Lubin mine Polkowice-Sieroszowice mine Rudna mine Metallurgical plants <ul style="list-style-type: none"> Legnica Copper Smelter and Refinery Głogów I 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)	
Most important development projects			
<ul style="list-style-type: none"> Głogów Głęboki Przemysłowy (Deep Głogów) Pre-production projects and exploration projects in south-west Poland 	<ul style="list-style-type: none"> Victoria project in the Sudbury Basin in Canada construction of an underground copper and nickel mine 	<ul style="list-style-type: none"> Projekt Sierra Gorda Oxide w 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) and Future 7 Sp. z o.o. in liquidation.

These companies do not carry out any operating activities affecting the performance of the individual segments, therefore adding them could affect the data presented in the consolidated financial statements,

because of the significant values of internal settlements with other Group entities.

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 consists of the Parent Entity, while the segment Sierra Gorda S.C.M. consists only of the Sierra Gorda joint venture. The chart presents the remaining companies in the KGHM Polska Miedź S.A. Group, broken down by segments: KGHM INTERNATIONAL LTD. and Other segments.

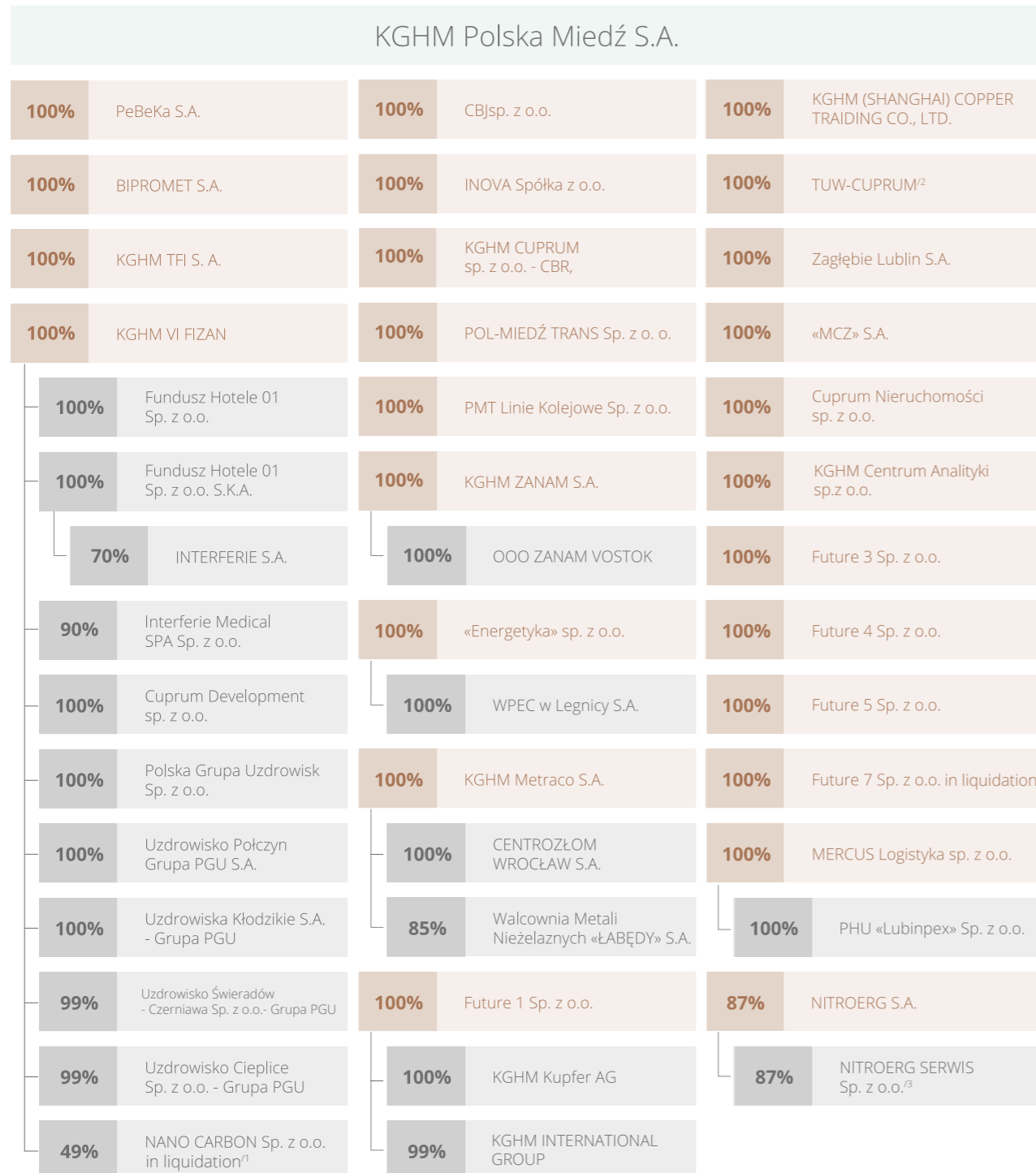
¹⁹A joint venture of KGHM INTERNATIONAL LTD. and Sumitomo Metal Mining and Sumitomo Corporation, since February 2022 a joint venture of KGHM INTERNATIONAL LTD. and South32

GRI 102-45

ORGANISATIONAL STRUCTURE OF THE KGHM POLSKA MIEDŹ S.A. GROUP, INCLUDING KGHM INTERNATIONAL LTD., AND THE POSITION OF KGHM POLSKA MIEDŹ S.A. AS THE PARENT ENTITY AND ITS STAKES IN EACH COMPANY

Chart as at 31 December 2021

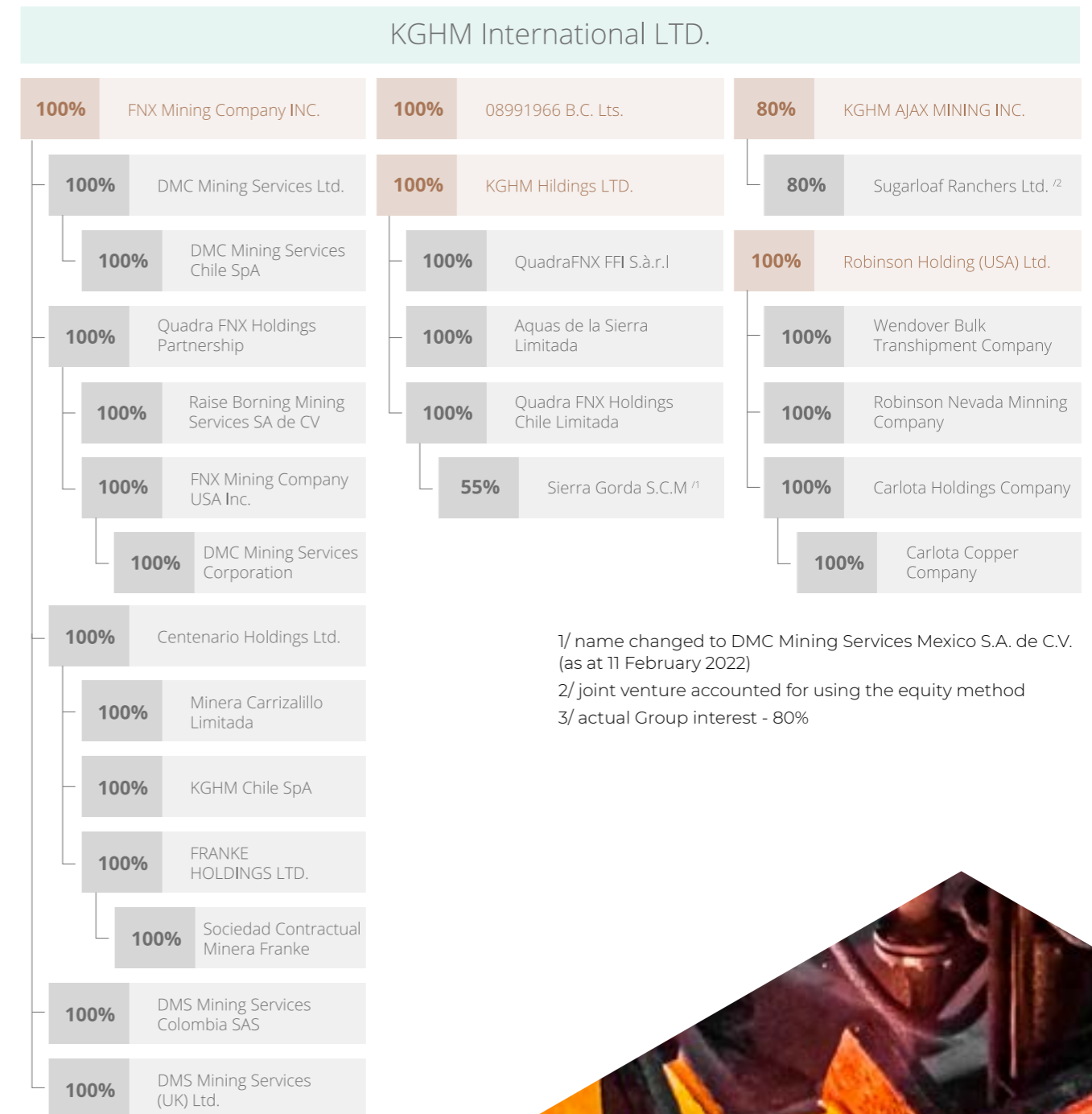
Percentages represent the total share of the Group.



1/ joint venture accounted for using the equity method

2/ unconsolidates subsidiary

3/ actual Group share 87%



1/ name changed to DMC Mining Services Mexico S.A. de C.V. (as at 11 February 2022)

2/ joint venture accounted for using the equity method

3/ actual Group interest - 80%



Our business model

The Parent Entity of the KGHM Polska Miedź S.A. Group – KGHM Polska Miedź S.A. with its registered office in Lubin at ul. M. Skłodowskiej-Curie 48, is a joint-stock company entered in the register of commercial undertakings kept by the District Court in Wrocław-Fabryczna, 9th Commercial Division of the National Court Register under file number KRS 000023302.

In 2021, 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 10 Divisions, as shown in the diagram below:

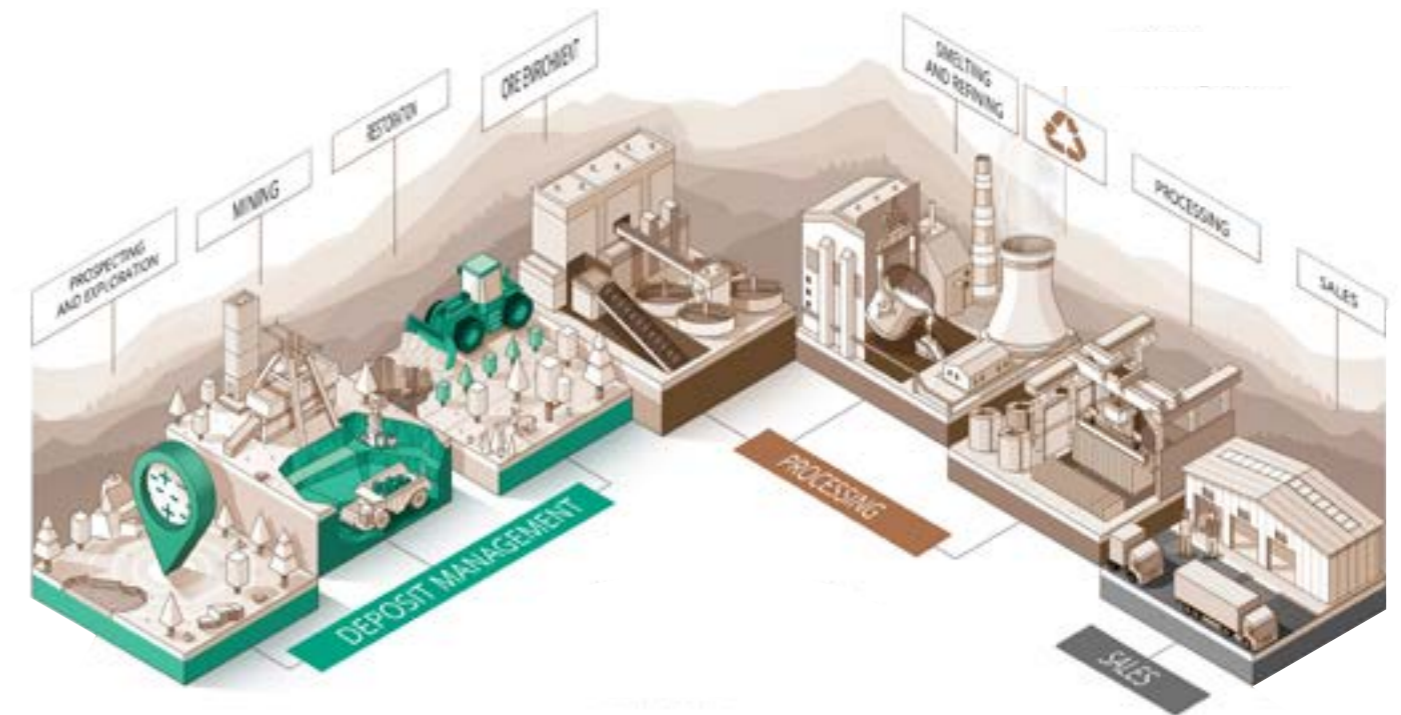
ORGANIZATIONAL STRUCTURE OF KGHM POLSKA MIEDŹ S.A.



The Group is a global and innovative organisation, which conducts technologically advanced exploration-mining and metallurgical activities and has a geographically diversified portfolio of mining projects. Its business model is divided into 7 areas (as shown in the chart below) through which the Group ensures a full value creation chain – from exploration to sales of finished goods:

GRI 102-9

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



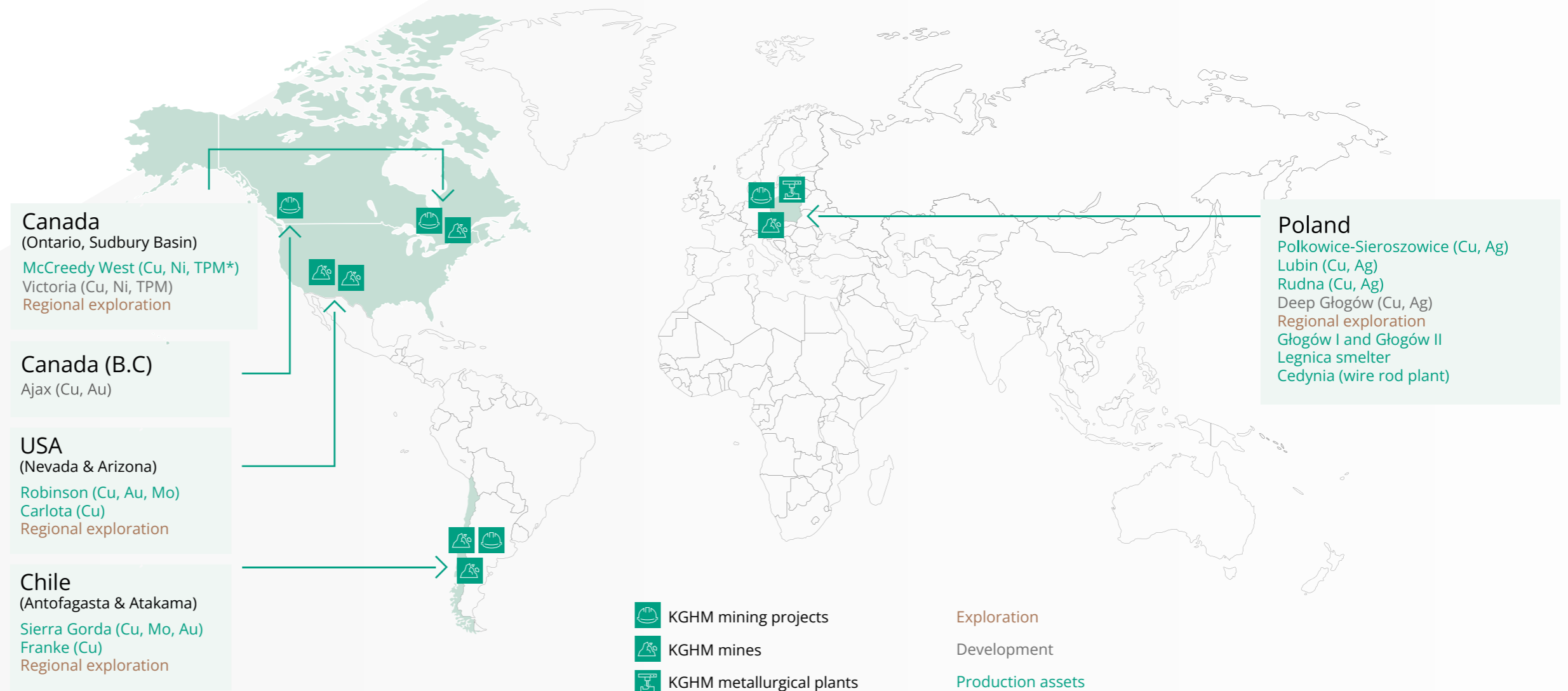
Our Assets

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

The key international asset – the Sierra Gorda mine, which is a joint venture between KGHM INTERNATIONAL LTD., Sumitomo Metal Mining and the Sumitomo Corporation (from February 2022 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 at the preproduction phase (Victoria) and other exploration projects.

The Group's main assets are presented in the chart below:

LOCATION OF PRODUCTION ASSETS OF THE KGHM POLSKA MIEDŹ S.A. GROUP



* TPM - precious metals

KGHM is the largest silver mine in the world

KGHM took first place in the World Silver Survey 2022 ranking.

In turn, the Polish giant took second place in the category of the largest silver producers.

Silver production in KGHM

Silver production in KGHM takes place in the Głogów Copper Smelter and Refinery where the Precious Metals Unit has existed since 1993. It was set up especially to recover precious metals such as silver and gold from copper ore. They can be found in what is referred to as "black mud", or the anode slimes that emerge during the electrorefining of copper. Metallic silver is produced from cathode silver with an Ag content above 99.99% in the form of granulate packed in 25 kg sacks and silver ingots with a mass of ca. 1,000 troy ounces, or roughly 31.1 kg.

Properties of silver:

- in nature silver is rarely encountered as a pure metal - it most frequently appears in connection with copper ores, lead, zinc and gold
- it has unique physical properties - it is ductile, malleable and lustrous
- it is an excellent conductor of electricity and heat
- it is nearly white
- in ancient times it was appreciated as a precious metal to make jewellery and used as currency
- at present, silver is used to produce electrical and electronic equipment, tapes and film panels, windows and musical instruments
- it also has applications in medicine thanks to its bactericidal properties – it is used to make surgical instruments and medicine.

In 2021 the KGHM Group produced 1,366 tonnes of silver.

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 2021	195.4 thousand tonnes

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 2021	175.7 thousand tonnes

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 2021	71.6 thousand tonnes

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 8.4 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 2021	455.5 thousand tonnes

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 500 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 2021	122.1 thousand tonnes

The copper smelter and refinery located in Legnica has a current production capacity of 120 thousand tonnes of electrolytic copper. It has been in operation since the 1950s and uses shaft furnace technology. Apart from electrolytic copper, the smelter also produces around 30 thousand tonnes annually 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 2021	264.3 kt of copper wire and 17.6 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 2021 **53.7 thousand tonnes**

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 processed in a concentrating plant into a copper and gold concentrate, and separately into 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 2021	5.4 thousand tonnes

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.

By a decision dated 17 September 2020 the Management Board of KGHM Polska Miedź S.A. approved the designation of the Carlota mine as held for sale. The Carlota mine, starting from 30 June 2021, has been recognised as an asset held for sale. The process of disposing of the mine continues.

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 2021	1.9 thousand tonnes.

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
Mine life	14 years
End product	copper, nickel and precious metals ore
Forecast annual production	16 kt Ni, 18 kt Cu

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 2 shafts to access the deposit (a production shaft and a ventilation shaft). Exploration work performed thus far has confirmed the continuity and characteristics of the mineralisation to the level of approximately 2200 meters below the surface. 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 2021, based on exploratory work performed, approx. 6 million tonnes of project ore resources were re-categorised to a higher recognition category (from Inferred to Indicated). In addition, work focused on preparing the foundations for the shaft's headframe, the waste rock containment pad and the site's parking lot, as well as a water treatment plant.



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)
Mine life	19 years
End product	copper concentrate
Forecast annual production	53 kt Cu, 114 thousand ounces Au

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 December 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 June 2018, the Government of Canada, through the Governor-in-Council (Cabinet) issued a negative decision regarding the Ajax project as the project is likely to cause significant adverse environmental effects. The decisions were made through the environmental impact assessment process, and reflect the substantial engagement of provincial and federal governmental agencies, First Nations and a broad spectrum of stakeholders, including thousands of representatives of local communities.

As a result of the decision not to grant an EA Certificate, in 2021 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 ¹	55% KGHM INTERNATIONAL LTD, 45% SMM SIERRA GORDA INVERSIONES LIMITADA, incl. respectively: -Sumitomo Metal Mining Co., Ltd. (31.5%) -Sumitomo Corporation (13.5%)
Type of mine	open pit
Main ore type	copper ore
Associated metals	molybdenum, gold
Mine life	23 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 2021	189.8 kt of copper in concentrate, 14.9 million pounds of molybdenum in concentrate – on a 100% basis, share of KGHM Polska Miedź S.A. is 55%

¹In 2021, Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation made a decision to sell all of their interests in the joint venture company Sierra Gorda SCM to the Australian mining group South32. The Management Board of KGHM Polska Miedź S.A. decided to refrain from exercising its right of first refusal to acquire the shares of the company Sierra Gorda SCM. In the first quarter of 2022 the shares belonging to Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation were transferred to South32.

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.

In 2021, actions were continued aimed at limiting the negative impact of the COVID-19 pandemic by implementing safety measures. Sierra Gorda concentrated on implementing an optimisation program aimed at improving the work of the mine, processing plant, infrastructure and tailings storage facility.

The actions taken resulted in an increase in the annual average daily volume of the mine's sulphide ore throughput from a base level of 110 thousand tonnes of ore daily to the level of 129 thousand tonnes of ore daily. Going forward the Sierra Gorda mine is aiming to increase the plant's cost and operating efficiency.

In 2021, an agreement was signed involving the transfer of the Oxide project from the structures of KGHM Chile SpA to Sierra Gorda SCM. Preparatory actions were also continued as regards subsequent stages to develop the project, involving among others the commencement of work on updating project documentation. 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

Location	Antofagasta region, Chile
Ownership	100% KGHM INTERNATIONAL LTD.
Type of mine	open pit
Type of orebody	IOCG (ore type containing iron, copper and gold)
End product	copper cathodes
Payable copper production in 2021	10.7 thousand tonnes

The mine is located in a desert area of northern Chile, in the Altamira district, near the southern boundary of the Antofagasta region, near a public road connecting the mine with the Pan-American highway.

Mining is conducted by conventional open-pit methods. 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.

The Franke mine, starting from 30 June 2021, has been recognised as an asset held for sale.

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, being the owner of the Franke mine in Chile, to the company Minera Las Cenizas S.A.



OTHER ASSETS

In recent years, in the group of the companies located in Poland, there have been no substantial changes in the structure of the main assets. 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 still 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.

Investments in closed-end investment funds fill a role in the management of selected non-core assets. A significant portion of these Funds' assets are investments in the general field of healthcare, including the Polish Spa Group (Polska Grupa Uzdrowisk).

In addition, the following events occurred after the balance sheet date:

- On 21 February 2022 the KGHM VII Closed-end, Non-public Investment Fund (hereafter: Fund), 100% of whose Investment Certificates are owned by KGHM Polska Miedź S.A. (hereafter: KGHM), sold to Polski

Holding Hotelowy sp. z o.o. all of the shares directly held in the company Interferie Medical SPA sp. z o.o. with its registered head office in Legnica, i.e. 41 309 shares representing 67.37% of the share capital and the same number of votes at the shareholders' meeting. The remaining 32.63% of the share capital of the company Interferie Medical SPA sp. z o.o. were held by the indirect subsidiary of the Fund – INTERFERIE S.A.


- on 28 February 2022, as a result of settling a call to sell the shares of INTERFERIE S.A. (hereafter: the Company), announced by Polski Holding Hotelowy sp. z o.o., companies in the Fund's portfolio – 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 the Company, or a total of 10 152 625 shares, representing 69.71% of the share capital and granting the right to the same percent of votes at the general meeting of the company.

As a result of the above, neither KGHM 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.

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.


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 investment. As at 31 December 2021 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 to PLN 483 million.

MARKET ENVIRONMENT AND TRENDS

 **Cu**
9,317 USD/t
Copper price

 **Ag**
25.14 USD/oz t
Silver price

 **Mo**
16.18 USD/lb
Molybdenum price

 **3.86** USD/PLN
USD/PLN exchange rate

MACROECONOMIC ENVIRONMENT

The year 2021 in the international economic arena was for many reasons exceptional, and from the point of view of the global pandemic it was a turning point. Pharmaceutical companies began the mass distribution of vaccines against SARS-CoV-2 which, in combination with the enormous quantitative easing programs introduced by central banks, raised investor optimism. Indices of the equity markets once again rose, in many cases exceeding historic records. Commodities also rose in value, with some reaching historic maximums, including copper prices.

It was also a period in which there was a change in the presidency of the USA. Donald Trump's control of the White House passed to Joe Biden, who in many areas had strongly different views. They did however agree on the question of the need for further economic stimulus, in particular until such time as the vaccinations programs achieve a level insuring that the risk of subsequent lockdowns is highly limited, and the health care system stabilizes and becomes unburdened. The rebuilding the labour market was recognised as the most important. A similar direction was followed in Europe and Asia, with the differences only coming from the details of the stimulus applied. Together with numerous fiscal incentives, the world's economies were stimulated by a monetary impulse. In the first months of 2021, central banks continued to maintain low interest rates and continued to print money. A change in rhetoric came in the second half of the year, when the situation on the labour markets and in the economy began in many countries to return to a pre-pandemic state. The supply of energy commodities was reduced by reluctance towards new investments, given the rapid rise in demand resulting from emergence from the pandemic-induced restrictions in the global economy, led to a

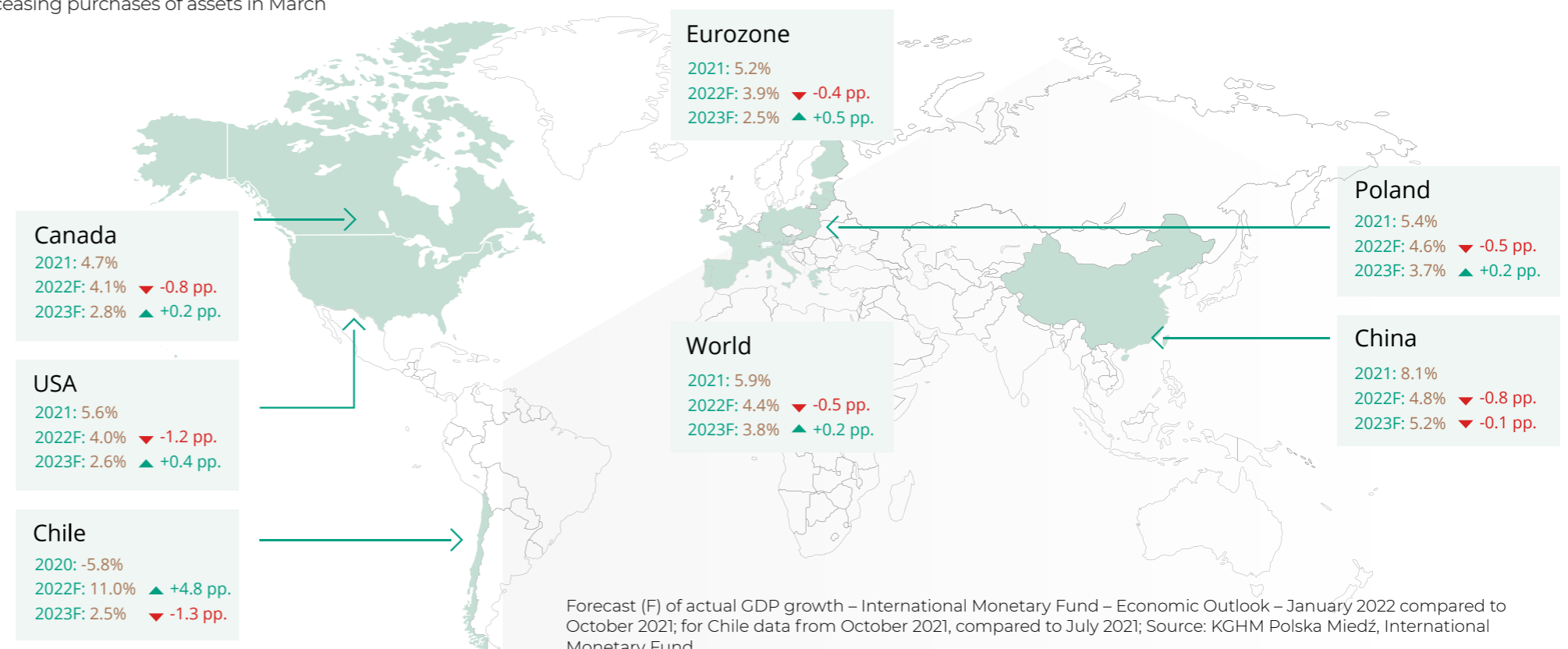
jump in the prices of energy commodities. In Europe the problem was worse due to rising geopolitical tensions. At the same time, strained or frequently severed supply chains along with consumer demand pushed by strong fiscal and monetary stimulus resulted in a destabilisation of prices around the world. Both the producer price index (PPI) as well as the consumer price index (CPI, which includes base inflation) soared, leading to substantially higher global inflationary expectations. After several months, the representatives of central banks took action, aimed at the gradual discontinuance of quantitative easing programs or the commencement of a cycle of interest rate hikes. Representatives of the American Federal Reserve, the world's largest monetary institution, began to restrict quantitative easing (QE) with a target of ceasing purchases of assets in March

2022. At the end of the year, the central banks of England and Switzerland raised interest rates, and a similar reaction was witnessed by central banks in Central-Eastern Europe and in many other emerging economies in the world. The increase in interest rates was initiated by developing countries. The jump in inflation rates in these countries also resulted in a rapid normalisation of monetary policy parameters. Following decisions that were taken primarily in the last quarter of the year, in many cases the level of interest rates is already higher than prior to the announcement by WHO of the global pandemic.

As regards the question of economic activity it is worth noting that the world became increasingly effective in dealing with the pandemic environment. Lockdowns were of a more targeted nature, as opposed to effecting the entire economy. Health services with each successive wave became more effective, though the health care systems remained tremendously strained. Delta and omicron strains appeared, which showed that the coronavirus was mutating, and subsequent mutations may be more infectious and/or dangerous. According to the last report of the International Monetary Fund (IMF), an increase in global GDP in 2021 was estimated at 5.9%

versus a decrease of 3.1% in 2020. The estimated rate of growth rose significantly both in developed economies (5.0% in 2021 from -4.5% in 2020), as well as developing economies (6.5% in 2021 from -2.1% in 2020). The results of the United States' economy in 2021 was estimated at 5.6% (-3.4% in 2020), while the increase in economic activity in the eurozone is 5.2% year-to-year. The rate of growth in China in 2021 was estimated at 8.1%, accelerating from 2.3% in 2020. In the World Economic Outlook published in January 2022, the IMF's economists assessed the increase in global GDP by 0.5 percentage points less than in the autumn report. The updated outlook results to a large extent from a lowering of the rate of growth in the world's two largest economies: the USA and China, whilst amongst the arguments for reducing the rate of growth are the rapid spread of the omicron variant, the strains on supply chains, rising energy commodities prices, higher inflation and slower than previously expected consumer demand in China.

FORECASTS OF REAL GDP GROWTH PER THE INTERNATIONAL MONETARY FUND FROM JANUARY 2022 VERSUS PREVIOUS FORECASTS



In terms of the commodities market, several events and turning points are worth noting. The necessity to carry out the green revolution put forward by several institutions and the role that copper will play, led to attention being focused on the red metal by many market participants (producers, consumers, commercial companies and investors). The start of the year did not see a continuation of the upward price trend that began in 2020. Nevertheless, unflagging demand, financial investor interest and subsequent declarations on achieving emissions

neutrality not only by various governments, but also by individual companies, provided a signal for further price rises. A key moment was the declaration by China of the intention to achieve emissions neutrality, a country which in the past had frequently avoided the subject of reducing polluting emissions. Also positively received were the pollution reduction goals announced by the new administration of Joe Biden. The situation thus reached a turning point, as both countries had for decades been amongst the world's highest emitters of carbon dioxide.

Over the course of the year quite a number of interesting events occurred on the copper market. Due to concerns about an increase in the number of infections related to the mass movement of people during the Chinese New Year, Chinese authorities decided to suspend work in production facilities. This led to an above-average for the period increase in copper demand. The usual accumulation of inventories did not occur, as material was continually processed. At the same time demand for copper also rose in highly-developed countries, which were emerging from the pandemic-induced restrictions. Financial investors were stimulated to act by analytical reports of investment banks, in which analysts raced one another as regards price forecasts for the coming years.

The dynamically-rising price caused concern, however, in the Chinese authorities as to the sustainability of the economic rise and the cost of functioning of the economy. Consequently, following numerous verbal interventions, the Chinese authorities decided to release some of the metal stored earlier by the State Reserves Bureau (SRB), which until then had occurred very infrequently. Despite the volume of metal sold being lower than expected, several auctions sufficed to quench the rise in the red metal's prices bring balance to the market, mainly the domestic one. The deficit of metal faced by the market's participants can be seen in information presented by the International Copper Study Group, which estimates that in the first eleven months of 2021 the copper market was in a state of deficit at the level of 339 thousand tonnes. The deficit in the whole year 2021 was estimated by the same institution at 42 thousand tonnes. It must be noted however that these data are based among others on so-called apparent demand in China, meaning data reflecting net imports together with production, but excluding changes in warehouses, and therefore could be underestimated. On the other hand, a number of financial institutions as well as those specialising in the metals market have estimated a somewhat higher deficit on the copper market in 2021, on average at a level of around 125 thousand tonnes.

Taking into consideration the portfolio of mine projects, it is highly probable that over the next several years a substantial amount of new material will enter the copper market. Most of the mine production which soon will be made available will come from projects which are currently in the final phase of realisation. It should however be noted that there are several events which may significantly impact the fundamental situation on

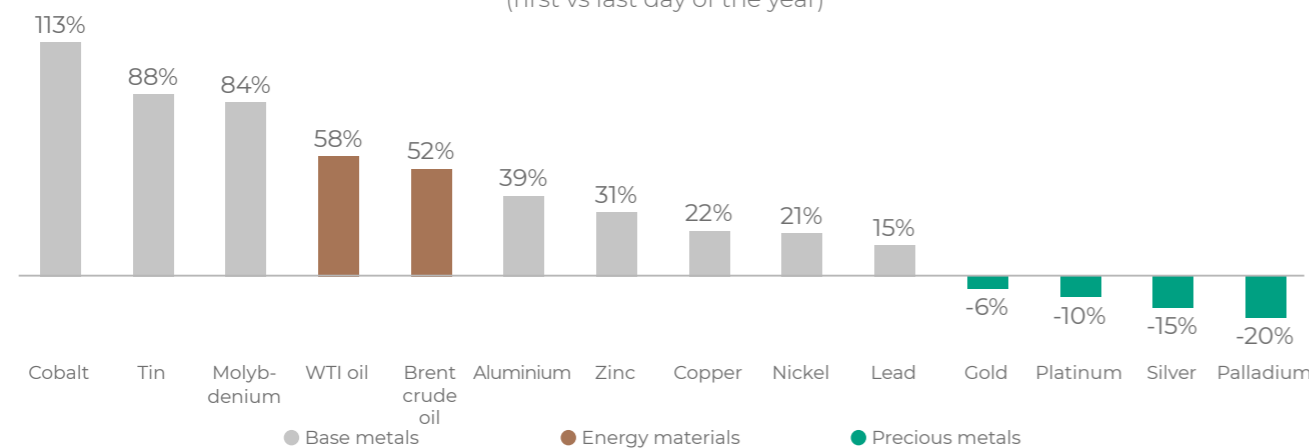
the market over the long-term. In jurisdictions which until now have accounted for the world's largest copper reserves, such as Peru and Chile, political changes have occurred whose consequences could increase uncertainty in the conduct of the mining business in subsequent years. A political turn to the left in these countries could mean a less predictable investment climate and a desire for higher taxation in order to equalise social well-being. It should also be noted that the desire to tax the mining sector is taking on a global character. Likewise, trends in climate policy do not support the advancement of expensive and complex investment projects. Arguments predicting another commodities super-cycle espoused by certain investment banks proposed, among others, that current prices have to rise and maintain a high level in order to motivate mining companies on the one hand to commit to more difficult investments, and on the other to increase their recycling activities.

Strong demand for copper led to a substantial draining of inventories in the fourth quarter of 2021. LME warehouse levels fell to a historic low, resulting in substantial volatility of forward curves and an immense level of backwardation (over 1000 USD/t on the intraday scale), meaning a market where futures contract prices for subsequent periods are lower than spot prices. This market condition resulted from the fears of its participants about the availability of material, as a result of which the red metal was/is worth more „today” than „tomorrow”. In subsequent weeks the market situation calmed, among others thanks to the intervention of the LME authorities. Nonetheless, the level of inventories remains substantially lower than the historic average, while the forward curve until the end of the year continued to unremittingly reflect the fears of market participants, maintaining deep backwardation.

The average annual price of copper (cash settlement on the LME) in 2021 amounted to 9,317 USD/t. The highest price was recorded on 10 May. At that time it amounted to 10,724.50 USD/t, and set a historic record. The lowest level was recorded on 2 February. On that day the price of the red metal amounted to 7,755.50 USD/t. Taking into consideration the cash settlement price, copper rose by 22% in the previous year (the closing price on the first versus last day of the year). It is also worth noting that 2021 was also a record year in terms of copper prices denominated in the Polish zloty. The average price in the previous year amounted to 36,017 PLN/t (daily LME prices calculated after the NBP fixing).

Change in commodities prices in 2021

(first vs last day of the year)



Source: Refinitiv, KGHM Polska Miedź S.A.

MACROECONOMIC FACTORS SIGNIFICANT FOR THE OPERATIONS OF THE KGHM POLSKA MIEDŹ S.A. GROUP – AVERAGE PRICES²⁰

	Unit	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Copper price on the LME	USD/t	9,317	6,181	+50.7	9,699	9,372	9,700	8,504
Copper price on the LME	PLN/t	36,017	23,975	+50.2	39,166	36,303	36,438	32,115
Silver price per the LBMA	USD/oz t	25.14	20.54	+22.4	23.33	24.36	26.69	26.26
Molybdenum price per the CRU	USD/lb	16.18	8.90	+81.8	19.74	19.81	13.93	11.25
USD/PLN exchange rate per the NBP		3.8647	3.8978	(0.8)	4.0421	3.8740	3.7611	3.7752
USD/CAD exchange rate per the Bank of Canada		1.2535	1.3415	(6.6)	1.2603	1.2600	1.2282	1.2660
USD/CLP exchange rate per the Bank of Chile		759	792	(4.2)	826	771	715	724

²⁰ arithmetic average of daily quotations

COPPER PRICE (AVERAGE MONTHLY) PER THE LONDON METAL EXCHANGE (IN USD/T)

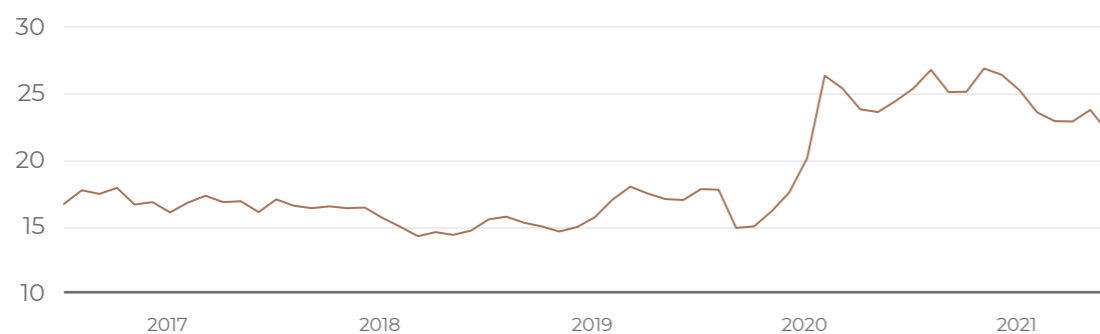


Source: Bloomberg, KGHM Polska Miedź S.A.

The turn of January and February last year was a period when silver took centre stage on the financial market. Following a speculative upturn on the shares of the company Gamestop, this metal turned out to be another target of the speculative insurgency of investors associated on the internet forum Reddit. The intention of individual investors was to enforce the closing of supposedly enormous short positions of investments banks out of the market (a so-called short squeeze). The main instrument used for this purpose turned out to be derivatives, which was mostly felt by the options market, whose parameters remained unsteady for many weeks. Following these events, the price of silver briefly broke the 30 USD/oz t level (marking the maximum yearly price in the continuous trading system of 30.03 USD/oz t), following which in subsequent months its value systematically decreased. The minimum was

reached at the end of September and amounted to 21.39 USD/oz t. Contrary to historic dependencies, the price of silver (and also gold) did not react to heightened expectations or global inflation. Evident instead were the impact of fears about the sustainability of growth and the change in monetary policy, which, after February's price jump, led to a drop in interest in precious metals as well as a decrease in warehoused silver and gold in ETFs. The continuation of global interest rates at record low levels held back investor interest in precious metals. The price of silver ended 2021 at around 23.10 USD/oz t. The average price of this metal according to the London Bullion Market Association (LBMA) in 2021 rose by around 22% and amounted to 25.14 USD/oz t versus 20.54 USD/oz t in 2020.

SILVER PRICE (AVERAGE MONTHLY) PER THE LONDON BULLION MARKET ASSOCIATION (IN USD/OZ T)

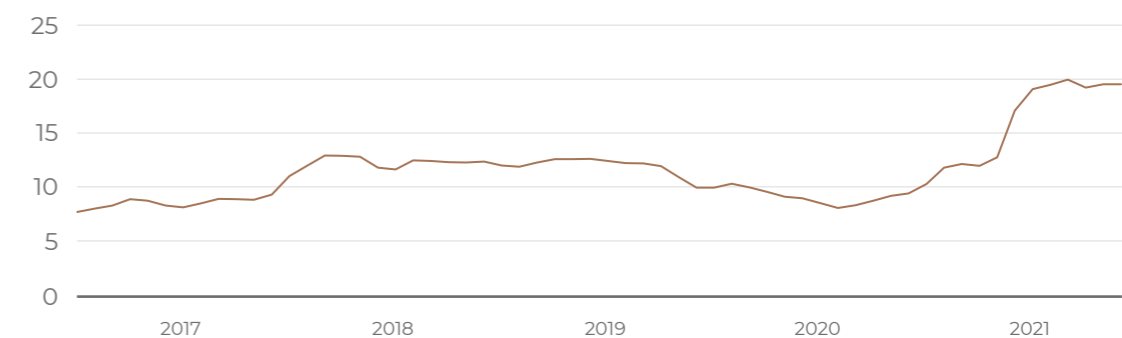


Source: Bloomberg, KGHM Polska Miedź S.A.

The price of molybdenum rose systematically during the year, reaching its maximum price in September, and for several weeks remained above 20 USD/lb. Increasing demand for steel containing molybdenum (FeMo; in China +12% year-to-year) together with fears about metal supply being lower due to logistical interruptions and restricted mine production led to multi-year highs being

reached. In the fourth quarter of the previous year prices recorded a slight decrease, mainly due to fears about demand being affected by an energy crisis impacting the stainless steel production. The average price of the metal in 2021 amounted to 16.18 USD/lb and was 82% higher than the average for 2020 (8.90 USD/lb).

MOLYBDENUM PRICE (AVERAGE MONTHLY) PER THE CRU (IN USD/LB)



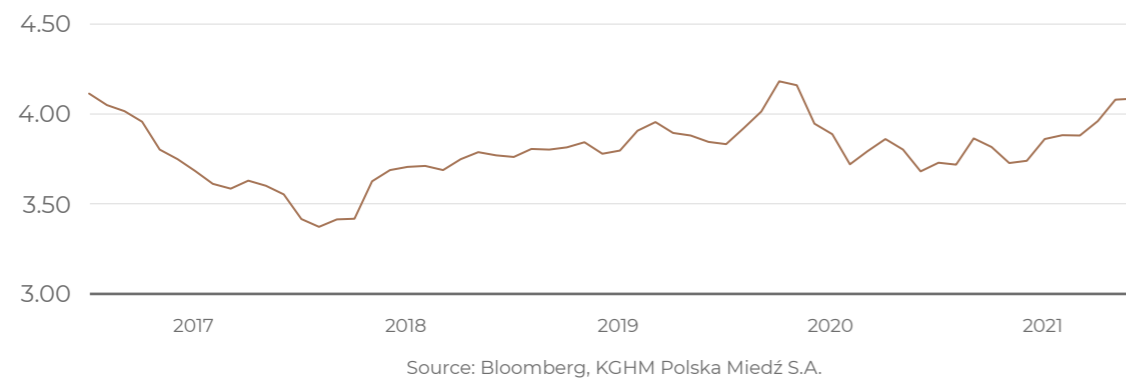
Source: CRU, KGHM Polska Miedź S.A.



Quotations of the Polish zloty, both in comparison to the euro as well as the American dollar, continued to be under the influence of the heightened volatility extent for some time on the financial markets. Currency interventions at the end of 2020 by the National Bank of Poland (NBP) aimed at maintaining a favourable PLN exchange rate for Polish exporters, were meant to anchor market participants at the start of 2021 around the level desired by the NBP. Subsequent weeks showed however that the situation on the currency market may turn out to be far from stable. At the start of June 2021 the Polish zloty reached its minimum versus the euro (approx. 4.45) and the American dollar (approx. 3.65). In subsequent months centre stage was taken by the conflict between Poland

and the European Commission and rising prices in the economy with a continuation at the same time of the existing monetary policy chosen by the Monetary Policy Council. A change occurred in the fourth quarter, when the NBP unexpectedly altered its rhetoric, raised interest rates and continued to tighten monetary policy in subsequent months. The PLN exchange rate reached its highest level versus the euro and the USD in November, at the levels respectively of approx. 4.72 and approx. 4.19. The PLN ended 2021 at around 4.06 to the USD (NBP fixing of 31 December 2021). The average USD/PLN exchange rate (per the NBP) in 2021 amounted to 3.8647 and was lower by 1% than in 2020 (3.8978 USD/PLN).

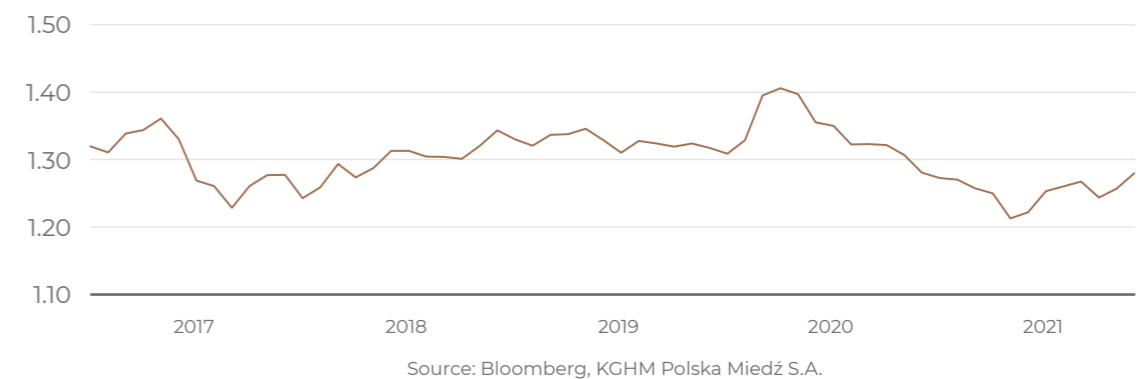
USD/PLN EXCHANGE RATE (AVERAGE MONTHLY) PER THE NATIONAL BANK OF POLAND



Despite subsequent waves of coronavirus infections and the associated restrictions introduced by the government, the Canadian economy is returning to growth. This does not however alter the fact that after three quarters GDP remains below the level of 2020. As regards the question of monetary policy, in November the Canadian central bank ended its quantitative easing program, while inflation, which remains above the target level (1-3%), is slowly leading to a change in monetary policy rhetoric

and increases the likelihood of interest rate hikes. In 2021 the Canadian dollar recorded a slight strengthening versus the American dollar, taking into consideration the quotations of this currency pair in the first and last days of the year. The average USD/CAD exchange rate (per the Bank of Canada) in 2021 amounted to 1.2535 and was 7% lower than the rate recorded in 2020 (1.3415).

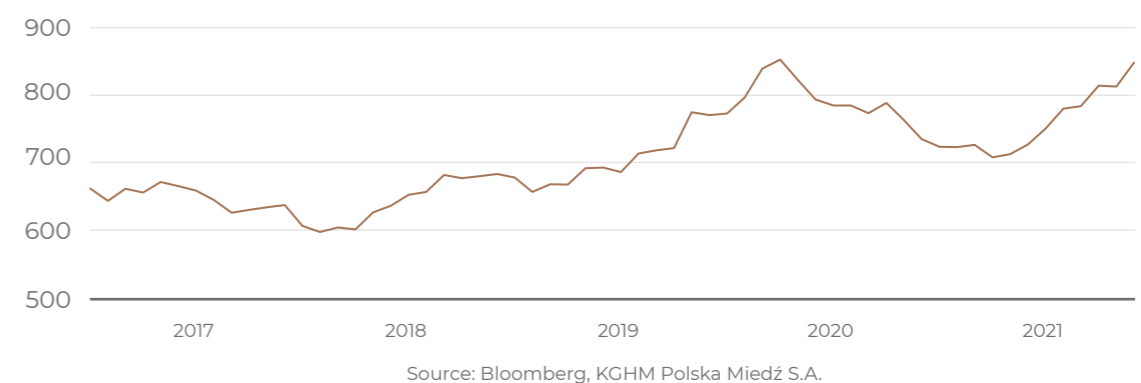
USD/CAD EXCHANGE RATE (AVERAGE MONTHLY) PER THE BANK OF CANADA



Events in Chile in 2021 were mainly dictated by the electoral calendar. Since the mass protests of 2019 the citizens of Chile have expected changes in their constitution, which in consequence led to the victory of the leftist candidate Gabriel Boric. A substantial challenge for the mining industry will be the further evolution of tax law and the direction of new legislation. The first draft act and the copper mining taxation it contained met with substantial opposition by the industry's representatives and resulted in continued negotiations. If the current wording of the act is adopted, it is highly probable that

the attractiveness of investing in copper resources-rich Chile in terms of new mining projects will be substantially decreased. These fears to a large extent have been reflected in the price of copper which is significant not only for the country's balance of payments, but also for the USD/CLP exchange rate, which during the year systematically weakened. The average annual USD/CLP exchange rate (per the Bank of Chile) in 2021 amounted to 759, meaning a strengthening of the local currency as compared to the USD by 4% (792 in 2020).

USD/CLP EXCHANGE RATE (AVERAGE MONTHLY) USD/CLP PER THE BANK OF CHILE



MACROECONOMIC CONDITIONS AT THE START OF 2022

The start of 2022 was rich with another batch of events of significance for the global economy. Though the world is dealing with the highly-contagious omicron strain, a regional director of the World Health Organisation (WHO) stated at the end of January that it is highly probable that the end of the pandemic in Europe is in sight. The level of vaccinations amongst society and resistance gained from enduring the disease is leading an increasing number of European countries to ease or completely remove restrictions. While this is a positive signal for economic activity, the coronavirus remains a threat to the continuity of international supply chains and continues to be a cause of potential interruptions to commercial trade.

The global economy continues to deal with an energy crisis which, given limited capacity to increase supply, is driving up energy prices. These in turn, given supply chains for other goods which remain strained and thanks to strong consumer demand, are causing higher inflation on the global scale and are driving up costs. Rising costs are increasingly perceptible in subsequent links of the global economy. Moreover, in response to rising prices and the risk of inflation expectations getting out of control, central banks are further tightening the monetary policy. The question being posed by market participants is not whether the leading central banks will raise interest rates, but what the scale of the tightening will be and the impact of these hikes on global economic activity.

There has been no decrease in doubts as to the further development of the situation, while the events in eastern Europe and the Russian invasion in Ukraine are not facilitating an assessment of the market environment. Particularly in the context of energy carrier prices, and amongst these natural gas, whose primary supplier to Europe is Russia. There also appeared above-average volatility on the currency market. The weakening currencies of countries in our region, in combination with the jump in energy commodities prices, are driving inflation, which already at the turn of the year was the highest in many years. An additional problem for European industry are the rising costs of European CO₂ emission rights certificates, which in recent

weeks have been marking new price records. The increase in the prices of these certificates may lead to discussions on a broader scale and is leading to actions aimed at reforming the system and perhaps restricting speculative activities. The impact of the war in Ukraine on the European and global economy is difficult to assess at this time, but problems with the supply of numerous products, including steel, as well as serious interruptions in the production and export of agricultural products, may have serious social and economic repercussions.

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. 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, the standard sets the maximum level of impurities for Cu-Cath-1 copper at 0.0065%). 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.

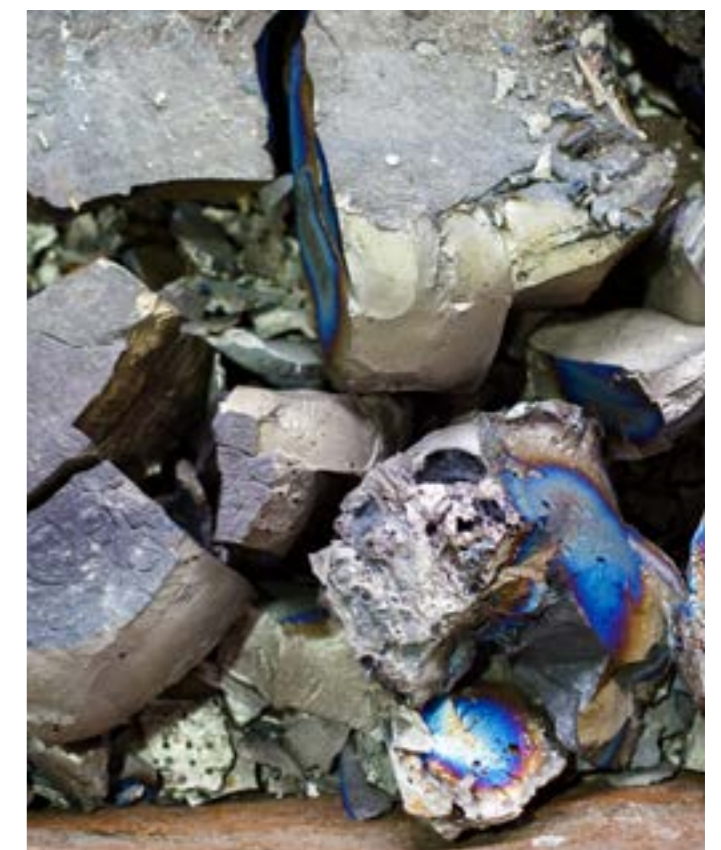
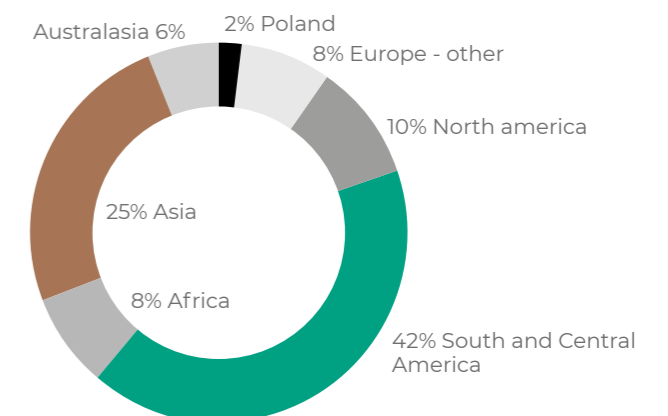
Copper concentrates

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 2021, the total global production of copper in copper concentrate is estimated at 17.4 million tonnes (according to CRU).

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 KGHM purchases copper concentrates from the market with characteristics suitable for more efficient utilisation of the production capabilities of the smelters and refineries in Poland.

GEOGRAPHICAL BREAKDOWN OF COPPER CONCENTRATES PRODUCTION IN 2021 (SOURCE: CRU, KGHM POLSKA MIEDŹ S.A.)



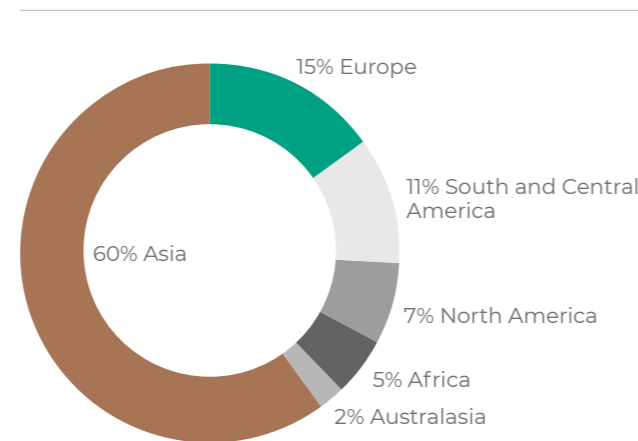
Copper cathodes

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 and SHFE) 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 and SHFE as well as on 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 are the Carlota and Franke brands. 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 belts. Similarly as in the case of copper concentrates, trading companies and financial institutions intermediating in the cathodes trade also participate in the market. In 2021, CRU estimated total global production of refined copper at 24.3 million tonnes.

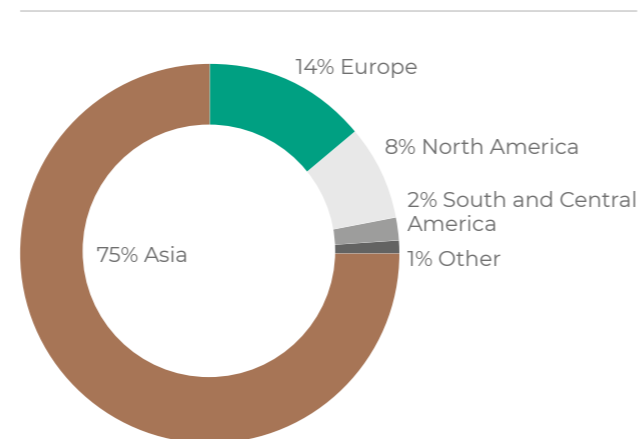
It is a standard practice on the Grade "A" copper cathodes market to add a producer's premium to the prices set by global exchanges. Its level allows the producer to cover the cost of transport and insurance to the agreed delivery destination, and it also includes the premium for quality (of a given 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). Moreover, the KGHM Group offers cathodes produced through the leaching and electrowinning (SX/EW) process in the Franke mine in Chile and in the Carlota mine in the United States. Production of refined copper in KGHM Polska Miedź S.A. amounted to 577.6 thousand tonnes, which represents approx. 2.4% of global production.

GEOGRAPHICAL BREAKDOWN OF REFINED COPPER PRODUCTION IN 2021 (SOURCE: CRU, KGHM POLSKA MIEDŹ S.A.)



GEOGRAPHICAL BREAKDOWN OF REFINED COPPER CONSUMPTION IN 2021 (SOURCE: CRU, KGHM POLSKA MIEDŹ S.A.)
GEOGRAPHICAL BREAKDOWN OF REFINED COPPER CONSUMPTION IN 2021 (SOURCE: CRU, KGHM POLSKA MIEDŹ S.A.)



Copper wire rod

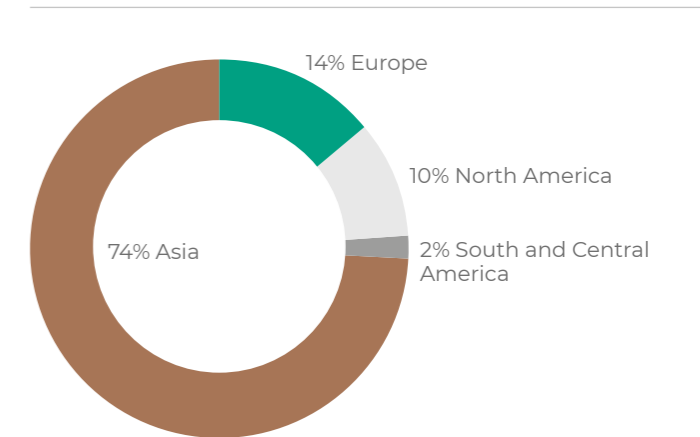
Copper wire rod is manufactured in the continuous process of melting, casting and drawing in plants processing refined copper. The material used in this production cycle is mainly copper in the form of cathodes, although higher-grade copper scrap may also be used. Wire rod is a half-finished product 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 2021, total global production of copper in the form of wire rod is estimated by CRU at 19.3 million tonnes.

Wire rod's price structure, apart from the copper quotations on the London Metal 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. produces wire rod in the Cedyňa Wire Rod Plant in Orsk.

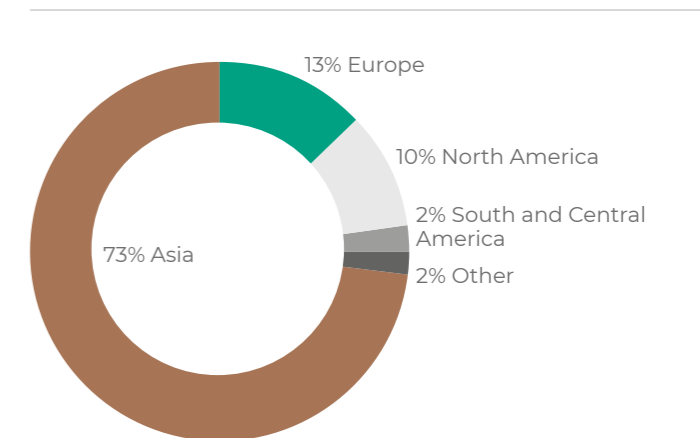
Copper wire rod and wires are utilised in numerous sectors of the modern economy, while the products created from them (cables and bundled wires) account for approx. 60% of world copper consumption. The vast majority of wire rod and wires (estimated at over 10 million tonnes annually), is used in construction and infrastructure. 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. 70%).

In 2021, production of wire rod and cable by KGHM Polska Miedź S.A. amounted to 281.9 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.

GEOGRAPHICAL BREAKDOWN OF COPPER WIRE ROD PRODUCTION IN 2021 (SOURCE: CRU, KGHM POLSKA MIEDŹ S.A.)



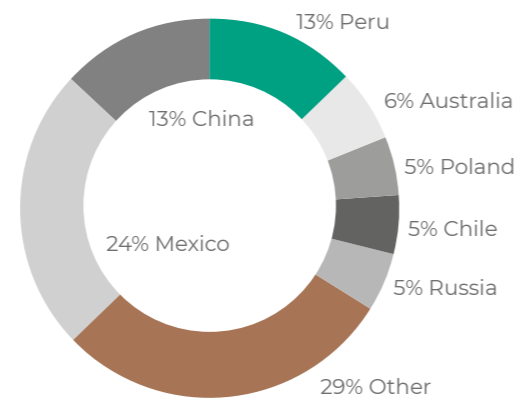
GEOGRAPHICAL BREAKDOWN OF GLOBAL WIRE ROD CONSUMPTION IN 2021 (SOURCE: CRU, KGHM POLSKA MIEDŹ S.A.)



SILVER

Approx. 73% 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 2021 global production of mined silver amounted to 25.8 thousand tonnes.

GEOGRAPHICAL BREAKDOWN OF GLOBAL MINED SILVER PRODUCTION IN 2021 (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 producers of metallic silver. In 2021, KGHM produced 1,332 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 New York Exchange COMEX 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 and industry.

Our competitive advantages



KGHM is a copper explorer and visionary which, thanks to the commitment of its employees, reaches for new technologies, develops new mining solutions, produces and creates its own equipment and machinery to operate mines and smelters. The company also develops projects related to the application of machine learning and artificial intelligence in KGHM. As part of KGHM's anniversary, we have launched the „Copper Valley” programme to support the development of innovation in the Company. The Company will develop partnerships with startups. It has already launched a project to develop a smart helmet for KGHM employees. The device is intended to enhance crew safety..

– Jarosław Twardowski, Executive Director of Development

The broad scope of activities of the KGHM Polska Miedź 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.

THE COMPETITIVE ADVANTAGES OF THE KGHM POLSKA MIEDŹ S.A. GROUP INCLUDE:

<p>Global reach of operations</p>	<p>Unique know-how and skills</p>	<p>Access to rich deposits owned in Poland and abroad</p>	<p>60 years of experience in underground copper mining</p>
<p>Extensive portfolio of products/elements</p>	<p>Extension of the value chain</p>	<p>Innovation</p>	<p>Integrated process – from exploration to sales</p>
<p>Integration within the KGHM Group</p>	<p>Financial stability</p>	<p>Long-term Strategy</p>	

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.

UNIQUE KNOW-HOW AND SKILLS

During its nearly 60 years of history, KGHM Polska Miedź S.A. has acquired experience, knowledge and skills that have enabled the Company to transform its business from a local miner 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. KGHM is aware of the importance of building and maintaining relations with employees, identifying talents and educating the personnel, which is key for further growth of the KGHM Group. The KGHM Group sets itself apart through its commitment to development, safety, health, satisfaction and well-being of its employees. Another unique distinguishing feature of the KGHM Group is that it has a complete, integrated business chain, from the exploration of deposits, opening and mining of deposits, manufacturing of mining machinery and explosives, processing, recycling and sales.

The sustainability focus, involvement in climate action and corporate social responsibility play an important role in the above processes. As a result of its transparent and comprehensive activities (and commitment to stakeholder relations), KGHM is perceived as a responsible company that considers sustainability issues in its operations. Focus on environmental matters is an important and

distinctive aspect of KGHM's activity. The Company has been involved in prevention of climate change and takes active measures to adapt to the goals of the green transition.

ACCESS TO RICH DEPOSITS IN POLAND AND ABROAD

KGHM Polska Miedź S.A. currently 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 – more than 40 million tonnes – make it an important player in the global mining sector. KGHM mines and processes precious natural materials. At KGHM's heart is Europe's largest copper ore deposit located in southwestern Poland, which is also rich in associated metals such as silver and gold. The company's portfolio also includes molybdenum, palladium or nickel, which gives KGHM a strong position among global multi-mineral miners. 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. prospecting and geological appraisal, which may be divided into three main areas:

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

KGHM carries out exploration work, prospecting for metals and minerals in numerous locations in Poland and abroad.

60 YEARS OF EXPERIENCE IN UNDERGROUND COPPER MINING

The global mining industry is dominated by open-pit mining; underground mining is much rarer. KGHM mines copper ore in three underground mines: Lubin, Rudna and Polkowice-Sieroszowice. Extraction, processing and production of a finished copper product that can be sold 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.

KGHM has unique knowledge associated with the work carried out at great depths, extracting copper ores and other precious metals from Permian polymetallic deposits that are often located below 1,000 meters underground. KGHM carries out research and development projects and other activities (associated among others with: the mechanization of mining operations through the introduction of remotely controlled machines and employee monitoring and protection systems), 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.

Underground mining, although difficult and complex, 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 mining operations 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 easier than in the case of open-pit mines, which is very important for KGHM given its commitment to reduce of its impact in the areas where it operates. The Company also takes care of the land around its operating plants, among other things, by reforesting them.

EXTENSIVE PORTFOLIO OF PRODUCTS/ELEMENTS

The KGHM Group is present on four continents. Its strength lies in its geographically-diversified mining assets (copper ore mines and mines of accompanying elements and precious metals) in Poland, USA, Chile and Canada and the fact that its operations are based on metallurgy and refining at plants located in Poland. KGHM is one of the world's top producers of copper and silver. 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 many years to come. KGHM also produces 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 – they include raw and refined lead, sulphuric acid, nickel sulphate and selenium. KGHM is also the only European producer of rhenium from its own resources. The quality of the copper, silver and KGHM's other products has been confirmed by certificates awarded by international commodity exchanges..

EXTENSION OF THE VALUE CHAIN

KGHM Polska Miedź S.A. has not only 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 2021 alone, the Legnica Copper Smelter and Refinery processed a total of 91 thousand tonnes of scrap metal, which was recycled in line with the Circular Economy concept. As the Company increases its production, it simultaneously 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 copper cathodes listed on the London Metal Exchange (LME), processed copper products are manufactured in two different processes (Contirod and Upcast). Copper wire rod, oxygen-free copper wire (Cu-OFE) and Cu-OFE wire containing silver find buyers across the world. KGHM continues to develop and implement innovative products that expand its portfolio. Such activities include, for example, low-loss power cables featuring copper and silver alloys, which have been patented by the Company, and their parameters confirmed during tests in the production environment.



INNOVATION

Work on innovative solutions is conducted at various business levels, through cooperation with independent entities and consortia, science establishments and appreciating the creative potential and ingenuity of our own employees. Ultimately, it contributes 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, introduction of electromobility in KGHM's plants or prospecting for new deposits. KGHM Group employees are familiar with our 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. The KGHM Polska Miedź S.A. Group's success hinges on the innovation, commitment and collaboration of many thousands of employees representing diverse knowledge and experience. Therefore, within the framework of our activities, we continue to look for various opportunities to manage knowledge and build synergies on cooperation within the KGHM Polska Miedź S.A. Group. An example of an activity supporting employee innovation is the Inventors Market, which in 2021 was introduced in all of the Company's Divisions from 25 October to 12 November. Its goal is to popularise activities related to inventing and to create the basis for innovation among the employees of KGHM Polska Miedź S.A., at the same time spreading a culture of protecting the Company's intellectual property.

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 2021 68 projects were submitted as part of the Inventors Market.



Best practice

KGHM POLSKA MIEDŹ S.A. FINDS A WAY FOR INNOVATION BY ORGANISING HACKATHONS

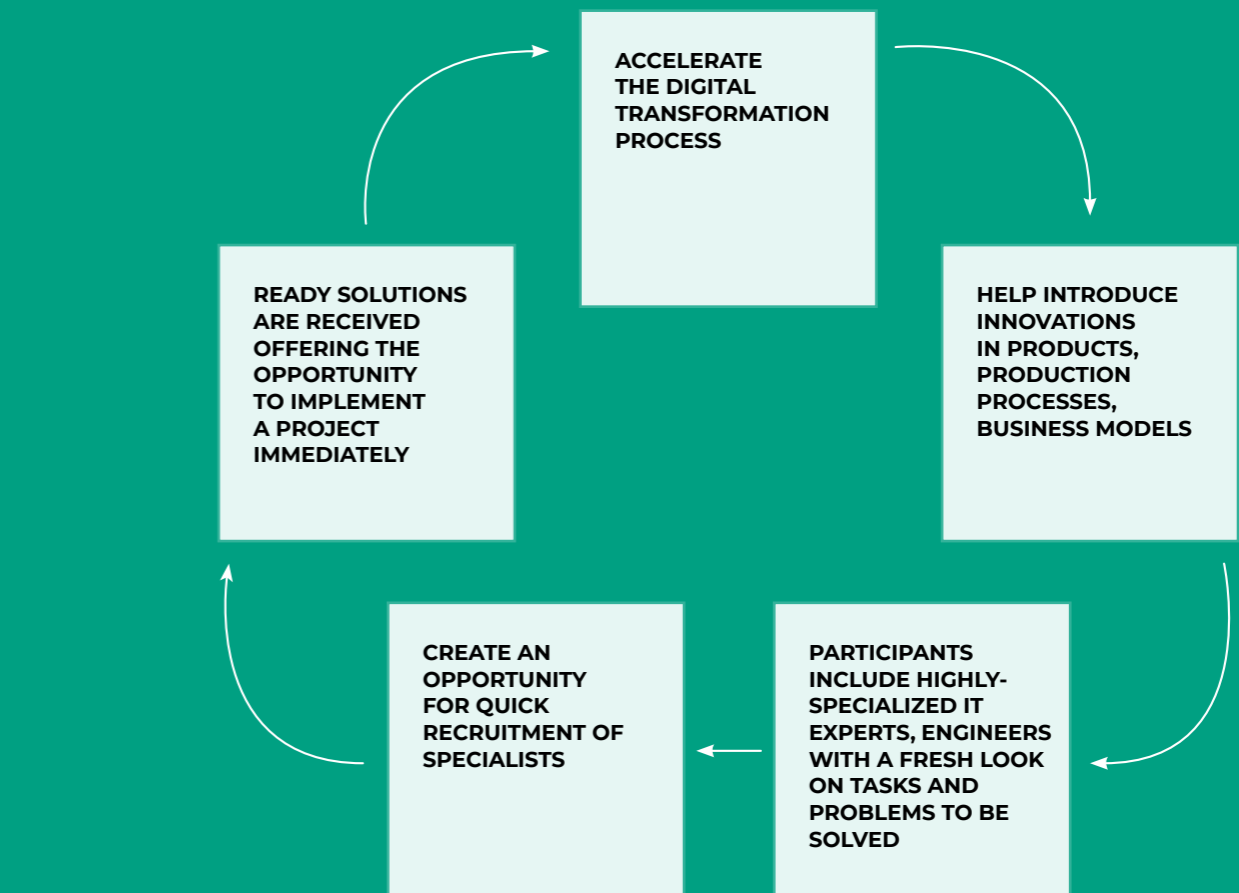
Innovation, what is it really?

Innovation is an integral part of development. When we talk about innovation, we think of positive changes in the product, process, organisation or marketing.

An important step in the introduction of innovation in the company is to look for opportunities, ideas for solving existing problems that the company wants to solve. Sources of innovation ideas can be found among scientists, employees, distribution channel participants or management.

Hackathons - a way for innovation

One of the opportunities for prompt development of modern technologies in the organisation is to hold the so-called hackathons or, in other words, designing marathons. Hackathons are usually addressed to people involved in design or programming, but they are also frequently attended by students, programming enthusiasts, financial analysts - everyone who is interested in data analysis can see the relationships between them. Hackathon participants are given a set timeframe to find a way to solve a problem (e.g. 24 hours or 48 hours). The work on the task can be performed alone or in teams of several people; the main goal is to find a satisfactory solution. Hackathons involve people both from inside and outside the organisation. They can contribute to changing the culture of the organisation, improving customer service, and reducing costs.



We can distinguish two types of hackathons - **internal and external**. The former are open to the company's employees, and their goal is to encourage people from within the organisation to creatively seek solutions to the problems they face on a daily basis. KGHM Polska Miedź S.A. has been organising this kind of projects for years, as part of the **"Inventors Market"** initiative. External hackathons, on the other hand, involve people from both inside and outside the organisation. They are a specific form of dialogue between the company and its environment.

A hackathon is primarily a tool to support innovation in the company. More than 80% of Fortune 100 companies conduct regular hackathons, which shows that they are a welcome tool for continuous innovation²¹.

Copper Giant and the hackathon

At KGHM Polska Miedź S.A., advanced technologies are used on a daily basis. The company sees hackathons as an opportunity to find, among others, innovative solutions and production process improvements. In 2021, the company organised the first edition of the **CuValley Hack** hackathon as part of the established Copper Valley initiative. **After the success** of the first edition, the project continues in 2022.

The first edition of the CuValley Hack was held on 11-13 June 2021. At the time, nearly **300 participants** signed up and joined together to form **69 teams** that ultimately, after **40 hours of coding**, submitted **53 projects**. The second edition of the CuValley Hack was held in 2022 (11-13 March) and was the result of a very good reception among the participants from the first edition. The second edition attracted **250 participants** who joined forces in **60 teams** to code for **40 hours**, and ultimately produced 40 projects.

²¹ <https://www.hackerearth.com/community-hackathons/resources/e-books/guide-to-organize-hackathon/>, 20.09.2021

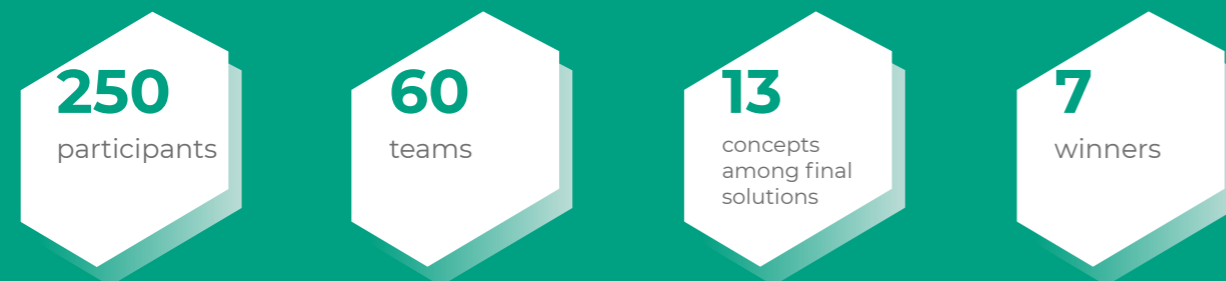
STATISTICS FROM THE 1ST EDITION OF THE 2021 CUVALLEY HACK HACKATHON.



The daredevils coded continuously for **40h** and it took the Mentors and the **25**-strong Jury **7 hours** to select the submissions.

The event prize pool was **PLN 100,000!**

STATISTICS FROM THE 2ND EDITION OF THE 2022 CUVALLEY HACK HACKATHON.



The daredevils coded continuously for **40h** and it took the Mentors and the **30**-strong Jury **7 hours** to select the submissions.

The event prize pool was **PLN 120,000!**

In both editions of the hackathon, the jury awarded the winners with valuable cash prizes totaling **PLN 220,000.**

The value offered by the hackathon included the opportunity to work on real industry data and real problems and, most importantly, the prospect of implementation of the projects. CuValley Hack participants focused on data analytics and the use of AI, Machine Learning or BigData in industrial automation systems. Each of the participants could count on the support of a large group of mentors, who supported them at every stage of work on solving the task. The mentors included Company specialists, among others

from the Głogów Copper Smelter and Refinery, who deal with the machines involved in the event on a daily basis.

Participants of KGHM hackathons are mostly highly specialized IT specialists, engineers, people who are passionate about coding, programming, and solving data analysis problems. There is also a large group of students from Universities of Technology in the fields of IT, Automation, Artificial Intelligence, Power Engineering, Data Analysis and Big Data, Computer Science and Quantum Engineering.

WHO ARE THE PARTICIPANTS OF KGHM HACKATHONS?

Professional experience



Most popular professions

- Programmer
- Software Developer
- Student
- Electrical Engineer
- Data Scientist
- Data Analyst
- Engineer
- Software Engineer





What distinguishes the hackathons organised by KGHM from other events of this type on the Polish market is the aforementioned fact that the winning projects have a real chance for rapid implementation. An example of this is the project of the **Data Drivers** team, which took first place in the 1st edition of the CuValley Hack hackathon in the task entitled Flash Furnace Stabilization. Just five months after the event, the copper corporation began implementing the innovative solution at the Głogów Copper Smelter and Refinery. For the four young analysts and coders, the CuValley Hack was the beginning of their cooperation with KGHM on the implementation of their proposed solution. After the hackathon, the Data Drivers team was invited to the Głogów Copper Smelter and Refinery in order to learn more about the topics raised in the task. The winners had the opportunity to see first-hand the flash furnace that was the subject of their winning project. After a closer look at the problem, the team members, together with specialists from the Smelter, jointly established the priorities that needed to be focused on in order to effectively implement the project.

Currently, phase I of the project has been completed. Predictive models have been developed and trained using real data from the facility, taking into account data from an extended period of time. The next stage in the project will involve building a tool that will suggest the settings of input parameters and key sensors of the flash furnace in order to optimize the process of heat loss collection in the reaction shaft.

We don't procrastinate on good projects. When we see the potential and a specific business effect we get down to work. We know that the sum of small but good solutions translates into a better outcome. This is how we build our efficiency and innovation. We organised the CuValley Hack hackathon because we are open to new ideas and we look for innovation. But the greatest success is the fact that we do not shelve these ideas, but implement them and put them into action
- said Adam Bugajczuk, Vice President of the Management Board (Development) at KGHM.

During the hackathons, KGHM looks for solutions with the greatest potential for production implementation and the most innovative approach to solving the problem.

Summary

KGHM Polska Miedź S.A. is an innovative and intelligent enterprise, characterized by creativity, an unconventional approach to problems, able to anticipate the future, and flexible in adapting to the dynamics of the market and its environment. KGHM puts great emphasis on research and development, allocates significant financial resources to it and systematically introduces innovation to its production processes.

Hackathons are for KGHM an ideal way to stimulate creativity and obtain ideas to solve key tasks. The organisation of hackathons by KGHM significantly improves the innovation process. It shortens it to a minimum and saves time and effort. Thanks to the organisation of these events, the Company can, in a very short time, obtain solutions ready for implementation and application on a wider scale.

INTEGRATION WITHIN THE KGHM GROUP

The KGHM Polska Miedź S.A. Group is comprised of KGHM Polska Miedź S.A. as the Parent Entity and several dozen subsidiaries located on four continents (Europe, North America, South America and Asia). Its strength lies in the complementarity of its operations, which allows for synergy. Group companies conduct various types of activities: exploration and mining, processing, as well as activities supporting the core production business, such as research, design, construction. The activity of the KGHM Group with respect to the exploration for and extraction of copper and nickel ore and precious metals deposits is based on the concessions held by KGHM Polska Miedź S.A. for extraction of deposits in Poland and the legal titles held by companies belonging to the KGHM INTERNATIONAL LTD. Group for the exploration for and extraction of raw materials in the USA, Canada and Chile.

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 on logistics, e.g. 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. - Research and Development Centre), various laboratory tests and analyses (CBJ sp. z o.o.), health care services (Miedziowe Centrum Zdrowia S.A., Polska Grupa Uzdrowisk) and even catering services (PHU "Lubinpex" Sp. z o.o.).

Accordingly, 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 shareholder value. As part of enhancing its competitive advantage in this respect, KGHM Polska Miedź S.A. strives for basing the Group's financing structure on long-term instruments, shortening the cash conversion cycle and managing the 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 the Group to plan and implement a number of significant long-term investment projects.

INTEGRATED PROCESS – FROM EXPLORATION TO SALES

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 managing the tailings generated by the copper ore enrichment process. The organisational structure of KGHM includes metallurgical facilities: the Legnica Copper Smelter and Refinery and the Głogów Copper Smelter and Refinery, as well as the Cedynia copper wire rod plant. Noteworthy, 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 developing recycling in its production process and striving to further improve the utilisation of post-production waste as the so-called secondary sources of raw materials.

In the KGHM Polska Miedź S.A. Group, production and production-related processes are performed in accordance with the following two models:

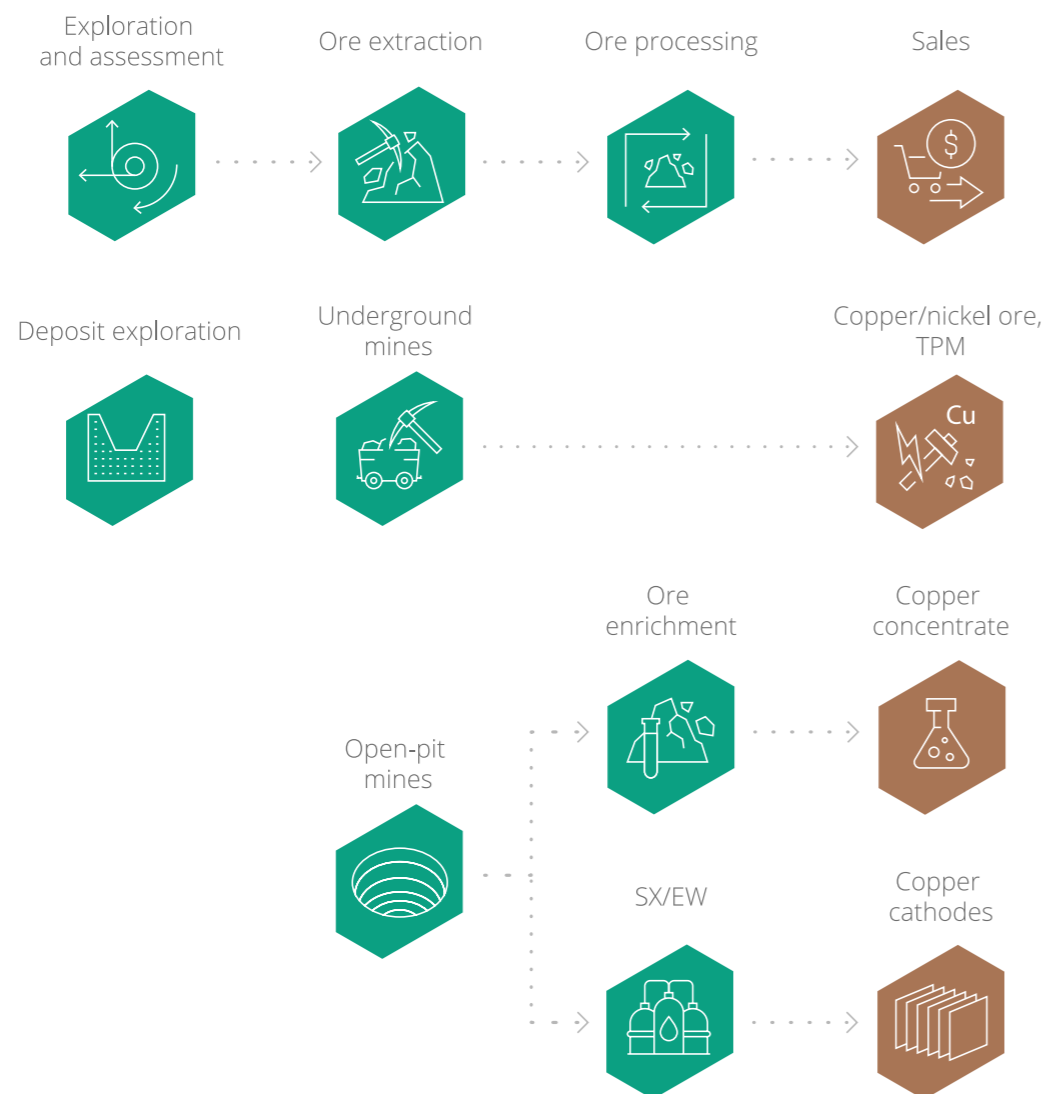
INTEGRATED GEOLOGICAL, MINING AND METALLURGICAL ACTIVITIES IN KGHM POLSKA MIEDŹ S.A.



The core business of the KGHM INTERNATIONAL LTD. Group of companies is the mined production of metals, such as copper, molybdenum, nickel, gold, platinum and palladium, from both open-pit and underground mines, as well as advancement of mining and exploration projects.



SIMPLIFIED FLOWCHART OF THE CORE BUSINESS OF THE KGHM INTERNATIONAL LTD. GROUP



LONG-TERM STRATEGY

Consistent implementation of the Strategy drawn up in 2018 allowed the KGHM Group to take advantage of the macroeconomic trends to increase the scale of its business and significantly improve its production performance and financial standing. The year 2022 started with the adoption of the "Strategy of the KGHM Polska Miedź S.A. Group to the year 2030 with an outlook to 2040". In order to reflect changes in the surrounding environment, the four previous strategic development directions (Flexibility, Effectiveness, Environment and E-industry) were updated by adding a fifth element, Energy. As a result, the

Group will be better positioned in the long term to meet the challenges of the modern world, especially in the context of energy transition. Accordingly, KGHM intends to develop activities related to photovoltaic, wind (including offshore) and nuclear power ("small modular reactors", SMR). On 14 February 2022, in Washington, KGHM signed a contract with NuScale on starting work on the implementation of SMRs in Poland.

In its long-term Strategy, the Group upholds its commitment to running a responsible business and taking a long-term view on the future of the company.

GRI 102-40 GRI 102-42 GRI 102-43 GRI 102-44 GRI 102-47

KEY STAKEHOLDERS AND MATERIALITY OF INFORMATION IN THE REPORT OF THE KGHM POLSKA MIEDŹ S.A. GROUP



Since the inception of the KGHM Polska Miedź S.A. Group, good relationships with stakeholders based on mutual understanding and trust have been crucial for the Group. The Group 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 Group'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 and its growth. The basis of this process is dialogue geared towards learning about mutual expectations and capabilities and implementing agreements.

– Lidia Marcinkowska-Bartkowiak, Executive Director, Communications.

KEY STAKEHOLDERS IN THE KGHM POLSKA MIEDŹ S.A. GROUP

Key stakeholders are all entities that exert significant influence on the functioning of the KGHM Group and KGHM Polska Miedź S.A. and that are affected by the Group and the Company, operating in the business and social space. All

stakeholder groups are important from the perspective of the Strategy of KGHM POLSKA MIEDŹ S.A. and the Group's direct and indirect impacts. The map of key stakeholders of the KGHM Polska Miedź S.A. Group was updated in 2021. They are presented in the table below:

Stakeholder type	Specification
KEY STAKEHOLDERS	
Employees, including trade union members	Also including former employees.
Representatives of local and national government	Local governments of the municipalities, in which the company operates; State Treasury.
Local community members	Social groups that are not non-government organizations, or e.g. social assistance centres.
Suppliers	Suppliers of the entire value chain, including JV partners in which KGHM holds shares.
Clients	Domestic and international.
Regulators	Including, among others, the European Union, the judiciary.
Stock exchange environment	Shareholders, bondholders, rating agencies.
Supervisory authorities	E.g. the Polish Financial Supervision Authority (KNF), the Chief Labour Inspectorate (PIP).
Stock exchanges in Warsaw and London	London Metal Exchange and the Warsaw Stock Exchange.
Financial markets	Including, among others, banks and insurers.
OTHER STAKEHOLDERS	
Media	All types, domestic and international.
Competitors	Domestic and international.
Indigenous people	This refers to the KGHM Group, mainly the first nations of the North America.
Trade organisations	Domestic and international.
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.

MATERIALITY ANALYSIS

In the process of preparing for the preparation of the 2021 Non-Financial Report, the key stakeholders of KGHM Polska Miedź S.A. were surveyed on sustainable development and corporate responsibility and on their opinion regarding the 2020 Integrated Report of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group and their suggestions concerning the 2021 report.

The issue of materiality was assessed in accordance with the following principles of the Global Reporting Initiative (GRI) Standards: stakeholder inclusiveness, sustainability context and materiality. The fourth GRI principle, i.e. the completeness principle, was addressed by way of validation of the matrix by members of the Company's senior management.

The process of identifying material topics was based on:

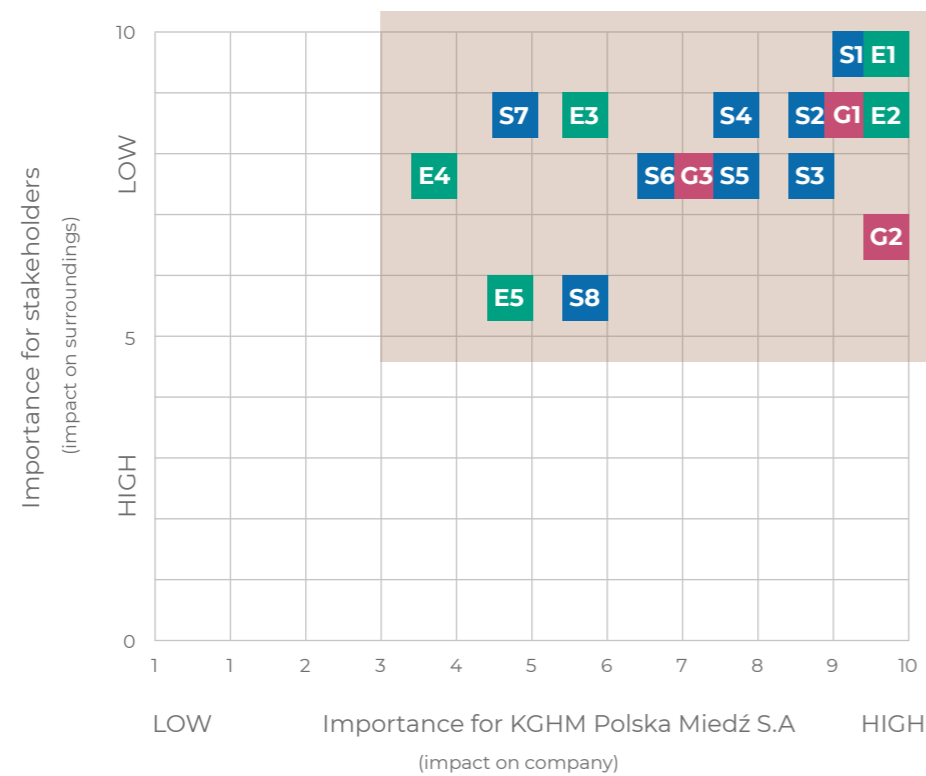
- the results of the survey carried out by the Company in October 2021 among external stakeholders, i.e. clients, scientific and research institutions, the investor community, suppliers and business partners, local communities, trade organisations, the media and institutions of higher learning from Poland and abroad, i.e. all key stakeholders of KGHM Polska Miedź S.A.;
- the results of interviews conducted among external stakeholders representing financial institutions, trade organisations, local governments, clients and suppliers,
- a feedback session with Company employees devoted to the evaluation of the 2020 Integrated Report of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group and development of reporting recommendations for 2021 and analysis of the initial materiality matrix,
- Company's corporate documents, such as e.g.: the Strategy of KGHM Polska Miedź S.A. for 2019-2023 (the goals in the "People and the Environment" area), Environmental Policy, preliminary assumptions for the Climate Policy being developed at that time, the Code of Ethics of the KGHM Polska Miedź S.A. Group, the Code of Conduct, the Occupational Health and Safety Policy, the Responsible Supply Chain Policy in the KGHM Polska Miedź S.A. Group, the Declaration on human rights protection, Integrated Reports from previous years, financial and non-financial statements,
- the sustainability issues important for the industry and the overall sustainability trends in business, including S&P Global ESG Scores ratings,
- UN Sustainable Development Goals for 2015-2030,
- international regulations: EU Guidelines on reporting climate-related information, the TCFD Framework, the EU Taxonomy Regulation,
- international reporting standards – GRI, SASB.



GRI 102-47

The chart below shows the identified topics that are material for stakeholders and have significant social, environmental and economic impacts:

ESG MATERIALITY MATRIX KGHM POLSKA MIEDŹ S.A.



E Environmental

S Social

G Governance

Most important aspects

E1	Efforts to achieve a circular economy	20
S1	Workplace safety and hygiene	20
E2	Counteracting climate change	19
G1	Ethics and transparency	19
S2	Good jobs	18
S3	Relations with local communities	17
S4	Employee development	17
G2	Impact on the economy	17
S5	Respect for human rights	16
G3	Management of sustainable development and risks	16

Other important aspects

E3	Management of water resources	15
S6	Responsible supply chain	15
S7	Customer satisfaction	14
S8	Diversity and equal opportunity	12
E4	Innovation development	12
E5	Maintaining biodiversity	11

Sustainable development council

The Sustainable Development Council was appointed to implement the Strategy of KGHM Polska Miedź S.A. for 2019-2023, 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, as well as to strengthen the image of the KGHM Group.

The Council is comprised of individuals representing the areas that are critically important for the idea of sustainable development, i.e. including investor relations, finance, resource management, environmental protection, environment, community, regulatory analysis and broadly defined supply chain management. The main reason for creating the Council was 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 in order to implement 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 key areas addressed by the Council include: climate policy and related taxonomy, non-financial reporting, environmental reporting, implementation of direct solutions in KGHM Group companies.

The Council's other activities include:

1. 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,
2. consulting on and supervising the preparation of documents that are important for pursuing sustainable development goals,

3. analysing legislative changes related to sustainable development and their impact on the KGHM Group,
4. identifying and determining the opportunities and rationale for positioning KGHM Polska Miedź S.A. in selected domestic and international rankings and competitions with respect to sustainable development.

During the Council's new term of office, the following topics were discussed in 2021:

1. assumptions for the KGHM Climate Policy and key regulations that will directly and indirectly affect KGHM's future operations, ,
2. issues related to the modified approach to non-financial ESG reporting in KGHM and the KGHM Group,
3. assumptions for the project of organizing the sustainable development function in KGHM POLSKA MIEDŹ S.A. and optimising the ESG reporting process,
4. assumptions and key areas of implementation of the "Human Rights Policy in KGHM Polska Miedź S.A." document,
5. validation of ESG indicators of KGHM Polska Miedź S.A. for 2021.

KGHM Polska Miedź S.A. on the Capital Market



The credo of KGHM Polska Miedź is to engage in open dialogue with all capital market participants and maintain transparency. We develop and utilize nascent technological solutions and we implement solutions to devise and communicate the company's equity story by incorporating ESG. In July, 25 years will have passed since KGHM Polska Miedź S.A. went public. That was an important event not just for the company itself, but also for the Polish capital market. Today, after 25 years, we can say with a feeling of pride that KGHM continues to be one of the main driving forces on the Warsaw Stock Exchange. We believe that the future is made of copper, including in the context of the capital market.

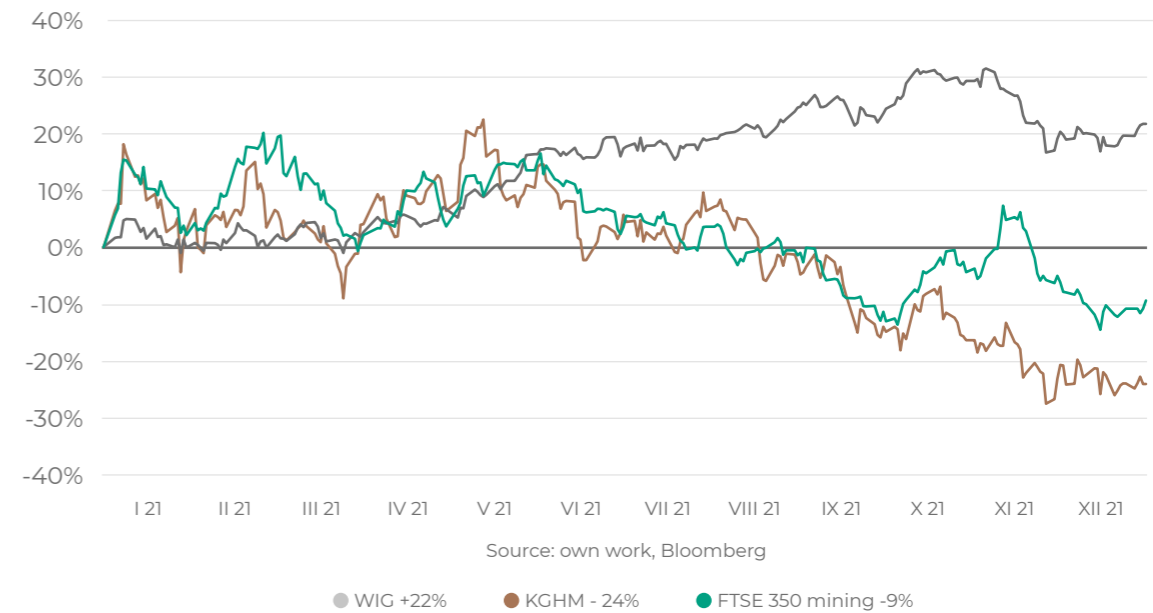
– Janusz Krystosiak, Director of the Investor Relations Department

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, which in the past year was generally in a rising trend. Moreover, KGHM Polska Miedź S.A. 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.

In 2021, the share price of KGHM Polska Miedź S.A. on the WSE recorded new historic records numerous times. Already in January the Company's share price exceeded PLN 200, and on 13 May reached the highest closing price during the year of PLN 223.80. From that time the share price of KGHM Polska Miedź S.A. entered into a declining trend, with the minimum closing price of PLN 133.10 being reached on 26 November. Ultimately, the Company's share price had fallen by 24% and at the close of trade on 30 December 2021 amounted to PLN 139.40. During the same period the price of copper – the Company's main product – recorded an increase of 25%, alongside an increase in the average USD/PLN exchange rate by 8.0%. At the same time the market indices WIG, WIG20 and WIG30 increased respectively by 22%, 14% and 20%. In contrast the London-based FTSE 350 mining index – comprised of companies from the mining sector listed on the London Stock Exchange – fell by 9%.

PERCENTAGE CHANGE OF SHARE PRICE OF KGHM POLSKA MIEDŹ S.A. VERSUS THE WIG INDEX AND FTSE 350 MINING INDEX (COMPARED TO THE QUOTATIONS FROM THE LAST TRADING DAY IN 2020)



KEY SHARE PRICE DATA OF THE COMPANY ON THE WARSAW STOCK EXCHANGE

Key share price data of KGHM Polska Miedź S.A. on the WSE in the years 2020-2021 are presented in the following table:

Symbol: KGH, ISIN: PLKGHM000017	Unit	2021	2020
Number of shares issued	million	200	200
Market capitalisation of the Company at year's end	PLN bn	27.9	36.6
Average trading volume per session	shares	584,783	720,721
Turnover	PLN mn	26,308.89	18,784.44
Change in share price from the end of the prior year	%	-23.8	+91.5
Highest closing price during the year	PLN	223.80	189.35
Lowest closing price during the year	PLN	133.10	49.40
Closing price from the last day of trading in the year	PLN	139.40	183.00

Source: own work, WSE Statistic Bulletin for 2020 and 2021, Bloomberg

DIVIDEND

In accordance with Resolution No. 7/2021 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 7 June 2021 regarding the appropriation of profit for the year 2020, the profit in the amount of PLN 1,779 million, was appropriated as follows: as a shareholders dividend in the amount of PLN 300 million (1.50 PLN/share) while the amount of PLN 1,479 million was transferred to the Company's reserve capital. The Ordinary General Meeting of KGHM Polska Miedź S.A. set the dividend date for 2020 at 21 June 2021 and the dividend payment date for 2020 at 29 June 2021. 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 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 at 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).

2021 was another year of intense activities by KGHM Polska Miedź S.A. in terms of communicating with investors. The COVID-19 pandemic affected the manner in which communicating with capital market participants was conducted.

During this period, activities aimed at maintaining relations with investors using a virtual, online format were successfully engaged.

WallStreet 25 online conference

In 2021, KGHM Polska Miedź S.A., once again actively participated in the WallStreet conference and was a Strategic Partner for the 25th edition of the Conference. The situation related to the epidemic meant that once again, the largest meeting of individual investors in Poland and was conducted online. As part of activities, representatives of KGHM took part in the discussion panel and in the online Your Investments Forum, as well as conducted a thematic discussion and provided an interview in the investor magazine Akcjonariusz. Throughout the conference KGHM maintained a virtual stand on the conference website.

Investor chats

Representatives of the Company are available to individual investors during on-line chats. These are organised on a regular basis following the publication of the Company's financial statements. In 2021, four investor chats were held.

ESG

The Company continues its participation in processes related to ESG (Environmental, Social & Corporate Governance) and in accordance with the adopted Strategy 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. In 2021, the Company for the second time submitted to the CDP Climate survey and provided a broader scope of information, such as on Scope 3 emissions. Moreover, two of KGHM's metallurgical facilities received the prestigious Copper Mark certificate. The Company also published the Climate Policy of KGHM Polska Miedź S.A. To maintain the highest diligence, transparency and compliance with best practice of listed companies, the Investor Relations team regularly provides responses to surveys, questionnaires or information requests regarding ESG, among others: Sustainalytics, CDP, FTSE Russell, MSCI, Refinitiv, Vigeo Eiris, Corporate Knights and BlackRock.

THE MAIN ACTIONS TAKEN BY THE COMPANY WERE AS FOLLOWS:

Domestic and international investor conferences

The Company actively meets with investors and analysts in Poland and abroad during conferences organised by brokers. In 2021, the Company took part in more than a dozen investor conferences and in about 100 meetings with portfolio managers and analysts representing investment and pension funds as well as other asset management firms.

Results conferences

The Investor Relations Department organises meetings with the Management Board to discuss the financial results of the Company and Group. In 2021, the publication of financial results was accompanied by results conferences open to all stakeholders via webcasts in Polish and English, with the possibility of submitting questions by email. Video recordings of these conferences are available on the Company's website, www.kghm.com, in the section Investors.

Capital Market Days

The Company regularly organises events for the capital market. This type of meeting is aimed at familiarising investors with the degree of advancement of the development strategy as well as with the current operating and financial situation of the KGHM Group and its individual assets. In 2021, due to the COVID-19 pandemic as well as concern for the health and well-being of our employees and investors, the Company decided to defer the organisation of an Analyst Day and an Individual Investor Day.

Quarterly IR Newsletter

The initiative related to publication of the IR Newsletter for Investors was continued, which summarises the most important quarterly events and is distributed to subscribers via email. The goal of the IR Newsletter is to assure its recipients with an accurate source of knowledge about KGHM and the global copper market and to facilitate analysis and assessment of the possibilities associated with investing in the Company's shares. The IR Newsletter has met with the appreciation of Investors and other participants in the capital market.

KGHM IR LinkedIn Profile

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, in addition to the official reporting system (ESPI), we share news which might be of interest to capital market participants.

BROKERAGES WHICH PREPARE REPORTS ON KGHM POLSKA MIEDŹ S.A.

In 2021, sell-side reports on KGHM Polska Miedź S.A. were published by 9 sell-side analysts based in Poland and 8 based abroad.

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	Pekao Investment Banking

Abroad

Bank of America Merrill Lynch	Global Mining Research	Goldman Sachs
Morgan Stanley	UBS	WOOD & Company
JP Morgan	EVA Dimensions	

AWARDS AND DISTINCTIONS IN 2021 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 magazine „Parkiet” and the Brokerages Council,



Company of the Year from the WIG 20

the jury of the market newspaper Gazeta Giełdy i Inwestorów „Parkiet”, comprised of journalists and editors, decided to award KGHM Polska Miedź with the title „Company of the Year from the WIG 20 index”,



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 2020” organised by the Institute of Accounting and Taxes.

SHAREHOLDER STRUCTURE OF KGHM POLSKA MIEDŹ S.A.

As at 31 December 2021 and as at the date of signing this report, the share capital of the Company, in accordance with the entry in the register of entrepreneurs of the National Court Register, amounted to PLN 2,000 million and was divided into 200,000,000 shares, series A, fully paid, having a face value of PLN 10 each. All shares are bearer shares. The Company has not issued preferred shares. Each share grants the right to one vote at the General Meeting. The Company does not hold any treasury shares.

In the years ending 31 December 2021 and 31 December 2020 there was no change in either registered share capital or in the number of outstanding shares issued. Moreover, in 2021 and 2020 there were no changes in the ownership structure of significant blocks of shares of KGHM Polska Miedź S.A.

The Company’s shareholder structure as at 31 December 2021 and at the date this report was signed, 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:

SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2021 AND AT THE DATE THIS REPORT WAS SIGNED

Shareholder	Number of shares/votes	Interest in the share capital
State Treasury ¹	63,589,900	31.79%
Nationale-Nederlanden Otwarty Fundusz Emerytalny ²	10,104,354	5.05%
Aviva Otwarty Fundusz Emerytalny Aviva Santander ³	10,039,684	5.02%
Other shareholders	116,266,062	58.14%
Total	200,000,000	100.00%

¹ based on a notification received by the Company dated 12 January 2010

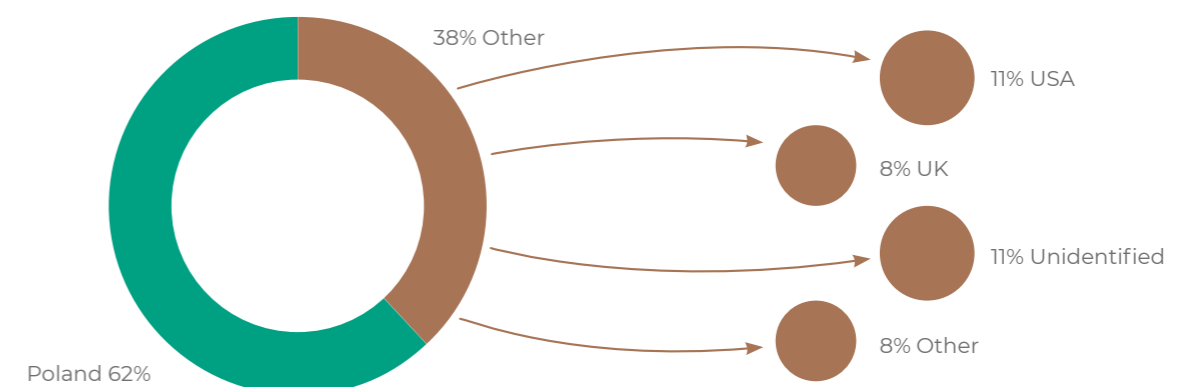
² based on a notification received by the Company dated 18 August 2016

³ based on a notification received by the Company dated 17 July 2018

Other shareholders, whose combined interest in the share capital and in the total number of votes amounts to 58.14%, 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 2022.

GEOGRAPHIC SHAREHOLDER STRUCTURE OF KGHM POLSKA MIEDŹ S.A. (%)



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 at 31 December 2021 and as at 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 at 31 December 2021 and as at the date this report was signed, neither the Members of the Management Board nor of the Supervisory Board of KGHM Polska Miedź S.A. held shares of the related parties of KGHM Polska Miedź S.A.

In 2021, 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, the maximum total nominal value of bonds amounted to PLN 2 billion. Under the Bond Issue Program, Series A and Series B bonds were issued. The bond offer was made through a private placement and was directed toward no more than 149 investors and was offered exclusively in Poland.

On 20 September 2019, by a resolution of the Management Board of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) bearer bonds Series A and Series B of KGHM Polska Miedź S.A. were introduced to the alternative trading system on the Catalyst. 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, www.kghm.com in the section Investors – Shares and bonds – Bonds.



Best practice

KGHM Polska Miedź S.A. in detail on its climate impact

In 2021, KGHM Polska Miedź S.A. participated in the international project organized by the CDP for the second time. The Company significantly expanded the scope of climate data it provided. The CDP Climate Change 2021 Questionnaire for 2020 contained disclosures concerning, among others, climate-related risks, data on energy consumption and on indirect Scope 3 emissions.

CDP is a global environmental organization operating an information reporting system that enables companies, cities, and regions to measure and manage their environmental impact. CDP holds the world's most comprehensive collection of reported data and is viewed as the gold standard for environmental reporting by the global economy, so participation in this initiative is critical for the Company.

The completion of work on the Climate Policy offers among others the opportunity to define CO₂ emission reduction targets. This means that in 2022, the data provided by KGHM to the CDP (for 2021) may be, for the first time, subject to a full and detailed classification assessment, which will further emphasize the Company's efforts to implement best practices and solutions – including in communication of its environmental, social and corporate activities.

The expansion of disclosures was made possible by the effective cooperation between many departments in KGHM and KGHM CUPRUM Sp. z o.o. (CBR), coordinated by the Investor Relations Department.

Chapter 2

Our strategy

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MISSION AND VISION OF THE ORGANISATION

We believe that copper and the other minerals that we provide to our customers on every continent are, and will remain, critical for the development of all sectors in the foreseeable future. For this reason, our mission is “To Always Have Copper” with the vision “To use our resources efficiently to become the leader in sustainable development”.

The principle of running our business based on the sustainable development concept and of being a leader in this respect has numerous consequences. The considerable scale and the multi-faceted nature of our business and the long history of the Group Produce a great sense of responsibility for the rational and sustainable utilisation of our resources and for the Group’s enormous impact on its environment, both social and natural.

Mission
To always have copper

Vision
To use our resources efficiently to become the leader in sustainable development

STRATEGY OF KGHM POLSKA MIEDŹ S.A. – BOLD PROJECTS IN THE CONTEXT OF GLOBAL ECONOMIC CHALLENGES

Until the end of 2021 the Company advanced the „Strategy of KGHM Polska Miedź S.A. for the years 2019-2023” which was approved on 19 December 2018. The Strategy was based on the so-called 4E, four development directions (Elasticity/flexibility, Efficiency, Ecology and E-industry) arising from global market trends. The aforementioned directions were reflected in six identified strategic areas, with individualised and measurable main goals – as shown by the chart below:

STRATEGIC AREAS AND CORE OBJECTIVES OF THE KGHM POLSKA MIEDŹ S.A. STRATEGY FOR 2019-2023

	Production - Maintain cost-effective Polish and international production
	Development - Increase the KGHM Polska Miedź S.A. Group's efficiency and flexibility in terms of its Polish and international assets
	Innovation - Increase the KGHM Polska Miedź S.A. Group's efficiency through innovation
	Financial Stability - Ensure long-term financial stability and the development of mechanisms supporting further development
	Efficient Organisation - Implement systemic solutions aimed at increasing the KGHM Polska Miedź S.A. Group's value
	People and the Environment - Growth based on the idea of sustainable development and safety as well as enhancing the KGHM Polska Miedź S.A. Group's image of social responsibility



To date, advancement of the Strategy of KGHM Polska Miedź S.A. for the years 2019-2023 enabled the KGHM Group to take advantage of macroeconomic trends to increase the scale of its operations and to improve its production results and financial condition. Due to the rapid changes which took place during this time in the general environment, a review was carried out and the adopted strategic assumptions were updated. The justification for this review and redefinition was concurrent with the extraordinary market situation resulting from the coronavirus epidemic.

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. This is the

Company's current binding Strategy, reflecting the macroeconomic environment and the geopolitical situation affecting the mining sector. In the activities planned a particular place is held by the green transformation through renewable energy and modern technology. The updated Strategy does not alter the Company's current approach to its business activities. KGHM continues to act responsibly and to think long-term about the Company's future.

The Company's mission and vision remain unchanged and the goals of the Strategy are ambitious, but attainable. The previous four strategic development directions were updated to reflect changes in the environment and a fifth element, Energy, was added. This is shown in the chart below:

MISSION, VISION AND DEVELOPMENT DIRECTIONS OF THE STRATEGY OF KGHM POLSKA MIEDŹ S.A.

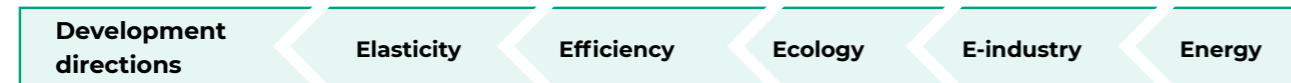
Mission **To always have copper**

Vision **To use our resources efficiently to become the leader in sustainable development**



This „5E” Strategy is now comprised of 5 pillars (Core business, New activities, Supporting activities, Health, Prosociality), based on 5 updated development directions, as presented in the chart below.

5 PILLARS BASED ON 5 UPDATED DEVELOPMENT DIRECTIONS IN THE STRATEGY OF KGHM POLSKA MIEDŹ S.A.



Core business 1	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
New activities 2	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)
	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 Group and implement systemic solutions aimed at enhancing the Group's value
Health 4	Development of activities promoting health and health resorts (spas) as a contribution to extending the length and quality of life for citizens	
Support for Society 5	Growth based on the idea of sustainable development and safety	

The pillars have been assigned individualised main goals as well as key performance indicators, as follows:

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

Strengthen the position of the KGHM Polska Miedź S.A. Group as a global player in the mining and metallurgy sector

Goals for 2030:

- Domestic copper production – approx. 600 thousand tonnes of electrolytic copper (including production based on a higher amount of purchased materials and copper from recycling).
- 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.
- Silver production – maintain the position amongst the world's top-three producers of silver (approx. 1200 tonnes of silver annually).
- Profitability – 10.2% (Average ROCE (return on capital employed) from the last 3 years).
- Cost competitiveness – 3rd 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

Diversification and aiming at sustainable development by building internal generation capacity from low-emission sources

Goals for 2030:

- Energy produced – min. 50% of consumption.
- A reduction in estimated CO₂e emissions resulting from electricity consumed – 1.0 million tonnes of CO₂e.
- Diversification of the commercial offer in terms of metals (increase in share of new half-finished copper products and highly processed copper products (Cu-OFE wire, Cu-OFE granules) and other metals in the total sales of the Group) – 10%.

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

Redefine the way that existing assets supporting the core business are utilised

Goals for 2030:

- Recycling of scrap - approx. 350 thousand tonnes of copper scrap.
- 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.

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

Development of the spa assets held as a contribution to extending the length and quality of life for society as a whole

Goals for 2030:

- LTIFR – the goal of 0 accidents.
- TRIR – the goal of 0 accidents.
- Level of support for the area of Health carried out by the KGHM Polska Miedź Foundation – approx. PLN 7 million.

V. PILLAR - PROSOCIALITY, COMPRISED OF THE FOLLOWING ELEMENTS:

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

Main goal

Growth based on the idea of sustainable development and safety

Goals for 2030:

- Support for the fair transformation of the mining sector.
- Number of volunteer projects advanced – 30.
- Level of support for the arts, sport and health approx. PLN 48 million.

The Strategy of the Group to the year 2030 also includes climate-related goals as respects reducing CO₂ emissions by KGHM which are consistent with the Climate Policy of KGHM Polska Miedź S.A. – being a complementary document to the Strategy – as well as climate goals for the years 2030 and 2050.

Information on the KGHM Polska Miedź S.A.'s strategy is presented on our website at <https://kghm.com/en/about-us/strategy>.

In 2021, we continued our policy relating to the development directions for the KGHM Polska Miedź S.A. Group. Further action was also taken to centralize and unify some of the business functions within the Group (transferring some functions from KGHM International to the Head Office of KGHM). 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, in the case of the international companies of the Group, KGHM conducted activities to develop unified reporting principles, coherent internal regulations, and standardised solutions with respect to individual functional areas of the international entities.

In the case of the companies in Poland, the primary development goal was 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 Group's international companies, a variety of reorganisational actions were undertaken aimed at integration of KGHM International in Canada with the Company's activities in Poland and the transfer of some of the business functions of KGHM International to Poland. In 2021, 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.

Even though the Company currently has in place the "Strategy of the KGHM Polska Miedź S.A. Group to the year 2030 with an outlook to 2040" (adopted in January 2022), in 2021 it carried out activities under the Strategy for 2019-2023. Referring to the development directions set forth in the Strategy 2019-2023, the focus of investment activities and research and development activities is on projects leading to the improvement of efficiency in the core production business. The investment policy of KGHM Polska Miedź S.A. is based on advancing the Company's five-year investment plan, enabling execution of the long-term production plan.

In 2021 the Company launched and continued to advance key mining and metallurgical investments, such as:

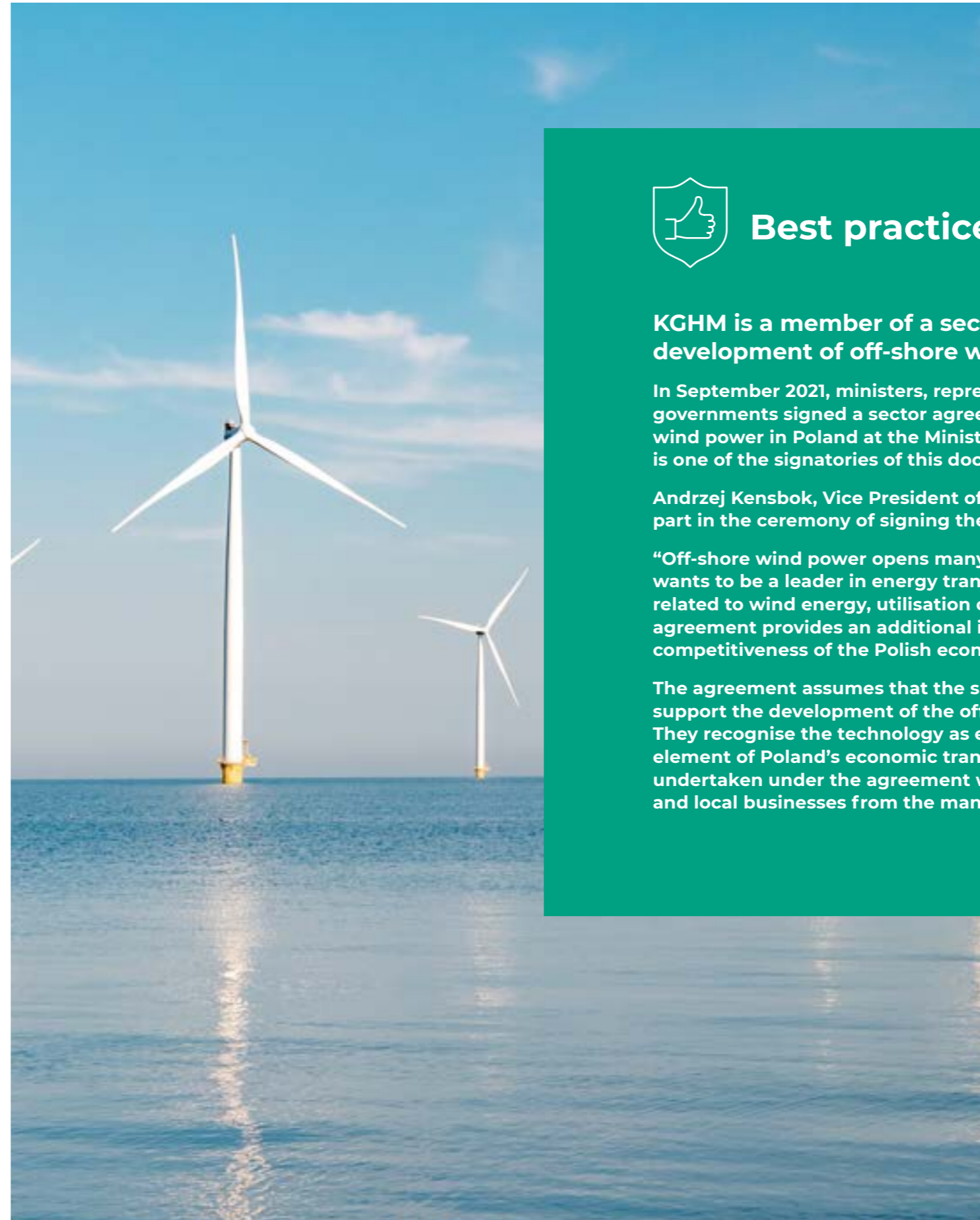
- **the Deposit Access Program (Deep Głogów along with access and development tunnels),**
- **development of the Żelazny Most Tailings Storage Facility (the Southern Quarter and the Tailings Segregation and Compacting Station),**
- **investment projects supporting drainage of the mines,**
- **investment projects adapting the metallurgical installations to BAT conclusions for the non-ferrous metals industry and to restrict emissions of arsenic (BAT-As),**
- **projects optimizing the utilization of the Legnica Copper Smelter and Refinery's production capacity (using the existing infrastructure and expanding it to increase its processing of scrap),**
- **investment projects to modernize the electrorefining sections in the smelters/refineries.**

The Company also continued other research and development activities, among others: it carried out the CuBR program (under which a total of 25 R&D projects were launched), continued the Implementation Doctorates Program for KGHM employees and continued the work on testing battery-powered mining machinery. In 2021, it also continue the implementation of co-funded research projects and prepared applications for co-funding under the Horizon Europe Programmes, KIC Raw Materials (Knowledge and Innovation Communities Consortium), the National Fund for Environmental Protection and under European Funds for a Modern Economy. In addition, with respect to development of the domestic resource base, the Company conducted further exploration work under the existing concessions for deposit prospecting and exploration.

The directions adopted also include the advancement of actions under the circular economy concept. Additionally the Company continues to engage in the work on new smart technologies and production management systems based on online communication between elements of the production process and advanced data analysis, in accordance with the assumptions for the KGHM 4.0 Strategic Program.

The Company is also intensifying actions aimed at improving energy efficiency through investments in its own generating capacity, in particular in low- and zero-emission sources. **KGHM aspires to be a leader of energy transition, which is why its plans include projects in the area of photovoltaic power, on-shore and off-shore wind power, the application of hydrogen, or small modular reactors (SMR). The Company's ambition in the new Strategy is to diversify energy sources and self-produce power, among others from renewable sources (RES).**

The key achievements in 2021 with respect to strategic tasks being implemented in individual areas of the Strategy are described in the "Management Board's Report on the activities of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group in 2021", which is available on the Company's website at <https://kgmh.com/en/investors/results-center/financial-reports>.



Best practice

KGHM is a member of a sector agreement for the development of off-shore wind power in Poland

In September 2021, ministers, representatives of business and local governments signed a sector agreement for the development of off-shore wind power in Poland at the Ministry of Climate and Environment. KGHM is one of the signatories of this document.

Andrzej Kensbok, Vice President of the Management Board (Finance), took part in the ceremony of signing the agreement.

"Off-shore wind power opens many opportunities in our country. KGHM wants to be a leader in energy transition and is already planning projects related to wind energy, utilisation of hydrogen or SMR technologies. The agreement provides an additional impulse for action and will improve the competitiveness of the Polish economy," said Andrzej Kensbok.

The agreement assumes that the signatories will cooperate closely to support the development of the off-shore wind power sector in Poland. They recognise the technology as economically competitive and as a key element of Poland's economic transformation. New investment projects undertaken under the agreement will create jobs and support national and local businesses from the manufacturing and service sector.

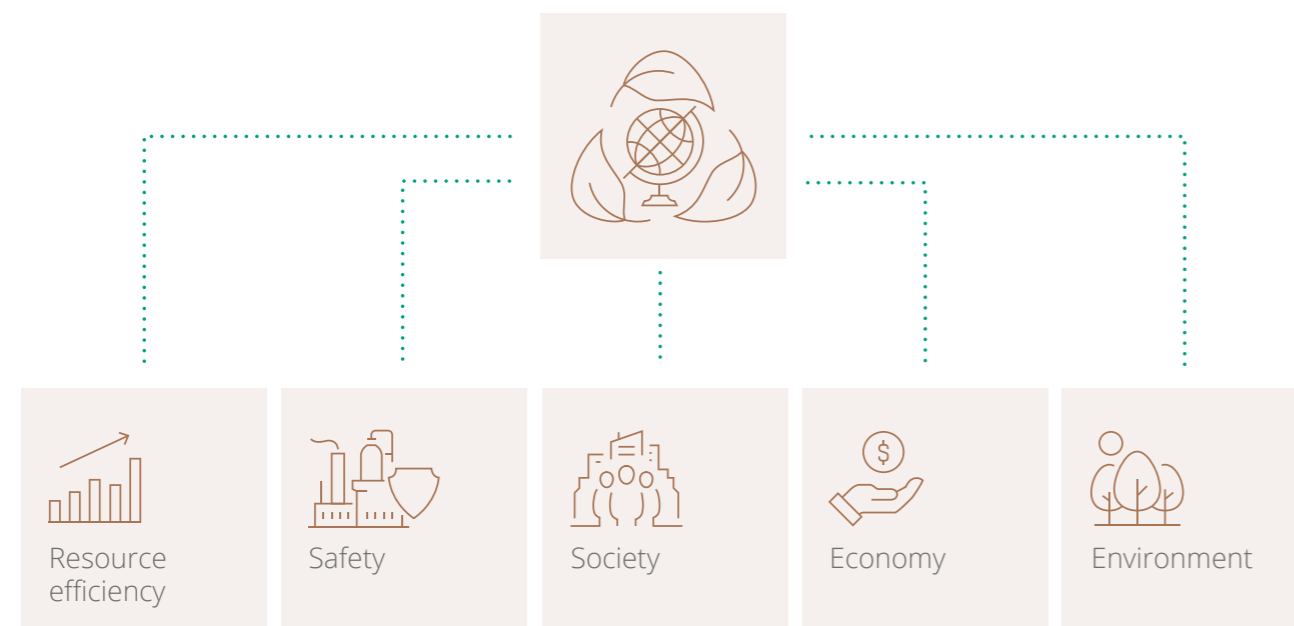
SUSTAINABILITY AND CLIMATE ACTION IN THE STRATEGY OF KGHM POLSKA MIEDŹ S.A.

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. For example, KGHM’s strategy is executed based on the sustainable development concept, with special focus on its commitment to health and safety, environment and community.

The chart below presents the Sustainable Development Areas of KGHM Polska Miedź S.A.

SUSTAINABLE DEVELOPMENT AREAS OF KGHM POLSKA MIEDŹ S.A.



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 its sector. The goals pursued by KGHM Polska Miedź S.A. are presented in the following diagram:



Positive aspects of KGHM’s operations drive economic growth in the region, through ensuring good 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).



Best practice

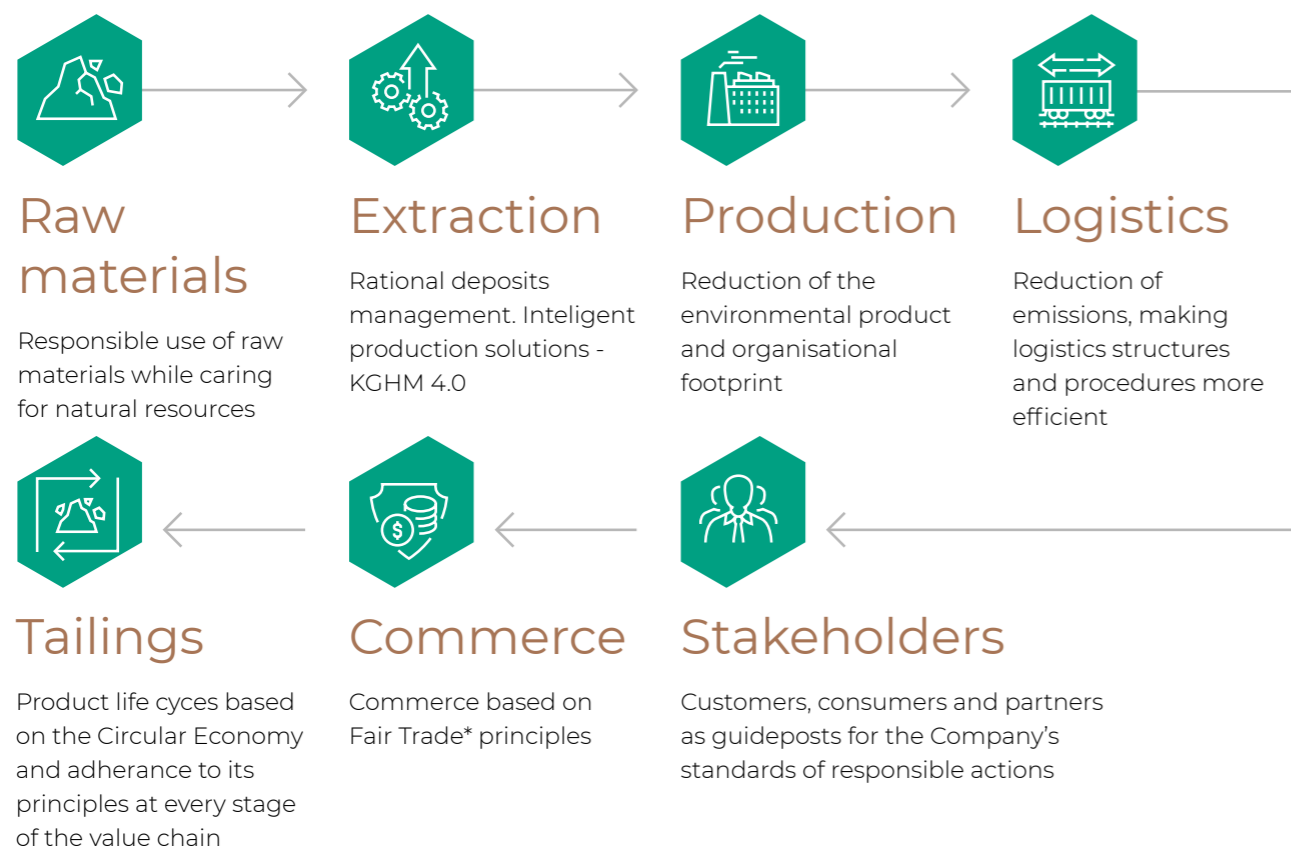
As part of its efforts to protect human rights, the Company has undertaken to draw up a Human Rights Protection Policy, which is the next step after KGHM’s Declaration on the Protection of Human Rights (SDG 5, 10). Because of the broad international scope of its operations, cultural differences and the specific nature of the industries in which it operates, the Group has long conducted a variety of human rights protection activities, such as: counteracting discrimination, not using forced labour (including child labour and slavery), respecting women’s rights and equal pay principles, caring for the natural environment and conducting its activities with respect for the rights of the First Nations – in accordance with the applicable normative acts. Work is currently pending to ensure consistency and comprehensiveness of these activities.

Other objectives pursued by the Company include responsible consumption and innovative production (SDG 12). KGHM is striving to ensure that the entire core production line is optimized, safe, innovative and sustainable, seeking methods for its continuous improvement, also through innovation, research and development activities (SDG 9). The Company is trying to focus its activities

also on: efficient resource management (while striving to eliminate waste in accordance with the Circular Economy 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



On 16 November 2021 the Management Board of KGHM Polska Miedź S.A. passed a resolution on the adoption of the Climate Policy of KGHM Polska Miedź S.A. – a document setting forth the Company's goals as regards the reduction of greenhouse gas emissions over the timeframe of 2030 and 2050 as well as the scope and extent of changes required for its achievement. The scope and impact of the Climate Policy encompasses KGHM Polska Miedź S.A., which will subsequently

transfer its principles to its subsidiaries. The primary goal of the Climate Policy of KGHM is for the Parent Entity of the KGHM Polska Miedź S.A. Group to achieve climate neutrality by 2050 with respect to Scope 1 greenhouse emissions - direct emissions primarily related to the Company's production activities, and Scope 2 - indirect emissions associated with the use of electricity and heat acquired from the market, with their maximum possible reduction. The intermediate

target is to reduce total Scope 1 and Scope 2 emissions by 30% by 2030, compared to the emission levels of 2020. The reduction targets for the entire KGHM Group will be published no later than in the first half of 2023. The Company will intensify its carbon reduction activities and launch new initiatives in this area; the newly adopted Climate Policy will be used to structure them. The Climate Policy of KGHM Polska Miedź S.A. will support directly 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.

The new KGHM Strategy to the year 2030 also identifies climate objectives associated with the reduction of CO₂ emissions by KGHM, which are consistent with those named in the Climate Policy of KGHM Polska Miedź S.A., a document complementary to the Strategy, and consistent with the climate objectives for 2030 and 2050, which is shown in the illustration below:

GREENHOUSE GAS EMISSION REDUCTION GOALS OF KGHM POLSKA MIEDŹ S.A. AND KEY CARBON REDUCTION DIRECTIONS¹

<p>Main goals of decarbonisation:</p> <p>Reduce indirect emissions (Scope 2):</p> <ul style="list-style-type: none"> ■ Develop internal zero-emission and low-emission sources ■ Improve energy efficiency in the production divisions and enhance the efficiency of technological processes ■ Purchase RES energy under PPA contracts <p>Gradually reduce direct emissions (Scope 1):</p> <ul style="list-style-type: none"> ■ Admixture of hydrogen in technological processes ■ Initial implementation of electromobility projects 	<p>Main goals of decarbonisation:</p> <p>Total reduction of indirect emissions (Scope 2):</p> <ul style="list-style-type: none"> ■ Power and heat solely from zero-emission sources (mainly conversion to internal zero-emission sources) <p>Maximum reduction of direct emissions (Scope 1):</p> <ul style="list-style-type: none"> ■ Hydrogen technology ■ Electromobility ■ Implementation of advanced production technology ■ Utilisation of CCU and CCS technology² <p>Potential offset of other emissions</p>
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2030 emissions reduction by 30%
➤
2050 Climate neutrality

¹ Main goal in respect of Scope 1 and Scope 2 GHG emissions, assuming their maximum possible reduction. Reduction goals in reference to 2020 emissions.

² CCU (carbon capture and utilisation) and CCS (carbon capture and storage) technology

Every year KGHM introduces solutions manifesting its commitment to operations consistent with the idea of circular economy. One of the ways of using waste materials to pursue circular economy is the production of road construction aggregate from copper slag.

The Strategy of the KGHM Polska Miedź S.A. Group assumes that a stable level of copper production would 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.



Best practice

KGHM has taken decisive actions towards electromobility through the gradual and consistent replacement of its own transport fleet with zero-emissions electric vehicles, but above all through the development of ultra-fast charging stations available to the public in the Copper Basin area. In addition, as part of actions for protection of the environment and climate as well as the health and working comfort of the employees, the Company is engaged in work aimed at reducing emissions from engines of mining machines.

The priority for KGHM is to acquire energy from its own sources and renewable sources. In 2021, electricity produced in Gas-Steam Combined Cycle Units and other own energy sources covered 18.7% of KGHM's overall electricity needs. The Company also continued programs of development of renewable energy sources.

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.



BEST PRACTICE AND KEY ACHIEVEMENTS IN THE IMPLEMENTATION OF KGHM'S STRATEGY

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. On this basis, decisions are made to continue or refresh the accepted strategic assumptions. The whole organization is engaged in the process of operationalising the Strategy. 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.

The Company's business Strategy is a public document published on KGHM's website. It is not common among companies in the mining and metallurgy sector globally. KGHM's activities are transparent and, in addition to the separate business Strategy document, KGHM also publishes its progress in fulfilling the Strategy: key indicators in individual strategic areas and achievements within the Strategy. This practice is in line with the "Best Practice for GPW Listed Companies 2021". The Strategy is not only generally available and described broadly in reports but also, where possible, it is also discussed during meetings held with stakeholders (such as investors or the media).

In December 2021, three years had passed since the adoption of the KGHM Polska Miedź S.A.'s Updated Strategy for 2019-2023. This summary presents the key achievements of this period from the "4E" perspective.

KEY ACHIEVEMENTS OF KGHM POLSKA MIEDŹ S.A.'S STRATEGY FOR 2019-2023

EFFICIENCY



Efficiency

Our response to increase in competitiveness in the production and mining sector and Industry 4.0

- Carried out investment activities to maintain domestic mining production at the level of 450 thousand tonnes of Cu in ore and the annual average metallurgical production at the level of 540 thousand tonnes, in accordance with the Strategic goals,
- The Revolving-Casting-Refining (RCR) Furnace in the Legnica Copper Smelter and Refinery improved the division's capacity to process materials purchased from third parties and increased the overall production capacity,
- Energy reviews in all Divisions and the Head Office pointed to new areas for energy savings projects in accordance with the Energy Management System,
- Built skills to develop the power engineering area, including RES (investments in photovoltaic power plants in Legnica Copper Smelter and Refinery, Głogów Copper Smelter and Refinery and the Obora Sandpit),
- Increased the efficiency of tailings storage in the Żelazny Most Tailings Storage Facility expansion project, by building the Southern Quarter,
- Used external sources to co-finance research and innovation projects,
- Built an effective and diverse organisational culture based on the KGHM Group's values,
- Streamlined the Group' structure, by ensuring a more efficient use of its potential from the viewpoint of the operation of the entire Group.
- Maintained cost discipline and introduced saving initiatives.
- Achieved higher efficiency of financing through diversification of its sources and adaptation of the financing to the needs of the Group.



Ecology, safety and sustainable development

We rely on electromobility, the development of pro-ecological regulations, the Circular Economy and pro-ecological production in accordance with the highest safety standards

- Introduced smart solutions to enhance employee safety,
- Implemented the same OHS procedures in the Group's companies and divisions, including a uniform occupational safety management system for all assets of KGHM INTERNATIONAL LTD.,
- Took numerous actions as part of the "Copper Heart" employee volunteerism program,
- The Group paid taxes to the state budget and to local budgets,
- Created development and training opportunities for employees, in the form of various training courses, development programs and HR projects,
- Implemented new installations compliant with the BAT (Best Available Techniques) conclusions for the non-ferrous metals industry,
- Made investments in renewable energy sources (RES), mainly development of photovoltaic plants,
- Developed electromobility – electrical passenger cars and off-road vehicles are being tested; as part of the replacement of machinery resources, diesel engines in mining machines are being replaced with low-emission motors,
- Extended the non-financial reporting area to ensure consistent internal and external communication in the Company.
- Achieved high standards of active communication with the market and investors,
- Developed standards and procedures allowing the Company to safely manage the situation related to the COVID-19 pandemic,
- Supported the external environment in the fight with the pandemic.



Elasticity/Flexibility

We adapt our activities to changes in our environment

- Ensured consistent management of the deposit and mining operations, adapting them to the geological structure,
- Optimised metallurgical production – an RCR furnace in the Legnica Copper Smelter and Refinery, copper concentrate roasting installation (roasting furnace) in the Głogów Copper Smelter and Refinery,
- Introduced a new financing structure, changing it from a short-term to a long-term one,
- Consolidated procurement programs and digitalised logistics operations,
- Ensured efficient planning and execution of overhaul downtimes,
- Increased electricity production from our own sources,
- Pursued the Implementation Doctorates program and other programs in cooperation with higher education institutions and research institutes and oriented towards improvement of the operation of the core production business,
- Took measures to bridge generation and competency gaps, by carrying out the "Competent in the mining and metallurgical sector" program in cooperation with the Ministry of National Education,
- Continuously broadened employee skills through adaptation and development projects.



E-Industry

We implement the idea of Industry 4.0., we are striving towards automation and robotisation of production, we are digitally transforming the KGHM Group, we are building a knowledge-based society

- Developed the "Localization system of people and machinery in underground mines",
- Developed the "Broadband data transmission in underground mines" in the mining divisions,
- Developed the "Centre of Advanced Data Analysis (CZAD)": the application of algorithms to the analysis of belt conveyor loading in mines has been tested,
- Developed the "Robotization of production and auxiliary processes": started the construction of a CuXRF robot for scanning for copper content at the working faces in the mines,
- Implemented projects associated with the National Cybersecurity System and improvement of the IT security of the Group,
- Developed the Project Management System (PMS 2.0.),
- Promoted digitization, automation and circulation of electronic documents and information in areas such as: administration, logistics, procurement, IT, legal service, data archiving, HR and payroll, communication and PR, contracts and agreements, finance management, properties,
- Developed IT technologies for accumulating and transferring knowledge in the Group and archiving research and project documentation in the area of invention and patent proceedings in the 1959-2020 period.



Best practice

Lower Silesia is a global capital of innovation. In September 2021 KGHM organized the Masters&Robots Industry Edition.

Global trends and unique solutions, digitalization to develop industry and innovations supporting an ecological approach – these and other issues were taken up by renowned experts during the Masters&Robots Industry Edition. This prestigious event took place in the Aula Forum in Polkowice. To celebrate the company's 60th anniversary KGHM invited innovation leaders to come to the Copper Basin centre. The copper giant emphasizes the importance of innovation for Polish industry, and the importance of Polish industry to create modern technological solutions. For years KGHM Polska Miedź S.A. has analysed and implemented innovative solutions in its activities in copper mining and across the organization. Industry 4.0 and its development are one of the company's strategic objectives.

The Masters&Robots series of meetings has been held for several years and offers an opportunity for representatives of the business and scientific community to meet. The four conferences held thus far have brought together more than 45 thousand attendees and more than 200 speakers from 4 continents. Topics such as the future of medicine and agriculture, nanotechnologies and Smart Cities have been discussed.

However, the Masters&Robots Industry Edition is unlike any other – it is focused on utilizing innovation to serve the interests of industry, and it is marked by its unprecedented scale. Several hundred people in total took part on site and online in the meeting in Polkowice.

This was the first conference of its type in the history of the region. At the same time, it was a once in a lifetime opportunity to promote the Copper Basin – a region in which copper has been mined for six decades. A metal of the future without which there could be no talk of digital transformation, smartphones or renewable energy sources.

Excellent guests – creators of tomorrow

Ramez Naam, an authority on energy transition, and Arash Aazami, an expert on energy innovation and using AI in the power sector, were some of the invited guests. Carlo van de Weijer, Managing Director of the AI System Institute at the Eindhoven University of Technology also made an appearance. David Hanson, who is frequently called a contemporary robotics genius and the creator of Sophia, the humanoid robot, also delivered a presentation.

David Gram, a partner in LEGO Ventures and an expert in innovative lean start-up methods, and Noa Segre, a world famous strategist in implementing the culture of innovation in companies, also appeared at the conference. Jowita Michalska, an expert in automation and artificial intelligence, the originator of the Masters&Robots series in Poland, also took part in the conference.

Today, the commodities market is reacting to the regulatory changes associated with the ecological approach to the energy sector. Copper will be used in the renewable energy sector and electromobility. However, one should remember that this copper will differ from the copper we have mined thus far. Why? Because that copper will feature a much smaller carbon footprint. We at KGHM are utilizing renewable energy sources more and more extensively, we are investing in recycling. Copper is participating in the world's transformation but it is also undergoing transformation,
- says Radosław Żydok, Director of the Regulatory and Strategic Research Department in KGHM.

Artificial intelligence and data analysis

In addition to energy-related issues the experts also presented examples of applying artificial intelligence to solve the problems of modern organizations. They gave consideration to how to build innovative organizations in the face of the current digital challenges.

Today acquiring information should be an organization's primary objective. Data is needed not only to create new technological solutions but is also the basis of innovation. New challenges continue to emerge in post-covid reality. To adapt to the dynamic situation organizations should first and foremost focus on implementing modern solutions. The Masters&Robots conference forms a unique opportunity to gain a broader perspective and valuable know-how. The topics discussed cover many current and important themes starting with the natural environment and climate change to automation and artificial intelligence,
- remarked Jowita Michalska, CEO of the Digital University, the organizer of the Masters&Robots conference.

[GRI 102-11], [GRI 103-1], [GRI 103-2], [GRI 103-3]

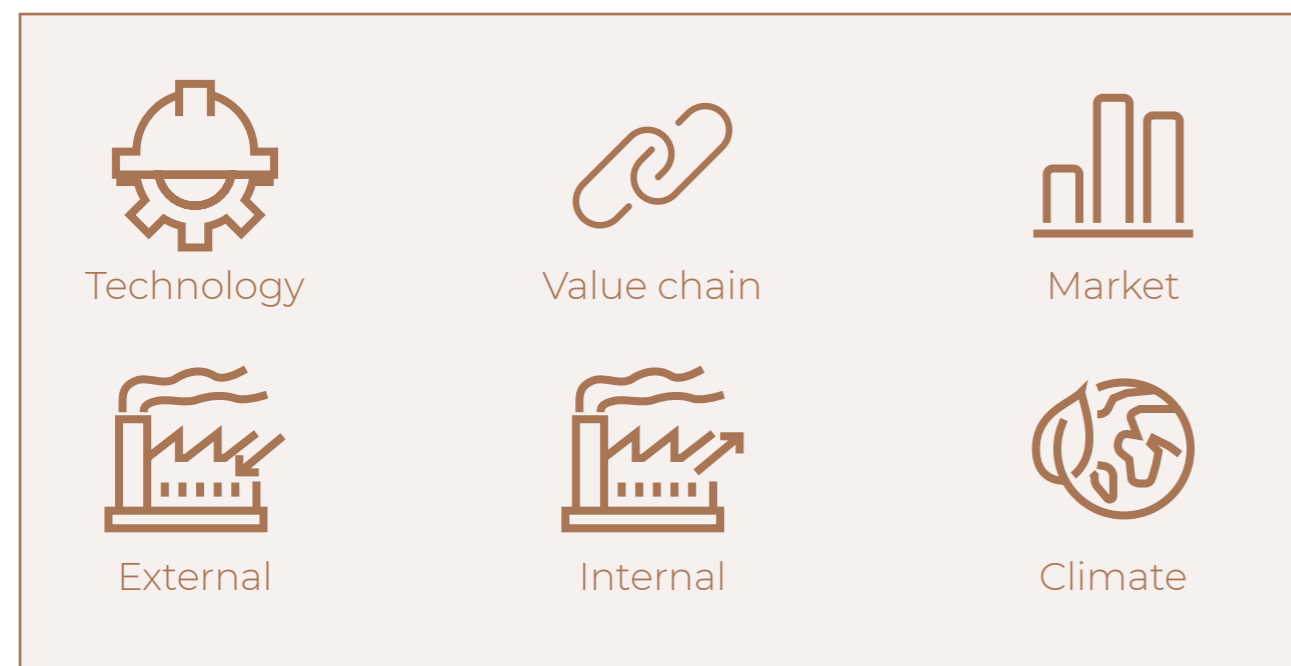
RISK MANAGEMENT IN THE KGHM POLSKA MIEDŹ GROUP

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.

RISK CATEGORIES



The Corporate Risk Management Policy of the KGHM Polska Miedź S.A. Group is available on KGHM's website, in the Investor Relations section [Risk Management | KGHM Corporate Website](#).

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", which came into force on 1 July 2021 (previously in compliance with the guidelines „Best Practice for GPW Listed Companies 2016”).

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 Corporate Risk and Compliance Management Department, and in terms of financial risk by the division of the Executive Director for Financial Management.

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 in KGHM Polska Miedź S.A. Group, is an important business tool for the prevention of events which could lead to the imposition of penalties.

In 2021, the process began of implementing a comprehensive system to manage operational continuity, 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., adopted by the Management Board of KGHM Polska Miedź S.A. The prepared documentation of the comprehensive operational 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 Group is inspired by the solutions adopted by the ISO 31000 standard, best practice in risk management and the specific nature of the KGHM Group, and is comprised of the following stages:

CORPORATE RISK MANAGEMENT PROCESS IN THE KGHM POLSKA MIEDŹ S.A. GROUP



Step 1

Defining the context

The first step in the process is comprised of three actions: defining the external context, defining the internal context and the risk management context.

The external context is the environment in which the KGHM Polska Miedź S.A. Group advances its Strategy. Here the definition needs to update the understanding of the social, political, legal, regulatory, financial, economic and technological aspects of the environment which affect its activities. During this step also assessed, based on the results of scenario analysis, the most important factors for transitioning to a low-emission economy and the paths of climate

change and weather models, which are processed in subsequent steps of the process.

During the process of defining the internal context, goals are analysed (strategic/business), changes in the organisational structure are planned and performed, new areas of activities, projects, etc.

The last part of this step is to define the risk management context, which comprises the setting or updating of goals, the scope, responsibilities and procedures and methods applied in the risk management process.

Step 2

Identification and evaluation

In this step of the process we identify and evaluate risks which could impact the achievement of goals at the level of the KGHM Polska Miedź S.A. Group. The main task in this step is to prepare a complete list of threats which could facilitate, impede, accelerate or delay the achievement of goals. Each identified risk is assigned to a category and a sub-category in the form of a Risk Model, which provides the KGHM Polska Miedź S.A. Group with a consistent risk taxonomy.

Following its identification, each corporate risk is evaluated using a Risk Evaluation Matrix, containing a scaled breakdown of assessments by impact, utility and probability. A risk may have various effects, and therefore in order to ensure the broadest recognition of potential impact and the limitation of subjective evaluation, the following Impact evaluation measures have been defined:

- Finance – impact of the effects of a given risk in its financial aspect by applying value ranges.
- Strategy – evaluation of the risk's impact on the ability to achieve strategic goals.
- Reputation and Stakeholders – impact of the risk on the Company's reputation, trust in the brand, investor relations, relations with stakeholders, also including on the effectiveness of actions related to building a responsible business and sustainable development.

- Health and Safety – direct impact on health and safety and human life.
- Natural environment – impact of the materialisation of risk on natural environment, the functioning of the ecosystem and the time needed to restore the disturbed balance.
- Regulations and Laws – evaluation of the compliance of events with existing laws, the need to participate in proceedings before bodies of public administration of a supervisory and regulatory nature as well as potential penalties as a result of such proceedings.
- Operational continuity – evaluation of the impact of risk on interruptions to activities resulting in significant/irreversible effects and loss of access to information important from the point of view of conducted activities.

The results of the identification and evaluation of risk is presented in a graphic form, i.e. Risk Maps. These provide a profile of the given risk and support the process of identifying the key risk.

Step 3

Analysis and Response

The goal of this step is to deepen knowledge and to understand the specific nature of the types of key risks identified in the previous step. Cause and effect analyses and a more substantive description of the means of dealing with risk are aimed at facilitating decision making on whether to maintain or eventually change current actions.

A directional decision is called a Response to risk. A change in the way an action is taken requires the determination of Corrective Actions, meaning organisational, process, systemic and other changes which are aimed at reducing the level of the key risk.

During this step KRIs – Key Risk Indicators – are also defined, being a set of business process parameters or environmental parameters which reflect changes to a given risk profile.

Step 4

Monitoring and Communication

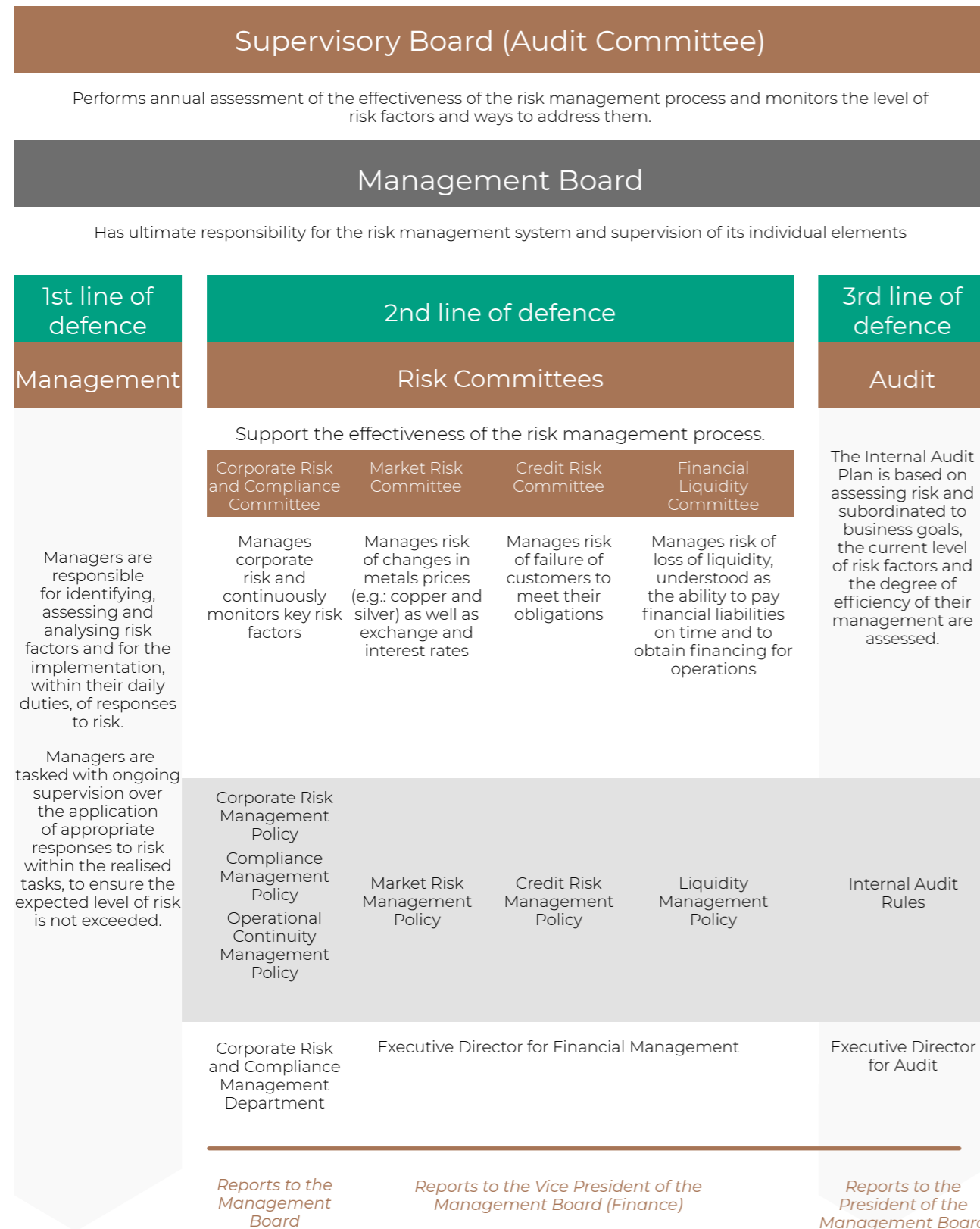
The goal is to ensure that the adopted Risk Response Plan is effective (ad hoc and periodic reports), new risks are identified (updating of the Risk Registry), changes in the internal and external environments and their impact on activities are uncovered, and appropriate actions are taken in response to incidents (updating of information on Incidents).

Effective, well-planned and appropriately performed monitoring of risk enables flexible and prompt reaction to impending changes 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.



ORGANISATIONAL STRUCTURE OF RISK MANAGEMENT IN KGHM POLSKA MIEDŹ S.A



GRI 102-15

CORPORATE RISK – KEY RISK FACTORS AND THEIR MITIGATION

A comprehensive approach to risk management is consistent with a strategy of growth as well as with continuous striving to achieve operational excellence and the principles of a sustainable and responsible business. It was designed in such a way as to support the KGHM Polska Miedź S.A. Group in building a resistant corporate structure. A tool used in identifying risk in the KGHM Polska Miedź S.A. Group is the Risk Model. In 2021, actions were taken to adapt the risk taxonomy to include issues related to climate change in accordance with TCFD (Task Force on Climate-Related Financial Disclosures) Recommendations. The Risk Model, whose structure is based on sources of threats, is divided into 6 categories: Technological, Value chain, Market, External, Internal and Climate (definitions presented in the illustration below). 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 identification and evaluation of threats is however always associated with uncertainty as to the effectiveness of the preventative measures applied and planned, especially as regards those areas which are beyond the direct control of the KGHM Polska Miedź S.A. Group.

Because of the long value chain of the KGHM Polska Miedź S.A. Group, the geographical footprint of the Group's activities and the resulting considerable complexity and multi-faceted nature, the detailed description of risks and their management, in the context of the Group's social, labour, environmental, human rights, corruption prevention policies, is presented in this section, rather than in the sections devoted to the individual topics in the areas listed above. We have decided that the combined comprehensive presentation of this matter will offer the readers of this Report a better chance to fully understand it.



RISK CATEGORIES IN THE RISK MODEL OF KGHM POLSKA MIEDŹ S.A. AND THEIR DEFINITIONS

TECHNOLOGY

This category covers changes in competitiveness resulting from the application of industrial technologies, IT, innovation management, protection and/or management of intellectual property and impact of investment projects related to technology efficiency and quality and change in the IT infrastructure quality and efficiency influencing business units, support functions and infrastructure.

VALUE CHAIN

This category covers changes in the operational efficiency of logistics and warehousing, in production and services, sales management, waste management and reclamation and correlated with the supply chain management process, availability of utilities and materials in the production process, change of exploration and management of ore resources, or execution of research and prospecting projects.

MARKET

This category covers changes in the value of assets, level of liabilities or financial result leading to a change in the sensitivity to the volatility of interest rates, currencies, liquidity, inflation rate, insolvency of counterparties, prices of goods, energy and proprietary interests. The category refers also to changes in demand for and supply of the KGHM Polska Miedź S.A. Group's products, selection of appropriate tools for implementing a marketing strategy, a change in achieving the expected rate of return on equity investments or efficiency of risk transfer to insurers.

EXTERNAL

This category covers the conditions of pursuing a business activity arising from a change of economic conditions, amendments to laws and regulations (compliance), political decisions, environmental changes as well as natural disasters and force majeure. The category encompasses also changes in market shares or margin as a result of changes in the competitive environment or substitutes, the risk of the consequences of decisions in court or arbitration proceedings, the risk of unfavourable administrative decisions, change in burdens, setting of tax liabilities or payment deadlines.

INTERNAL

This category covers with changes in a business activity under the influence of changes in its structure, organisation, procedures, processes or business model, and the risk of change of the company's image, its products or services, effectiveness of the rules of conduct related to ethics and anti-corruption, the company's interest, and safeguards against loss of confidentiality, integrity, availability and authenticity of information assets.

CLIMATE

The category of climate-related risks (climate risks) and their impact on the business activity of the KGHM Polska Miedź S.A. Group includes physical risks (acute or chronic risks) and transition-related risks (regulatory, reputation, market and technological risks).



Following is a description of the key risk factors in the KGHM Polska Miedź S.A. Group in 2021, 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. Key risks are 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.

Category – Technology

Risk and description of risk factors

(Parent Entity)

Risk of failure to adhere to the efficient working time parameter and of failure to fully utilise the capacity of metallurgical installations to process own concentrate.

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.

Mitigation

Optimum utilisation of infrastructure, maintaining an appropriate selection of concentrates, R&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. 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.

Category – Value Chain

Risk and description of risk factors

(KGHM Group)

Risk related to an ineffective process of monitoring and providing early warning to management staff on deviations from the budget and financial plans as well as with respect to adopting inappropriate economic parameters related to production, investments, macroeconomics and finance, for forecasts of company results.

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 forecast 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.

In 2021, an important factor impacting exposure to risk was the general uncertainty on financial markets related to subsequent waves of the pandemic as well as the dynamics of economic activity and the rate of economic recovery from the recession caused by the COVID-19 pandemic.

(KGHM INTERNATIONAL Group)

Risk related to the precision of estimated costs of decommissioning certain mines.

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.

(KGHM INTERNATIONAL Group)

Risk related to the insufficient recognition of deposit parameters and characteristics, both in exploration projects (estimation of preliminary 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.

Mitigation

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. Evaluation of key risk factors, on which the coronavirus pandemic has an impact, were subjected to specific analysis by the on-going 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 caused by the pandemic.

Estimated costs of restoration and mine decommissioning based on expert reports and providing guarantees of future environmental obligations related to the closure and restoration of mining areas in accordance with existing laws and regulations.

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.

Risk and description of risk factors

(Parent Entity)

Risk of the inability to store mine tailings.

The Parent Entity is exposed to the risk of a lack of sufficient tailings storage capacity at the “Żelazny Most” Tailings Storage Facility. Risk factors involve the management and control of the facility, maintaining the technological regime and meeting environmental requirements. Other 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 Production Business.

(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 power sources 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.

Mitigation

Operating in accordance with the operating instructions.

Cooperation with a team of international experts (TIE) and a General Designer.

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 “Żelazny Most” Tailings Storage Facility, including cyclical detailed analysis of all risk factors affecting the facility’s stability.

Ensuring back-up systems for the supply of critical utilities and on-going assessment of the security of the power network. Conducting a variety of investments aimed at strengthening energy security. A framework agreement with the company Polskie Górnictwo Naftowe i Gazownictwo S.A. for the sale of natural gas to increase the security of natural gas supply. Systematic limitation of energy consumption under the implemented ISO 50001 compliant Energy Management System and Energy Savings Program. 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 Miedź S.A. Group to the year 2030 with an outlook to 2040.

Risk and description of risk factors

(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 production, key suppliers, servicing).

(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 (including especially energy). 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.

In 2021, an important factor impacting exposure to risk was the general uncertainty on financial markets related to subsequent waves of the pandemic as well as the dynamics of economic activity and the rate of economic recovery from the recession caused by the COVID-19 pandemic.

Mitigation

Preventive management of key infrastructure elements affecting production continuity. Appointment of task forces and expert teams with respect to counteracting breakdowns of metallurgical infrastructure. On-going 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 2021, the process began of implementing a comprehensive system to manage operational continuity compliant with the ISO 22301 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.

On-going 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. Hedging to secure the Company against changes in the USD/PLN exchange rate and metals prices (mainly copper and silver). 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 has an impact, were subjected to specific analysis by the on-going 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 caused by the pandemic.

Risk and description of risk factors

(KGHM Group)

The risk of interruptions to the continuity of sales and services (including due to the COVID-19 pandemic).

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 potential to decrease the revenues generated by the KGHM Group, and consequently lower operating profits.

In 2021, an important factor impacting exposure to risk was the general uncertainty on financial markets related to subsequent waves of the pandemic as well as the dynamics of economic activity and the rate of economic recovery from the recession caused by the COVID-19 pandemic.

Mitigation

On-going 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.

In 2021, the COVID-19 pandemic had the greatest impact on the Group's secondary activities comprised of hotel and spa services. A variety of safety procedures were implemented aimed at spa patients, hotel guests employees of companies from the risk of contracting the SARS-CoV-2 virus. The spa and hotel companies of KGHM Polska Miedź S.A. received financing from the Polish Development Fund under the Anti-Crisis Shield 1.0 for large companies and the Anti-Crisis Shield 2.0 for SMEs. By maintaining a strict sanitary regime and regulatory restrictions as regards permitted occupancy rates in hotels, the companies were able to return to full realisation of their commercial and health-related services. In the long term, the progressive vaccination campaign will undoubtedly be the main factor regulating the situation in the hotel and spa industry.

Category - Market

Risk and description of risk factors

(KGHM Group)

Market risk related to volatility in metals prices and risk of changes in exchange rates and interest rates.

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.

In 2021, an important factor impacting exposure to risk was the general uncertainty on financial markets related to subsequent waves of the pandemic as well as the dynamics of economic activity and the rate of economic recovery from the recession caused by the COVID-19 pandemic.

(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 2021, an important factor impacting exposure to risk was the general uncertainty on financial markets related to subsequent waves of the pandemic as well as the dynamics of economic activity and the rate of economic recovery from the recession caused by the COVID-19 pandemic.

(KGHM Group)

Liquidity risk.

The risk of loss of liquidity is understood as the ability to pay liabilities on time and to obtain financing for operations.

In 2021, an important factor impacting exposure to risk was the general uncertainty on financial markets related to subsequent waves of the pandemic as well as the dynamics of economic activity and the rate of economic recovery from the recession caused by the COVID-19 pandemic.

Mitigation

This risk is actively managed by the Parent Entity, in accordance with the Market Risk Management Policy. A basic technique for managing market risk in the Company are hedging strategies utilising derivatives natural hedging is also applied.

Information on the impact of COVID-19 on the functioning of the Company and Group is described in Chapter 12.2. of the Management Board's Report on the activities of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group in 2021.

Further information on market risk is presented in section 12.3. Market, credit and liquidity risk of the Management Board's Report on the activities of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group in 2021.

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 on the functioning of the Company and Group is described in Chapter 12.2. of the Management Board's Report on the activities of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group in 2021.

Further information on credit risk is presented in section 12.3. Market, credit and liquidity risk of the Management Board's Report on the activities of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group in 2021.

This risk is actively managed in the Parent Entity in accordance with the updated Financial Liquidity Management Policy.

Information on the impact of COVID-19 on the functioning of the Company and Group is described in Chapter 12.2. of the Management Board's Report on the activities of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group in 2021.

Further information on liquidity risk is presented in section 12.3. Market, credit and liquidity risk of the Management Board's Report on the activities of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group in 2021.

[GRI 413-2]

Category – External

Risk and description of risk factors

(KGHM Group)

Risk of seismic tremors and associated roof collapses or distressings of the rock mass, and the occurrence of uncontrolled rock bursts.

The KGHM Group is exposed to the risk of natural hazards and force majeure and related insufficient geological knowledge of the rockmass. 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, in particular hazards related to mining tremors and their potential effects in the form of roof and wall collapses. These factors affect safety, 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.

(Parent Entity)

Risk of restrictions to production or to the advancement of development work due to geodynamic gas-related events and the occurrence of naturally-occurring gases.

KGHM is exposed to the specific risk of natural hazards and force majeure (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 even fatal injuries as well as damage to underground machinery, equipment and infrastructure, along with production downtimes.

Mitigation

Actions aimed at preventing rock bursts and roof collapses, such as systematic seismological observations, on-going 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. Preparation of reserve fields in the orebody which could handle limited production.

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. Reserve fields in the orebody are being prepared to take over the limited production.

Risk and description of risk factors

(Parent Entity)

Risk of production restrictions due to unfavourable climatic conditions in the mines.

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.

(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.

(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.

Mitigation

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 rockmass, high-speed air) and through the use of central, workplace and personal air conditioning. The on-going 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. Decreasing external and internal losses and relative air moisture, as well as increasing air movement intensity. The use of shortened working time.

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.

Advancement of actions under Air Protection Programs and R&D. Advancement of the Program to adapt the technological installations of KGHM to the requirements of BAT conclusions for the non-ferrous metals industry along with restriction of particulates emissions.

Risk and description of risk factors

(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 COVID-19 pandemic).

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 2021, one of the factors affecting exposure to risk was the situation on the fertilizers market related to the COVID-19 pandemic.

(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)

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, 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.

In 2021, an important factor impacting exposure to risk was the general uncertainty on financial markets related to subsequent waves of the pandemic as well as the dynamics of economic activity and the rate of economic recovery from the recession caused by the COVID-19 pandemic.

Mitigation

Increase the number of internal storage facilities at the metallurgical plants as well as of warehouses in Szczecin. Search for new sales markets. Long term contracts. Incur costs of additional storage. Payments to customers and incur transport costs. Search for alternative ways to manage the acid and utilise it in the Concentrators. In 2021, actions were continuously taken related to the situation on the fertilizers market as a result of the COVID-19 pandemic involving volatility in levels of customer 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. Moreover, a plan has been developed for the KGHM Group to maintain operational continuity in case of restrictions, production suspensions or the temporary switch to a stand-by operating mode. Suppliers and inventory levels are continuously monitored. As a result of the COVID-19 pandemic actions are being 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.

Risk and description of risk factors

(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 anticorruption 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).

Mitigation

Implementation of the Code of Ethics of the KGHM Polska Miedź 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.

As a result of the implementation of the ISO 37001 standard, in 2021 a new Anticorruption Policy was adopted in the KGHM Polska Miedź S.A. Group. Regulations were updated and new ones were developed as regards counteracting corruption, compliant with required standards, aimed at ensuring compliance with the existing Anticorruption Policy and which are currently being implemented in all of the KGHM Group's entities.

In 2021, work commenced on the development of a „Human Rights Policy in KGHM Polska Miedź S.A.”, whose aim is to supplement and consolidate aspects of human rights in accordance with the model of sustainable development and which are included in other policies and guidelines of the Company, such as the Code of Ethics, Code of Conduct, OHS Policy, Climate Policy and the Responsible Supply Chain Policy.

Risk and description of risk factors

(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).

Mitigation

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 the applicable legal regulations (external and internal) 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. Possession of a coherent compliance system in the KGHM Polska Miedź S.A. Group is a constituent of effective corporate governance management through, inter alia, more efficient response and readiness to regulatory changes, protecting reputation and building an ethical culture in the organisation, as well as increasing awareness and a sense of responsibility for compliance among employees.

[GRI 103-1], [GRI 103-2], [GRI 103-3]

Category – Internal

Risk and description of risk factors

(KGHM Group)

The risk of serious accidents or industrial illnesses caused by improper workplace organisation, the failure to follow procedures or the use of improper protective measures.

The risk of serious accidents or industrial illnesses caused by improper workplace 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.

(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 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 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.

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. 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”. 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.

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

Risk and description of risk factors

(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 ageing society and a market deficit of certain professions.

In 2021, an important factor affecting exposure to risk was the COVID-19 pandemic and the impact of its subsequent waves on the availability in particular of key employees necessary to maintain the continuity of the Core Business.

Mitigation

Advancing a variety of HR projects, 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 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.

Risk and description of risk factors

(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, authenticity, integrity or availability 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.

(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 key mining 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 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.

Mitigation

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, 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 company's infrastructure, aimed at staying ahead of any decrease in the utility of systems at risk and minimising the potential losses of the KGHM Group.

In 2021, work commenced which was related among others to implementing automated information flow monitoring using a modern DLP (Data Loss Prevention) system and by building a dedicated Security Operation Centre (SOC). The main task of the new unit will be a 24h first line of support to deal with cybersecurity incidents.

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.

Category – Climate

Risk and description of risk factors

(KGHM Group)

Climate risk related to the negative impact of climate change on the activities of the KGHM Group.

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 values chain or the continuity of operations of the KGHM Group.

This risk is related to changes in the conditions under which activities are conducted as a result of climate change and adaptation to these changes.

(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 as a result of climate change and adaptation to these changes.

Mitigation

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 goal of the Climate Policy of KGHM is for the Parent Entity to achieve climate neutrality by 2050 with respect to Scope 1 emissions - direct emissions primarily related to the production activities and Scope 2 emissions - indirect emissions associated with the use of electricity and heat acquired from the market, with their maximum possible reduction. The intermediate target is to reduce total Scope 1 and Scope 2 emissions by 30% by 2030, compared to the emission levels of 2020. The reduction targets for the entire KGHM Group will be published no later than in the first half of 2023.

Details on how the goals will be attained, as well as total capital expenditures on the realisation of activities aimed at reducing the emission of greenhouse gases, will be provided in the form of the Decarbonisation Program of the KGHM Group.

Inclusion in the Strategy of the KGHM Group of global trends related to climate changes which are driving environmental challenges as well as planned changes in the introduction of mechanisms reflecting climate context in the processes of updating, implementing and monitoring the Strategy.

An implemented and improved effective 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.

An implemented and improved effective system of compliance management, which also comprises management of the risk of loss of compliance with climate-related requirements.

Start of implementation of a climate reporting system based on the Recommendations of the Task Force on Climate-Related Financial Disclosures from 2017.

Development 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. More detailed information on climate risks is presented later in this document.

INFORMATION ON THE IMPACT OF THE WAR IN UKRAINE ON THE COMPANY'S AND GROUP'S OPERATIONS

As at the date of approval of the Annual Consolidated Financial Statements of the KGHM Polska Miedź S.A. Group for publication, the geopolitical situation associated with the direct aggression of Russia in Ukraine and the implemented system of sanctions does not have a substantial impact on the operations of KGHM Polska Miedź S.A., while the risk of interruptions to the Company's operational continuity in this regard continues to be considered as low.

KGHM Polska Miedź S.A. does not engage in direct transactions with entities from Russia, Belarus or Ukraine; such contracts are held by certain intermediaries, mainly traders of wire rod, which could indirectly impact the level of purchases made by such clients.

The possible increase in the near-term in prices of fuels and energy carriers could be a primary factor generating higher cost of sales, selling costs and administrative expenses. The availability of resources and materials is currently at a stable level. It cannot however be ruled out that a continuation of this armed conflict over an extended period of time as well as the system of economic sanctions could have a negative impact on suppliers and lead to interruptions in the continuity of materials and services supply chains in the Company KGHM Polska Miedź S.A., caused among others by logistical restrictions and availability of materials on international markets, e.g. of steel, fuels and energy.

The level of cathode inventories in exchange warehouses is currently very low, while the sanctions imposed on Russia and on Russian entities may limit the availability of Russian cathodes (produced among others by Norilsk Nickel) on European markets. The potential for changes in supply and high copper prices on metals markets resulting from the aforementioned situation may lead to higher revenues of KGHM Polska Miedź S.A., but at the same time to higher prices for purchased metal-bearing materials used in production. A similar dependency may occur in the case of a weakening of the PLN versus other currencies (USD and EUR), where the possibility exists for higher revenues, and simultaneously for higher prices for imported materials and resources, for a higher copper tax, or the aforementioned costs of purchased metal-bearing materials. It is impossible to estimate the impact of the aforementioned, potential events on potential

profit or loss; the situation is currently continuously monitored, with the simultaneous use of possible mitigating actions.

In terms of the availability of capital and the level of debt, KGHM holds no bank loans drawn from institutions threatened with sanctions.

The financial markets reacted rapidly to the outbreak of the conflict in Ukraine. In the first phase of the war the price of copper in London and currencies rose in reaction to the crisis, and in less than a month from the outbreak of the conflict the copper price reached a maximum of 10 730 USD/t (7 March 2022). Another key factor for the copper market is the strongest Covid-19 pandemic wave in China since March 2020. The reduction in economic activity and the restrictions on the movement of people in the largest Chinese cities are having a negative impact on industrial production, and consequently on demand for the metal. The war in Ukraine, the economic sanctions imposed, the pandemic in China and the ongoing cycle of tightening of monetary policy globally are increasingly making the market more anxious about the rate of global economic growth. This negative sentiment has led to falls in stock prices, as well as to an adjustment of prices on the metals market. The price of copper on 11 May 2022 amounted to 9 367 USD/t.

The war in Ukraine led to a weakening in the PLN versus other currencies (USD and EUR), and there was an obvious strengthening of the USD to most other currencies. The value of the USD expressed in PLN reached a maximum on 7 March 2022 and amounted to 4.5722 PLN, following which it withdrew to 4.4190 PLN on 11 May 2022. The EUR behaved similarly, and reached a maximum of PLN 4.9647 on 7 March 2022, following which it fell to 4.67 PLN on 11 May 2022.

During this time the Monetary Policy Council raised interest rates several times, with the latest change occurring on 6 May 2022 and as a result interest rates are currently at their highest level since 2008.

In 2021, the process began in the Company of implementing a comprehensive system to manage operational continuity, 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.

INFORMATION ON THE IMPACT OF COVID-19 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 impacting the Company's and the Group's activities are:

- increased absenteeism amongst employees of the core business as a result of subsequent waves of the SARS-CoV-2 virus,
- potential interruptions in the materials and services supply chain as well as logistical restrictions, especially as regards international transport,
- possible restrictions in certain sales markets, a drop in demand and optimisation of inventories of raw materials and finished products amongst customers,
- 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,
- 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.

Evaluation of the key categories of risk which are impacted by the coronavirus pandemic 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, none of the aforementioned factors had a substantial negative impact on the Group's operations and consequently, there were no extensive deviations from achievement of the budget targets for 2021 in any of the operating segments of the KGHM Polska Miedź S.A. Group, with the exception of companies operating in the spa and hotel sector.

Impact on the metals market

In 2021 the COVID-19 pandemic did not have a significant impact on the world's metals markets. On 31 December 2021 the price of copper was 9,692 USD/t, or an increase by 25% compared to the price at the end of 2020. The price of silver on 31 December 2021 amounted to 23.10 USD/oz t, or a decrease by 13% compared to the price at the end of 2020. Molybdenum prices ended the year 2021 at the level of 18.61 USD/lb compared to 9.33 USD/lb at the end of 2020, or an increase by 99%.

Impact on the SPA activities of the group

In 2021 the greatest impact of the COVID-19 pandemic was on the Group's secondary activities involving the hotel and spa services of the companies Uzdrowiska 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, INTERFERIE S.A. and Interferie Medical SPA Sp. z o.o. The spa and hotel companies obtained exemptions from financing institutions from the obligation to calculate the DSCR ratio for the entire year 2021. Financial liabilities to creditors and lessors are paid on an ongoing basis.

The spa and hotel companies of KGHM Polska Miedź S.A. received financing from the Polski Fundusz Rozwoju (Polish Development Fund or PDF) under the Anti-Crisis Shield 1.0 for large enterprises and under the Anti-Crisis Shield 2.0 for the SME sector. Companies which received financing from the shield for the SME sector submitted applications in the fourth quarter of 2021 requesting the write-off of some of the assistance (in the total amount of PLN 9.2 million). The Company is currently awaiting decisions regarding the settlement of the subsidies received. In addition, at the end of September, companies that joined the Anti-Crisis Shield 1.0 program for large enterprises submitted applications to join the Financial Shield under the 2.0 program

for large enterprises. At present, dedicated PDF teams are carrying out a financial and legal analysis. The total requested amount of liquidity loans amounted to PLN 18.7 million.

By maintaining a strict sanitary regime and regulatory restrictions as regards permitted occupancy rates in hotels, the companies were able to return to full realisation of their commercial and health-related services. In the long term, the progressive vaccination campaign will undoubtedly be the main factor regulating the situation in the hotel and spa industry.

Impact on the activities of the Parent Entity and other Group companies

With regard to the other domestic companies of the KGHM Polska Miedź S.A. Group, the epidemic situation in 2021 did not have a significant impact on the operating results generated by these entities.

The epidemic situation caused by COVID-19 did not have a significant impact on the Company's and the Group's operations, and 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. Individual, immaterial interruptions to the continuity of the supply chain for materials and services have been observed, caused by logistical restrictions in international markets. Regular contact with suppliers enables prompt reaction to delays by utilisation of the strategy of supplier diversification applied in the Group as well as the use of alternative solutions.

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, such as enforcing a sanitary regime and monitoring and testing the health of employees, there were no production stoppages which would have been directly attributable to the pandemic. As a result, the Group's copper production in 2021 was in line with the targets set at the start of the year.

In terms of sales, the majority of customers continue not to feel any strong negative impact from the epidemic on their activities, thanks to which their trade payables towards the Parent Entity are being paid on time, while the execution of deliveries to customers continues without interruption.

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 financing structure of the Group at the level of the Parent Entity, based on the long-term and diversified sources of financing, provided the Company and the Group with long-term financial stability through extending the average weighted maturity of the debt of KGHM Polska Miedź S.A.

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 covenants contained in external financing agreements related to the COVID-19 pandemic.

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.

During the reported period there were likewise 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 epidemic.

Taking into consideration the risk of a subsequent wave of the COVID-19 pandemic, there still remains uncertainty regarding the directions of development of the economic and social situation in Europe and globally. An important factor for the domestic and global economies will be the percentage of people fully vaccinated against COVID-19, which would enable among others the further easing of restrictions in individual countries and sectors, a reduction in uncertainty as to future periods, or improving the pace of economic recovery from the recession caused by the COVID-19 pandemic. The Parent Entity constantly monitors the global economic situation, in order to assess its potential negative impact on the KGHM Polska Miedź S.A. Group and to take preventive actions to mitigate this impact.

POLITICAL RISK IN CHILE

Due to the on-going 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. The Parent Entity is engaged in on-going monitoring of the political situation in Chile and its associated impact on the mining industry in order to make an up-to-date assessment of the potential ramifications for the KGHM Polska Miedź S.A. Group. Depending on the direction of the changes and the decisions undertaken by Chile's authorities and society, various scenarios are being analysed which will necessitate the taking of appropriate adaptive actions.

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., FNX Mining Company Inc., Robinson Nevada Mining Company, KGHM AJAX MINING Inc. and Sociedad Contractual Minera Franke).

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.



Commodity risk, currency risk

In 2021, 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 currency 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.

In accordance with the Market Risk Management Policy, in 2021 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, statement of financial position, statement of cash flows), and also analysed the metals, currencies and interest rates markets. These analyses, along with assessment of the internal situation of the Parent Entity and 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 the risk of changes in the USD/PLN exchange rate, in 2021 the Parent Entity purchased put options for the total amount of USD 1,050 million to cover planned revenues from sales with maturities from February 2021 to June 2022, and also entered into collar options strategies in the notional amount of USD 240 million with maturities from July 2022 to December 2022. Moreover, in 2021 the Parent Entity managed an open hedged position on the currency market by restructuring options structures.

In 2021, the Parent Entity implemented seagull hedging strategies on the copper market for the period from January 2022 to December 2023 for the total notional amount of 87 thousand tonnes. In terms of restructuring a hedging position on the copper market, call options were purchased for the period from March to December 2021 for the total notional amount of 155 thousand tonnes, opening at the same time participation in potential further price rises for the collar and seagull options structures held for 2021. In the second half of 2021 the strike price of structures hedging revenues from the sale of copper was also raised for the period from October to December 2021 for the total notional amount of 25.5 thousand tonnes. Also restructured was a position on the forward silver market for the period from July 2021 to December 2022. Detailed disclosures on the actions taken in 2021 with respect to market risk management is presented in notes 7.5.1.2 and 7.5.1.3 of the financial statements.

As at 31 December 2021, 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 at 31 December 2021 drawn in USD, following their translation into PLN, amounted to PLN 2,980 million (as at 31 December 2020: PLN 4,321 million).

In 2021, none of the Group's mining subsidiaries implemented forward transactions on the metals and currency markets and did not hold open positions as at 31 December 2021. 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.

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 2021, 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 2021, the following positions were exposed to interest rate risk by impacting the amount of interest income and costs:

- cash and cash equivalents: PLN 2,333 million, including the deposits of special purpose funds: the Mine Closure Fund and the Tailings Storage Facility Restoration Fund,
- borrowings: PLN 2,153 million
- trade and similar payables: PLN 55 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 22 million,
- borrowings: PLN 3,796 million.

As at 31 December 2021, 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.

Price risk related to the change in share prices of listed companies

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.

As at 31 December 2021, the carrying amount of shares of companies which were listed on the Warsaw Stock Exchange and on the TSX Venture Exchange amounted to PLN 516 million.



Result on derivatives and hedging transactions

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 2,080 million, of which:

- PLN 1,651 million decreased revenues from contracts with customers,
- PLN 385 million decreased the result on other operating activities, and
- PLN 44 million decreased the result on financing activities (including: -PLN 34 million as an adjustment of interest on borrowings).

Moreover, in 2021 other comprehensive income decreased by PLN 367 million (impact of hedging instruments).

As at 31 December 2021, 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 1,174 million.

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 2021, the KGHM Polska Miedź S.A. Group was exposed to this risk, mainly in four areas:

Credit risk related to trade receivables

The Group's companies have been cooperating for many years with a large number of customers, which affects the geographical diversification of trade receivables.

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 ageing of receivables and the internal reporting system.

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.

In 2021, 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.

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 at 31 December 2021 the Parent Entity had secured 84% of its trade receivables (as at 31 December 2020: 75%).

The concentration of credit risk in the Group is related to the terms of payment granted to key clients. Consequently, as at 31 December 2021 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 49% of the trade receivables balance (as at 31 December 2020: 42%). 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.

Credit risk related to cash and cash equivalents and bank deposits

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.

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 2021, 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 41% (as at 31 December 2020: 25%).

Credit risk related to derivatives transactions

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 at 31 December 2021, the maximum share of a single entity with respect to credit risk arising from open derivative transactions entered into by the Group and from unsettled derivatives amounted to 26% (as at 31 December 2020: 32%). 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 fair value of assets and liabilities arising from derivative transactions, the Group is not materially exposed to credit risk as a result of derivative transactions entered into.

Credit risk related to loans granted

As at 31 December 2021, the balance of loans granted by the Parent Entity amounted to PLN 8,366 million. The most important of these are long-term loans in the total amount of PLN 5,220 million granted to the company Future1 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

As at 31 December 2021, the balance of loans granted by the Group amounted to PLN 8,336 million. The most important of these are short-term and long-term loans in the total amount of PLN 8,314 million, or USD 2,047 million, granted by the KGHM INTERNATIONAL LTD. Group for the financing of a mining joint venture in Chile.

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.

MANAGEMENT OF FINANCIAL LIQUIDITY RISK AND OF CAPITAL

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

Financial liquidity management

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.

The basic principles resulting from this document are:

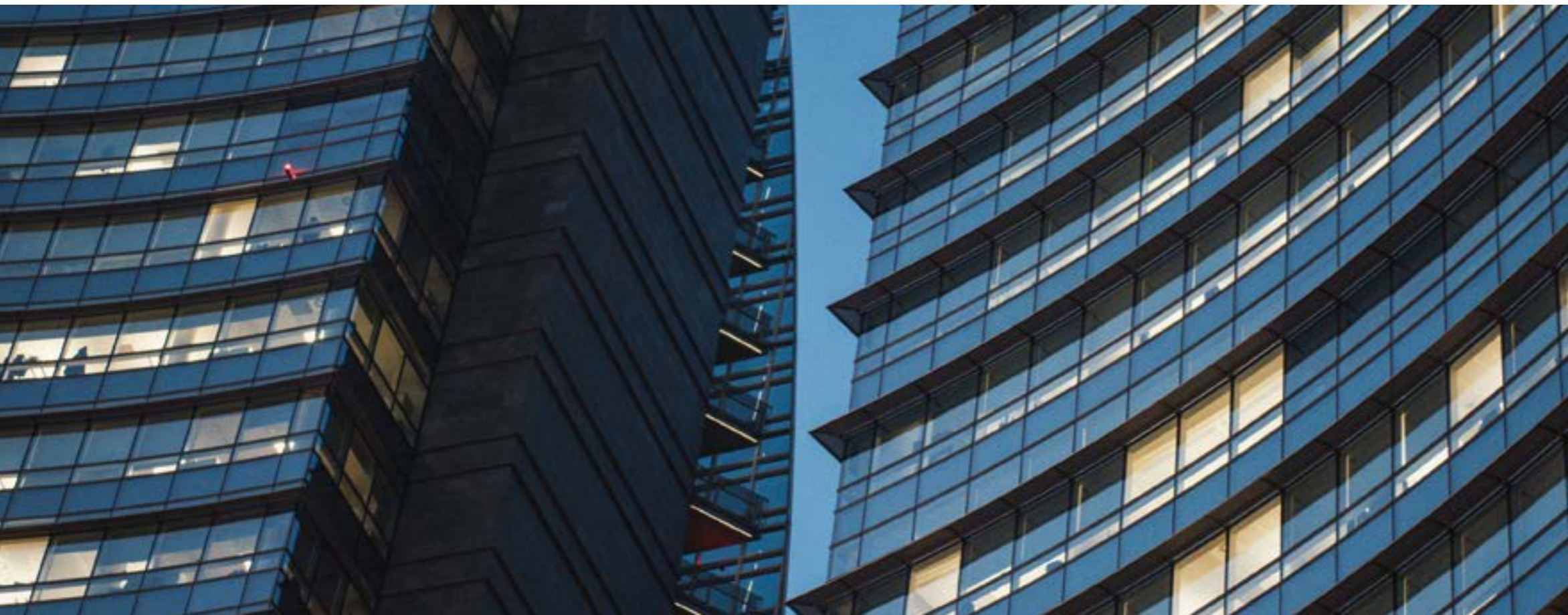
- the need to ensure stable and effective financing for the Group's operations,
- constant monitoring of the Group's level of debt, and
- effective management of working capital.

Borrowing by the Group is based on the following pillars:

- 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 2021, the Parent Entity obtained the consent of the syndicate's members to extend the tenor by another year, or to 20 December 2026. The available financing limit during the period of extension will be USD 1,438 million,
- 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,
- bilateral bank loans to the amount of PLN 2,877 million, supporting the management of liquidity of companies and the financing of working capital as well as the financing of investments,
- 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.

Detailed information regarding available sources of financing and their utilisation in 2021 may be found in Section 6.6 of the Management Board's Report on the Activities of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group in 2021.

The aforementioned sources of financing fully cover the liquidity needs of the Parent Entity and the Group. During 2021, the Group made use of borrowing which was available from all of the above categories, while liabilities of the Group due to bank and other loans drawn and to bonds issued as at 31 December 2021 amounted to PLN 5,304 million.



[GRI 103-1], [GRI 103-2], [GRI 103-3], [GRI 201-2]

APPROACH TO CLIMATE RISK MANAGEMENT

The KGHM Polska Miedź S.A. Group, as an organization 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. 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 this work, KGHM identified a new category: climate risk, with importance equivalent to other main risk categories, i.e. value chain, technological, external, internal and market risk.

The critical stages in the recognition of climate risks are the first stage (scenario analyses as part of Context Definition) and the second stage (taxonomy of climate risk as part of Identification and Evaluation). The remaining stages are consistent with the general corporate risk management process in the KGHM Polska Miedź S.A. Group.

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 identified, among

others, the climate objectives related to KGHM Polska Miedź S.A.'s emissions reduction (by 30% assuming reduction of Scope 2 indirect emissions and a gradual reduction of Scope 1 direct emissions by 2030 and achieving climate neutrality by 2050), which are consistent with the Climate Policy of KGHM Polska Miedź S.A.

Over the next ten or so months, KGHM Polska Miedź S.A. plans to introduce a number of organizational and process changes conforming to the Recommendations of the TCFD (Task Force on Climate-Related Financial Disclosures), among others in areas pertaining to corporate governance, strategic management, risk management and in respect to measures and objectives.

SCENARIO ANALYSES IN CLIMATE RISKS

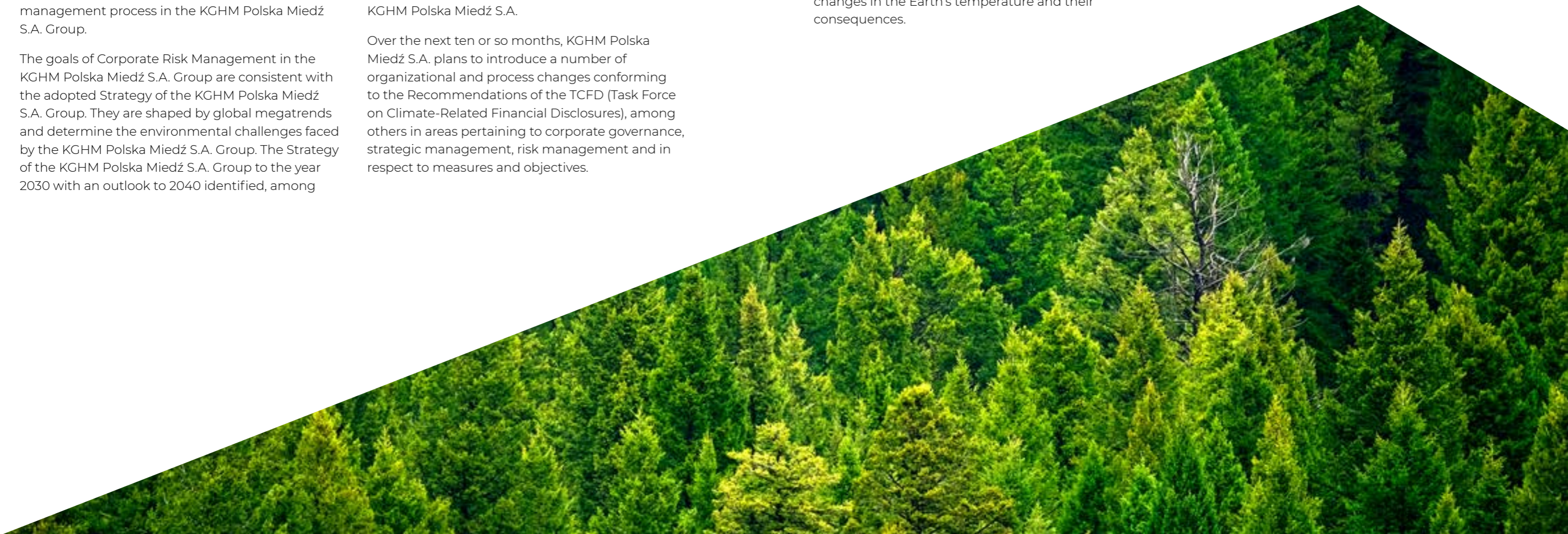
In the first step of the risk management process (Definition Context), KGHM considered climate change by performing a scenario analysis, based on recognized reports of the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA). The above analysis is currently conducted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

Ultimately, KGHM Polska Miedź S.A. will work to develop its own scenarios as the basis for analysing the impact of climate change on the organisation. This way it will obtain the most suitable, tailored approach, which will constitute the basis for making business decisions regarding the assessment of the organization's resilience to potential climate change.

The above analysis lays down the critical foundation for the identification and assessment of climate risks in the second stage of the process. According to the accepted classification of the climate risk category, the risks are divided into the following subcategories:

- physical, which includes chronic and acute risks,
- transition-related, which includes regulatory, reputation, market and technological risks.





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.:

Category – Climate risks

Subcategory – Physical risks

Risk and description of risk factors



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

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 materialization of acute physical risk:

- accumulated dry days
- heatwaves
- heavy rains

Materialization of this risk may lead, among other things, to restriction of operations due to infrastructure damages, increase in costs, interruption of the supply chain, logistical disruptions, interruptions in the supply of utilities, limited access to water and increased consumption of water. The consequences of such materialization are examined for the individual elements of the Parent Entity's value chain.

Mitigation

Appointment of task and expert teams in the area of counteracting the effects of the materialized extreme weather events on business continuity.

Preventive management of key infrastructure elements affecting production continuity and application of crisis response procedures.

Actively seeking technical and technological solutions that would limit the adverse impact of operations on climate.

Application of solutions counteracting the effects of climate hazards using neutral measures and by using modern technology.

The on-going monitoring of microclimate parameters and the introduction of remote control and visualisation systems and monitoring in working areas subject to particularly unfavourable climatic parameters.

Risk and description of risk factors



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

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 materialization of chronic physical risk:

- temperature (warm/cool)
- average temperature
- change of wind intensity

Materialization 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, changes in the onerousness of work, power outages and higher consumption of energy for cooling processes. The consequences of such materialization may be presented for the individual elements of the Parent Entity's value chain.

Taking the above factors into account, KGHM also recognizes 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

Systematic limitation of energy consumption under the implemented ISO 50001 compliant Energy Management System and Energy Savings Program. 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") 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 (SMR).

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.



Risk and description of risk factors



Regulatory risk related to changes in legal requirements concerning climate change and adaptation to the effects of climate change.

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 Group (among others, transition to the low-carbon economy, circular economy).

Mitigation

As part of the Corporate Risk Management process in the KGHM 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.

Having a consistent compliance system in the KGHM Group is an element of effective management as part of corporate governance through for example a more efficient response and readiness for regulatory changes, caring about reputation and building an ethical culture 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 the membership of numerous organisations at the national and EU level). Taking preventive actions aimed at adapting to organisational, infrastructural and technological changes.

Risk and description of risk factors



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.

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

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.

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 for limiting the global climate change (green energy / green copper / green KGHM); a change in the customer's approach but also legislative changes in favour of KGHM Polska Miedź S.A.'s attitude.

Mitigation

Care and due diligence in identification of expectations and requirements of external stakeholders concerning the climate and environmental issues.

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

Increased awareness of climate change in the organization and improvement of communication with all stakeholders in this respect, among others through the higher 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.

Risk and description of risk factors



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

The EU's ambitious climate targets and the existing pressure on the implementation of new low-carbon solutions and the search for reduction of CO₂ emissions in order to achieve the approved emission goals may have a direct impact on KGHM'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.

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 KGHM's smelters and refineries, which results in improved efficiency of waste management in global terms in the context of resource use and longer copper life cycle – a change in the customer's and the Regulator's approach in favour of a circular economy and low-carbon economy.

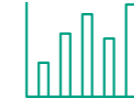
Mitigation

Ongoing monitoring of policy changes intended to reduce CO₂ emissions and the potential tightening of regulations, analysis of market standards, technological innovations, opportunities for using alternative energy sources (RES). Taking pre-emptive actions to adapt to changes in the technological area.

Since most of the technology is in early advancement stage, it is assumed that by 2030 KGHM will focus its efforts primarily on the continuation or launch of research and development work in selected areas, and on initiation of 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.

The Climate Policy will be followed by the Decarbonisation Program of the KGHM Group, which will contain a detailed method for achieving the intended reduction targets and present all capital expenditures related to the implementation of GHG emission reduction measures. The Decarbonisation Program of the KGHM Group will be announced publicly.

Risk and description of risk factors



Market risk associated with changes in demand for and supply of certain products and services

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. 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.

At the same time, KGHM points to the opportunity coming from increased demand for copper arising from the necessity to supply it to meet the needs of the low-carbon economy as a result of a higher level of electrification (through increased copper consumption for purposes related to manufacturing components for electrical vehicles and development of electromobility) and increased consumption of copper in power networks. A stable growth of the global demand for copper is expected by 2040. The forecast growth will be an effect of, among others, the dynamically increasing demand from industries associated with renewable energy sources.

Mitigation

Care and due diligence in identification of expectations and requirements of external stakeholders concerning the climate and environmental issues and consideration given to these issues in the long-term, strategic perspective.

Ongoing analysis of technical and technological solutions, which satisfy stakeholder requirements concerning climate issues affecting changes in supply and demand.



Chapter 3

Ethics and Corporate Governance

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Our values

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 is a company with 60 years of history, operating 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 metallurgical facilities, 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 those values must co-exist, which is reflected in the diagram below:

VALUES OF KGHM POLSKA MIEDŹ S.A.



RULES OF CONDUCT BASED ON VALUES DEVELOPED BY KGHM POLSKA MIEDŹ S.A.



Zero harm

Zero harm is the top priority of the Company's value hierarchy:

- Protecting the lives and health of our employees is our priority.
- Respect for the natural environment, in particular the resources we mine in a responsible manner
- The Company cares for the local communities within which it operates and maintains a dialogue with.
- KGHM Polska Miedź S.A. puts emphasis on the continuity and stability of its operations.



Results driven

Attainment of results while focusing on KGHM's long-term success.

- 1. Ambitious targets and ongoing development.
- Taking initiative and making extra efforts for the benefit of KGHM.
- Solid work using the right tools.



Accountability

All Company Employees are jointly responsible for the actions taken for the benefit of our stakeholders.

- Acting in a transparent and socially responsible manner, abiding by the standards of the Code of Ethics.
- Accountability for our decisions, obligations and constant, stable development.
- Building long-term relationships with our business and social partners.



Courage

The Company accepts new challenges in a well thought-out manner.

- Employees are brave and continually face new challenges.
- 2. Courageous decisions are made and new, innovative solutions are constantly sought for.



Teamwork

Teamwork is the basis for the Company's success:

- Work is performed in teams.
- Respect for the views of others in a discussion.
- Using the talents and experience of employees.
- Diversity and a multi-cultural environment are valued.

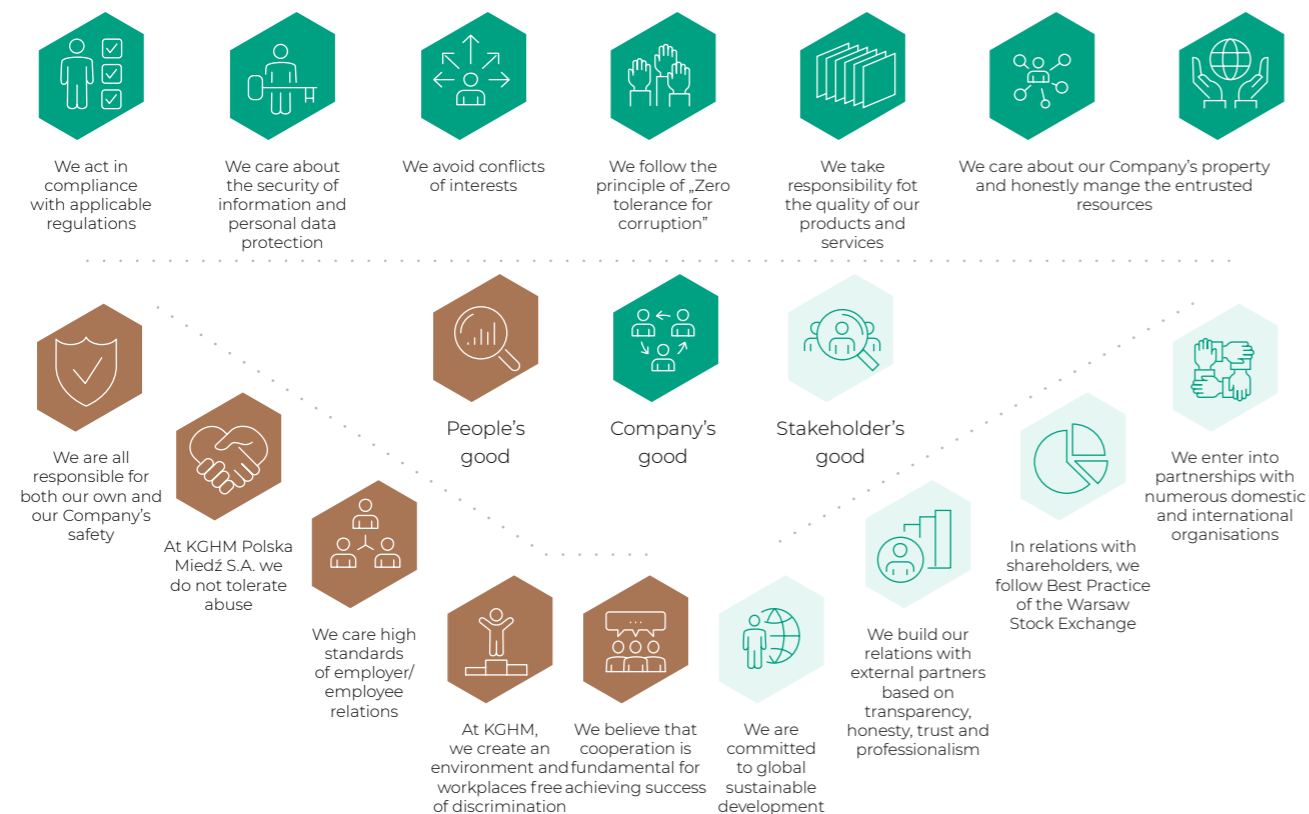
ETHICAL STANDARDS IN THE KGHM POLSKA MIEDŹ GROUP

The fundamental Ethical Standards are implemented through the principles of ethical conduct, which are described in the diagrams below:

KEY ETHICAL STANDARDS TRANSLATING INTO PRINCIPLES OF CONDUCT IN KGHM POLSKA MIEDŹ S.A.



DIVISION OF ETHICAL CONDUCT RULES



The communication and implementation of Ethical Standards in the KGHM Polska Miedź S.A. Group is facilitated by a system of codes, policies and procedures. Their implementation satisfies global corporate governance standards as well as

the increasing expectations of our stakeholders, including our clients and financial institutions.

In accordance with the best corporate governance practices, we have adopted the following principles,

policies and instructions, which introduce global, unified standards adapted to the laws applicable in all

jurisdictions in which the KGHM Polska Miedź S.A. Group operates.

Compliance Management Policy in the KGHM Polska Miedź S.A. Group

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.

Competition Law Policy in the KGHM Polska Miedź S.A. Group

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.

Procurement Policy in the KGHM Polska Miedź S.A. Group

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.

Anticorruption Policy in the KGHM Polska Miedź S.A. Group

The Anticorruption Policy establishes basic principles and standards, whose goal is to ensure compliance with the anticorruption 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 Anticorruption Management System, compliant with the requirements of the PN-ISO 37001 standard.

Responsible Supply Chain Policy in the KGHM Polska Miedź S.A. Group

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.

Security Policy in the KGHM Polska Miedź S.A. Group

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.

In order to unify the approach to compliance defined as adherence to the requirements arising from existing laws (external and internal) or from voluntarily-assumed legal obligations and 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. Possession of a coherent compliance system in the KGHM Polska Miedź S.A. Group is a constituent of effective corporate governance management through, inter alia, more efficient response and readiness to regulatory changes, protecting reputation and building an ethical culture in the organisation, as well as increasing awareness and a sense of responsibility for compliance among employees. In 2021 activities related to improvement of the effectiveness of the compliance system were carried out, among others, in the selection of complementary

IT solutions necessary for the implementation of the process. Support work and work aimed at raising the standards of compliance will be continued in 2022.

In order to improve the standards of maintaining compliance with the competition law, the Instruction of Conduct in order to prevent violations resulting from competition law, which is an extension and clarification of the content of the KGHM Polska Miedź S.A. Group's Competition Law Policy updated in 2019, was approved by the Management Board of KGHM Polska Miedź S.A. and is in force from 2020. In December 2021, training was conducted for Local Plenipotentiaries for Competition Law in the KGHM Polska Miedź S.A. Group. Support work and work aimed at raising the standards of compliance with the competition law will be continued in 2022.

GRI 308-2

RESPONSIBLE SUPPLY CHAIN POLICY IN THE KGHM POLSKA MIEDŹ S.A. GROUP



Best practice

Two of KGHM's smelters and refineries are among ten plants in the world to hold the Copper Mark, a prestigious guarantee of responsible production.

The Głogów and Legnica Copper Smelter and Refinery received the Copper Mark distinction. These two divisions of KGHM may use this certificate that confirms effective copper production in accordance with the highest standards. The Copper Mark was established as an initiative of the International Copper Association and its member companies.

The Copper Mark is a guarantee system that advances the responsible production of this red metal. In this manner the Polish copper giant's metallurgical facilities joined the elite group of a mere few companies from across the world to hold the right to use the Copper Mark.

- This distinction confirms that the metallurgical facilities of Polska Miedź fulfil the highest global standards. According to the company's strategy, we are constantly improving our production processes, which has also been noticed. We meet environmental standards, we apply responsible production practices and we can brag about having great cooperation with stakeholders and local communities. Receiving the Copper Mark will further strengthen the top brand of KGHM's products, including the copper cathodes it sells - said Paweł Gruza, Vice President of the Management Board responsible for KGHM's International Assets

The Głogów and Legnica Copper Smelter and Refinery enrolled in the Copper Mark program in 2020. For many months international experts were busy checking how the business processes in the KGHM divisions comply with the 32 criteria for awarding this mark. Activities relating among others to environmental protection, the supply chain for metals, working conditions, risk management practices and cooperation with local communities were taken into consideration.

The Copper Mark is an international system for ensuring responsible copper production. It is a voluntary program for industrial processing companies that have an opportunity to receive a certificate of quality. Entities that are successfully vetted may use this mark in their corporate publications, contracts and copper products.

The Copper Mark system provides credible information about the procedures and standards of production in mining industry companies. This mark informs investors and companies that use copper in their products that plants holding this mark are a credible and responsible business partner.

In 2021 the Responsible Supply Chain Policy in the KGHM Polska Miedź S.A. Group was updated, among others, in order to adapt the documentation of the responsible supply chain management process to the requirements of the „Copper Mark” sector standard, as well as to expand the catalogue of unacceptable, potential violations by the Group’s counterparties. The content of the Policy also includes the conclusions of other organisational units of KGHM in terms of ensuring compliance with the expectations of their stakeholders. The updated Policy continues to be an important part of the Responsible Gold and Silver Supply Chain Management System which is subject to an annual, independent, external audit to assure the Company’s adherence to the principles of conflict-free gold and silver under the LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance. The current Compliance Report of KGHM Polska Miedź S.A. along with the Report on the independent assurance service is available on the website at: <https://kgmh.com/en/our-business/products/responsible-supply-chain>.

In 2021, a compliance audit was carried out in KGHM Polska Miedź S.A. under the Copper Mark standard, which introduced additional requirements for the responsible supply chain of copper and lead. Meeting the necessary criteria upon which the granting of the Copper Mark was contingent allowed for the certification of the Legnica Copper Smelter and Refinery and the Głogów Copper Smelter and Refinery with the Copper Mark, which is a prestigious distinction and confirmation of compliance by KGHM Polska Miedź S.A. with the principles of corporate social responsibility, as well as compliance with ethical, environmental and organisational standards. The acquisition of the Copper Mark was necessary for the continuation of free trade by KGHM Polska Miedź S.A., in particular to facilitate the maintenance of cathode registration on the LME (London Metal Exchange). In 2022, further work will be carried out, which was initiated in 2021, on the implementation of the auditor’s recommendations aimed at further improvement of the indicated areas of the responsible supply chain, in order to maintain the certification in subsequent years.

In 2018, the Management Board of KGHM Polska Miedź S.A. adopted the “Code of Ethics of the KGHM Polska Miedź S.A. Group”. In

order to comply with the most important principles related to counteracting corruption 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. made a decision, based on a resolution on the implementation of the Anticorruption Management System in accordance with the PN-ISO 37001:2017 standard in the Divisions, the Head Office of KGHM Polska Miedź S.A. and the subsidiaries. Therefore, a number of training sessions were conducted for employees, including those preparing to serve as internal auditors and Plenipotentiaries for the Anticorruption Management System pursuant to PN-ISO 37001:2017. In relation to the implementation of the PN-ISO 37001:2017 standard, in 2021 a new Anticorruption Policy was adopted for the KGHM Polska Miedź S.A. Group. The team appointed to carry out implementation work, with the support of an external expert, prepared new regulations in the area of counteracting corruption, in line with the requirements of the standard, aimed at ensuring the implementation of the Anticorruption Policy in force, which were adopted by a resolution of the Management Board of KGHM Polska Miedź S.A. and are

currently being implemented in all the entities of the Group. The basis of the Anticorruption Management System is Corruption Risk Management, based on the identification and assessment of corruption risk in individual processes carried out by entities of the Group. The adopted procedures regulate the process of managing corruption risk in the Group, including the management of corruption risk in relation to Supervised Organisations and Business Partners. They define in detail the standards for dealing with activities susceptible to corruption, including in the event of a conflict of interest, giving and accepting business gifts, contacts with public officials or events which might appear to be a corruption proposal. They also define responsibility for violating the provisions of the Anticorruption Policy and anticorruption regulations.

In order to ensure the correct implementation of the adopted Security Policy and Anticorruption Policy at the KGHM Polska Miedź S.A. Group, security and loss prevention units were established in the Divisions and seven selected domestic companies; their work is regulated by the Operating Instructions of Security and Loss Prevention Units in KGHM Polska Miedź S.A. Group Divisions implemented in 2020 as well as the corresponding Operating Instructions of Security and Loss Prevention Units in the above companies. Ethics and Anticorruption Representatives have been

appointed in all domestic and international entities of the KGHM Polska Miedź S.A. Group. In 2019, the Procedure for Disclosing Improprieties and Protecting Whistleblowers in the KGHM Group was updated and adapted to the requirements of the amended Act on public offerings and conditions governing the introduction of financial instruments to organised trading, and on public companies. This procedure is aimed at enhancing the effectiveness of uncovering and resolving situations related to the occurrence of irregularities representing an abuse of regulations applied in the Group, in particular the Code of Ethics of the KGHM Group, the Security Policy and the Anticorruption Policy. The procedure also defines the scope and conditions of Whistleblower protection.

In 2019, an additional channel for Whistleblowers was implemented – the „KGHM Ethics Line” platform, available on the corporate website for both employees and third parties, including counterparties and customers in four languages – Polish, English, Spanish and Russian. It enables the anonymous disclosure of irregularities and is an alternative channel for other forms of contact – telephone lines, email addresses and addresses for correspondence. All reports, in accordance with the internal regulations currently in force, are subject to verification and explanation. In 2021, an investment project was launched to develop



an IT tool supporting the handling and processing of reports from Whistleblowers. The planned date of completion of the work and the availability of the tool in the production version is the end of 2022. The development of the tool is the next step in perfecting the process and a response to the changing legal requirements, related to the entry into force of Directive (EU) 2019/1937 of the European Parliament and of the European Council of 23 October 2019, on the protection of persons who report breaches of Union law. Work is also underway on updating internal normative acts regarding the receipt of reports from Whistleblowers and their protection in order to ensure compliance with the EU directive and national regulations regarding the protection of persons reporting breaches of the law (currently a draft act).

In the entities of the KGHM Group, an Internal Control Procedure was implemented, prepared by KGHM Polska Miedź S.A.'s Safety and Prevention of Losses Section. The audit conducted by the Safety and Prevention of Losses Section comprises the identification and uncovering of fraud, irregularities, abuse, corruption, mobbing, breaches of the Group's Code of Ethics and monitors the transparency of procurement processes.

Verification of contractors, including in terms of the risk of corruption and the possibility of a conflict of interest, is executed in accordance with the Verification Procedure in procurement, sales and investment processes implemented in 2019 by the Security Department of KGHM Polska Miedź S.A.

In 2020, the "ABCs of Conflicts of Interest. Corporate ethical handbook of KGHM Polska Miedź S.A." was developed and published. The publication describes in a concise form the issue of conflicts of interest and the regulations on counteracting this phenomenon. It includes a questionnaire, thanks to which every employee can independently check whether the problem of a conflict of interest applies to them. The publication is made available to newly employed employees and is an element of regular training courses on counteracting conflicts of interest organized by Ethics and Anticorruption Representatives. The publication supports raising the organization's awareness of the above issue. In 2021, online training for employees of KGHM Polska Miedź S.A. was developed and launched on the educational platform concerning the issue of conflict of interest. Every year, educational and information campaigns, competitions and publications are prepared for employees on ethics and counteracting corruption.

In the KGHM Group, the Anti-Personal Abuse Procedure was implemented, enabling the effective prevention of mobbing in the workplace. A tool which supports the Employer in the question of prevention of mobbing, discrimination and breaches of employee rights are the Ethics Committees appointed in KGHM Group entities, examining suspected violations of ethical standards applicable in the KGHM Group.

Support work and work aimed at raising ethical standards and corporate governance will be continued in 2022.

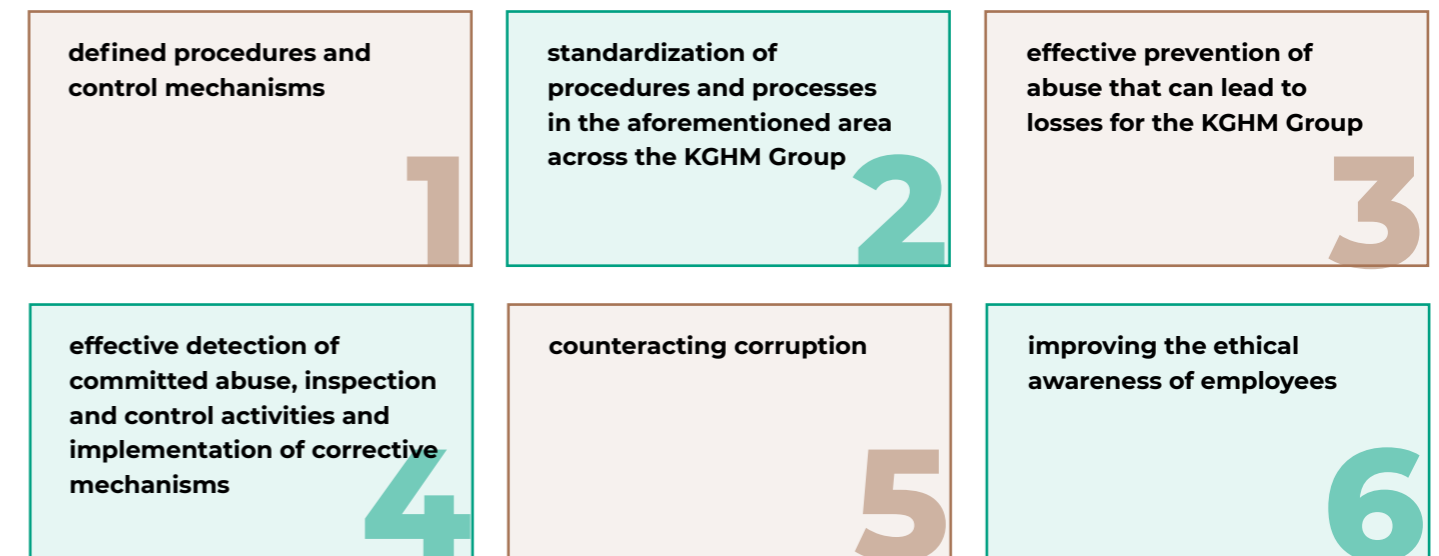


GRI 205-1 GRI 205-2 GRI 205-3


SECURITY AND LOSS PREVENTION SYSTEM IN THE KGHM POLSKA MIEDŹ S.A. GROUP

KGHM Polska Miedź S.A. takes ongoing actions to support and raise standards under the Security and Loss Prevention System in the KGHM Polska Miedź S.A. Group introduced in 2018.

The system is designed first of all to protect the employer's interests by preventing acts that expose the Company to material loss and reputational harm, and secondly to optimize expenses and investments to generate savings for the KGHM Polska Miedź S.A. Group. The key elements of the system include:



The Security and Loss Prevention Section in the KGHM Polska Miedź S.A. Head Office is responsible for the implementation, functioning and oversight of the system. Currently, the Section is made up of two Departments:

 **The Security Department, comprising among others the Ethics and Anticorruption Procedures Unit, the Loss Prevention and Control Unit, and the Physical and Technical Security Unit**

 **The Supply Chain Security Department, consisting of the Supply Chain Monitoring Unit and the Analyses Unit**

In 2018, Ethics and Anticorruption Representatives were appointed in the Divisions and the Polish and international subsidiaries of the KGHM Group. Their work is monitored, supervised and coordinated by the Ethics and Anticorruption Representative for the KGHM Group (as per the applicable procedure, the function is discharged by the Director of the KGHM Security Department).

In the years 2019-2020, security and loss prevention units were established in KGHM Polska Miedź S.A. Divisions and in seven companies in Poland selected on the basis of their level of expenses and domestic threats. The unit heads are responsible for implementation and supervision over the security and loss prevention

system, ethics and anticorruption procedures, supply chain security and physical and technical security. They report to the Executive Director for Security and Loss Prevention in KGHM Polska Miedź S.A.

Since 2017, regular security and loss prevention training has been organized, which included the topics of corruption prevention and conflict of interest, for employees of all KGHM entities. The training covers all newly hired employees in KGHM entities. 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 Anticorruption Representatives (40 persons). 9 such training sessions were held in 2021. 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 anticorruption in KGHM's companies.

In 2020, KGHM Polska Miedź S.A. (the Head Office and the Divisions) launched two e-learning training modules on ethics, prevention of irregularities (in particular, corruption, abuse, and discrimination) and receiving whistleblower reports in its Head Office and Divisions. The training was provided to all the employees. Training is launched for newly employed persons. In 2021, training courses were completed by 712 participants (this refers to those employed as at 31 December 2021).

In connection with the Management Board's decision to implement the Anticorruption Management System in the Divisions and Head Office of KGHM Polska Miedź S.A. and in the Subsidiaries in accordance with the PN-ISO 37001:2017 standard, online training workshops were conducted in the last quarter of 2020 on the requirements of this standard for Ethics and Anticorruption Representatives and Management System Representatives in KGHM Polska Miedź S.A.:

- Practical interpretation of the requirements of the Anticorruption Management System standard according to ISO 37001 – 3 one-day training sessions, number of participants: 71.
- Internal Auditor of the Ethics and Anticorruption Management System based on the international standard ISO 37001, the KGHM Polska Miedź S.A. Code of Ethics and the draft standard ISO/DIS 37002:2020 – 2 two-day training sessions, number of participants: 34.
- Anticorruption Management System Representative according to ISO 37001 – 1 two-day training, number of participants: 17.

On 16 December 2021, e-learning training on problems of conflict of interest was started for employees of KGHM Polska Miedź S.A. having access to the e-learning platform.

In 2019-2021, a number of communication activities were carried out, addressed to the employees of the KGHM Group, promoting ethical standards and contributing to the culture of the organization:

- 6 educational films were published on the topic of the Code of Ethics, abuse prevention, the Whistleblower Platform and protection of Whistleblowers, rules of acceptance and giving of business gifts, as well as prevention of corruption and conflict and interest,
- several articles on related topics were published in the internal Curier magazine and in the Group's Intranet,
- a special supplement focusing on Whistleblowers was published in Curier, the internal bi-weekly magazine,
- the updated anticorruption Manual was published in an electronic version,
- the "ABCs of Conflict of Interest. Ethics Manual of KGHM" was developed, published and distributed; the publication presents a concise description of the conflict of interest and the company's regulations for preventing this phenomenon,
- a questionnaire has been developed allowing employees to carry out on their own a voluntary, individual assessment of the risk of conflict of interest,
- an information campaign on the handing of business gifts was conducted.

In 2021, two campaigns were conducted, including competitions:

- a campaign addressed to employees of the KGHM Group to promote the function of Ethics and Anticorruption Representatives,
- a campaign addressed to employees of KGHM Polska Miedź S.A. concerning corruption prevention, including adoption of a new Anticorruption Policy and implementation of the Anticorruption Management System in compliance with the PN-ISO 37001 standard.

Organisational culture

THE CODE OF ETHICS OF THE KGHM POLSKA MIEDŹ S.A. GROUP

In the KGHM Group, the KGHM Polska Miedź Code of Ethics is in force, the amended and extended version of which was introduced by a Resolution adopted by the Management Board of KGHM Polska Miedź S.A. in June 2018. It defines adopted ethical standards on which rules of conduct are based and which apply to all employees, regardless of occupied positions as well as our collaborators, counterparties and clients. It is the basis for actions and conduct in the Group, hence the frequent reference to the Code in this Report.

The KGHM Group's Code of Ethics is based on the aforementioned values and constitutes a guidepost for all the decisions and actions taken in the Parent Entity and the KGHM Group. There are supporting acts regulating the areas of: prevention of corruption, prevention of conflict of interests, security and transparency of procurement processes, verification of external counterparties and prevention of employee rights violations, including discrimination and abuse as well as respect for human rights. The KGHM Group's Code of Ethics is a collection of rules applicable to the employees of the Parent Entity, the KGHM Group and cooperating entities. It is one of the pillars of KGHM's organizational culture, which is deeply rooted in the

mining and metallurgical traditions. They constitute the genetic code of our community, building its professional identity.

The KGHM Group's Code of Ethics aims to ensure that the employees follow the highest standards based on the adopted values. The status of a global leader and international corporation obligates the Company to keep the highest business ethics standards. It is also related to the challenges resulting from the richness of national cultures within which KGHM Polska Miedź S.A. operates.

KGHM POLSKA MIEDŹ S.A. CODE OF CONDUCT (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 June 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. The Code of Conduct is based on the KGHM Group Code of Ethics. Both documents regulate standards of conduct observed by the Company. The Codes are an integral, mutually interconnected whole, based on consistent assumptions and values followed by the Company.

The Code of Conduct is a practical document. Its purpose is to be a guide and support for the employees, showing where to look for answers and who to approach if in doubt about decisions taken in everyday situations. The Code of Conduct provides an easy to understand presentation of the Company's values for all employees, regardless of their position.

The idea of adopting and pursuing the Code of Conduct and the Code of Ethics was presented in 2018 and is continuously repeated to KGHM Polska Miedź S.A. employees via the company's internal portal (Intranet: "KGHM to My" at extranet.kghm.com). The Codes are distributed in the printed version during training sessions held by the Ethics and Anticorruption Representatives in all Divisions and Companies of the KGHM Polska Miedź S.A. Group. The Code of Conduct and the Code of Ethics are published for the general

audience on www.kghm.com, in the Investors/Corporate Governance/Code of Ethics and ESG Code of Conduct tab: <https://kghm.com/en/investors/esg>.

ETHICS COMMITTEES IN THE KGHM POLSKA MIEDŹ S.A. GROUP

Every KGHM Group Entity appoints an Ethics Committee. The primary task of the Committee is to conduct investigations in response to Whistleblowers' reports on irregularities consisting in violation of the ethical standards defined in the Code of Ethics, and to recommend corrective and disciplinary actions to the workplace manager.

A report can be filed by:

- any employee who has been harmed by actions described in the list of issues reportable to the Ethics Committee,
- anyone who has witnessed actions described in the list of issues reportable to the Ethics Committee.

The investigation conducted by the Committee covers issues that require determination of the actual facts of the matter, in other words disputable issues or those having unclear causes. The investigation is not in conflict with, nor does it replace, the right to pursue claims in accordance with generally applicable laws. Members of the Committee are obliged to resolve the breaches of ethical principles given in the KGHM Group Code of Ethics in an impartial and efficient manner, giving equal treatment to all parties to the proceedings. The Committee operates pursuant

to its Regulations, and observing the generally applicable laws and internal regulations of a given KGHM Group Entity.

The list of issues reportable to the Ethics Committee is as follows:

- actions displaying features of abuse, discrimination, harassment or other type of unequal treatment of a Company employee or group of employees,
- breaches of employee duties arising from the Labour Code as well as internal regulations of a given KGHM Group Entity, regardless of the position held,
- breaches of the rules of community life,
- improper performance of professional duties,
- unethical behaviour towards other employees and third persons in the workplace and outside of the working hours (including violation of personal interests and human rights),
- exposing the good name of the Company to harm.

THE PROCEDURE FOR DISCLOSING IMPROPRIETIES AND PROTECTING WHISTLEBLOWERS IN THE KGHM POLSKA MIEDŹ S.A. GROUP

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 organization. Persons who report irregularities, and who do so in good faith and non-anonymously (Whistleblowers) are protected under the KGHM Group Procedure for Disclosing Improproprieties and Protecting Whistleblowers. Anonymous reports are

also accepted and followed up. The channels allow reporting without disclosing one's personal details. Reports are made both centrally, to the Ethics and Anticorruption Procedures Unit, and locally, in each of the entities from the KGHM Group, to Ethics and Anticorruption 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

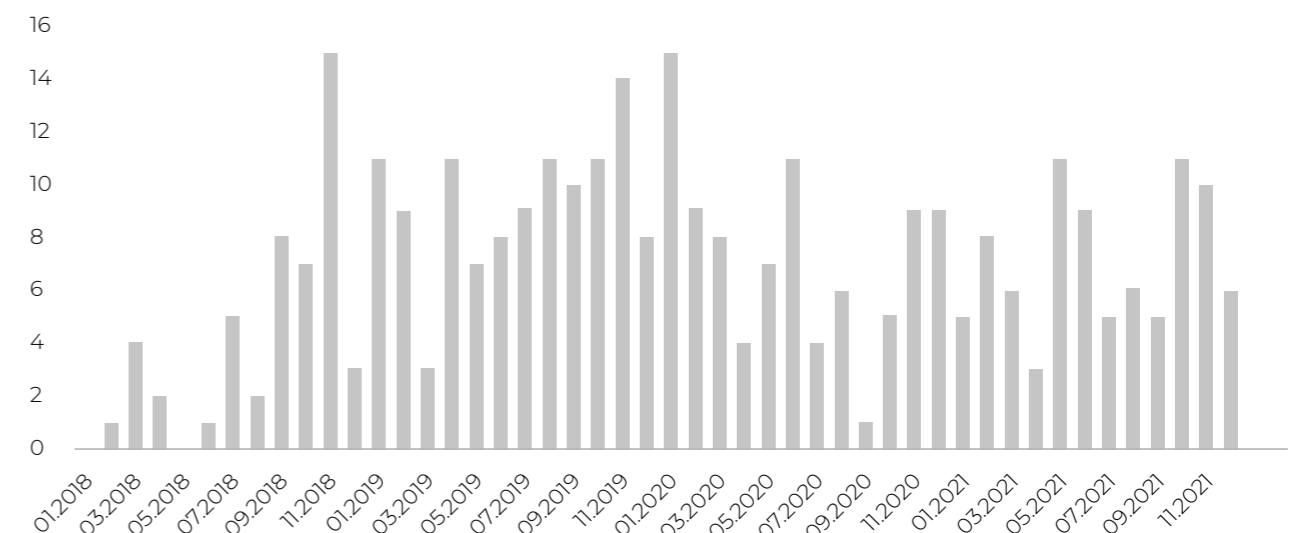
be reviewed there. The process is monitored by an Ethics and Anticorruption Representative in the KGHM Group.

In 2019, the Procedure for Disclosing Improproprieties and Protecting Whistleblowers in the KGHM Group was updated and adapted to the requirements of the amended Act on public offerings and conditions governing the introduction of financial instruments to organised trading, and on public companies. This procedure is aimed at enhancing the effectiveness of uncovering and resolving situations related to the occurrence of irregularities representing an abuse of regulations applied in the Group, in particular the Code of Ethics of the KGHM Group, the Security Policy and the Anticorruption Policy and the Corruption Threat Prevention Procedure. In 2019, an additional channel for whistleblowers was launched – the "KGHM Ethics Line" platform available on the corporate website for both employees and third parties, including counterparties and customers. The platform is available in four languages – Polish, English, Spanish and Russian. It enables the anonymous disclosure of improprieties and is an alternative channel for other forms of contact – telephone lines, email addresses and addresses for correspondence.

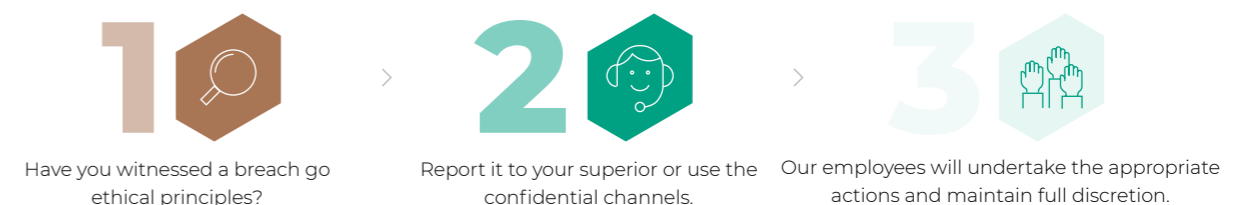
At present, an investment project is realized concerning the development of an IT tool to support handling and reviewing reports from Whistleblowers, planned to be completed at the end of 2022. The development of the tool is the next step in perfecting the process and a response to the changing legal requirements, related to the entry into force of Directive (EU) 2019/1937 of the European Parliament and of the European Council of 23 October 2019, on the protection of persons who report breaches of Union law. Work is also underway on updating internal normative acts regarding the receipt of reports from Whistleblowers and their protection in order to ensure compliance with the EU directive and national regulations regarding the protection of persons reporting breaches of the law (currently a draft act).

The charts below show the increase in Whistleblower reports registered centrally in the 2018-2021 period, as well as the procedure which is followed in the event of a breach of ethical principles in the KGHM Group:

NUMBER OF REPORTS OF BREACHES OF ETHICAL PRINCIPLES IN THE KGHM POLSKA MIEDŹ S.A. GROUP IN THE PERIOD 2018-2021



PROCEDURE FOLLOWED IN THE EVENT OF A BREACH OF ETHICAL PRINCIPLES IN THE KGHM POLSKA MIEDŹ S.A. GROUP



ANTICORRUPTION MANAGEMENT SYSTEM COMPLIANT WITH THE PN-ISO 37001 STANDARD

As a result of a resolution adopted by the Management Board of KGHM Polska Miedź S.A. in 2020 to implement the Anticorruption Management System (AMS) 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, work started in 2021 aimed at implementing the standard in the KGHM Polska Miedź S.A. Group. As part of this implementation work, the following regulations were prepared in 2021:

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 Anticorruption Policy and to ensure that Corruption Risk Management is a continuous process which guarantees an adequate level of monitoring and improvement of the efficacy of the adopted and applied means of supervision. The Procedure defines the framework for Corruption Risk Management.

Significant elements of the procedure:

- responsibility and entitlements in the entire scope of the Corruption Risk Management,
- connection between the AMS and Corruption Risk Management,
- context of the organization,
- corruption risk assessment,
- introduction of due diligence,
- rules for introducing the regulations,
- awareness and training.

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 Anticorruption Policy. The regulations are applicable to all

employees and representatives of the entities from the KGHM Group.

Significant elements of the procedure include:

- basic principles for corruption prevention – prohibition of corruptive behaviours,
- rules of conduct in contacts with public officers, counterparties and other stakeholders,
- procedure in the event of conflict of interest,
- handing business gifts,
- rules of conduct when corruption occurs (attempts to give undue benefits),
- consequences of non-compliance with principles of anticorruption procedure.

KGHM/ZSZ/SZDA/P-12 CORRUPTION RISK MANAGEMENT REFERRING SUPERVISED ORGANIZATIONS 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 Organizations and Business Partners.

The procedure defines how to ensure performance of the Anticorruption Policy in the Supervised Organizations and which regulations must be implemented and applied by these organizations. It also defines Rules of Risk Management connected with Business Partners.

Significant elements of the procedure include:

- assessment of corruption risk to which the Supervised Organizations are exposed,
- supervisory measures referring to corruption risk pertaining to the Supervised KGHM Organizations,
- verification of compliance and effectiveness of supervisory measures applied by the Supervised KGHM Organizations,
- internal audits of AMS in the Supervised Organizations,

- internal audits of implemented and applied systems and/or solutions regarding corruption risk management in the Supervised KGHM Organizations performed by KGHM Polska Miedź S.A.,
- review of compliance and effectiveness of Corruption Risk Management / AMS,
- due diligence analysis with reference to business partners,
- standard supervisory measures with reference to business partners,
- procedure in the event of donations and sponsorship.

ANTICORRUPTION POLICY IN THE KGHM POLSKA MIEDŹ S.A. GROUP

Considering the implementation of the Anticorruption Management System (SZDA) in the KGHM Polska Miedź S.A. Group in compliance with the PN-ISO37001 standard, a new Anticorruption Policy was adopted in December 2021 by a resolution of the Management Board of KGHM Polska Miedź S.A.

Pursuant to the Policy, the KGHM Polska Miedź S.A. Group underscores its commitment to fighting corruption in business, by the way of adopting and uncompromising observance of the “zero tolerance for corruption” principle while ensuring compliance with legal regulations and voluntary commitments for fighting corruption.

The adopted Policy applies to all employees and collaborators of entities from the KGHM Group as well as business partners, including suppliers and clients. Pursuant to the content of the Policy, it is prohibited to participate in any activities having features of corruption involving offering, promising, giving, accepting, demanding or soliciting undue benefits, both financial and non-financial, especially in connection with performing official duties. The policy also prohibits any retaliation against persons who refused to hand in or receive undue benefits.

Pursuant to the adopted Policy, any person who takes part in an event bearing features of corruption or is a witness to or having information on such an event is obligated to report it immediately, while the top management undertakes to ensure to the reporters dedicated confidential communication channels and protection against retaliation.

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 implementation work for the procedure will be continued in 2022. The deadline for their completion is planned for March 2022. In the first quarter of 2022, workshops will be conducted aiming to ensure the appropriate transfer of knowledge in the organization, internal audits and review of the top management.

Pursuant to the Policy, disciplinary proceedings are started against those who are guilty of breaching anticorruption regulations.

In each entity from the KGHM Group, persons have been appointed whose duties are to ensure anticorruption compliance and who are granted appropriate authorizations, while remaining independent and impartial.

The Policy has been communicated and is generally available to employees, counterparties, persons working for the Group or on its behalf.

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 Anticorruption Policy. The procedures regulate, among others, rules for handling business gifts, situations having features of corruption or a conflict of interest.

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.

Employees are required to avoid any actions or decisions in a situation of a conflict of interests. If a

conflict of interest occurs or is possible, employees are obligated to disclose it. Particular scrutiny is exercised with respect to 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 (due diligence of business partners).

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 Code's main message is to guarantee the professionalism and honesty of the persons responsible for the procurement processes. The document also contemplates issues such as preventing conflicts of interest as well as equal treatment of suppliers to ensure compliance with the principles of fair competition.

The procurement procedures in force in KGHM Polska Miedź S.A. are precisely defined in the „Procurement Policy of the KGHM Polska Miedź S.A. Group”, while the selection of suppliers is carried out in compliance with the principle of transparency and the equal treatment of economic entities.

The goals set forth in the Procurement Policy are:

- 3) ensure transparency in the process of making decisions,
- 4) monitoring of all purchases by introducing a joint system for managing the procurement process, and
- 5) ensure the efficient optimisation of costs, mainly by standardising the assortment, optimising technical specifications and market diversification..

This joint Procurement Policy applies to all of the Divisions of KGHM Polska Miedź S.A. and to all of the

companies of the Group which are critical elements of the production process. The basic tenets set forth in the aforementioned document are carried out with the aid of IT tools.

In 2021, in the area covered by the Procurement Policy of the KGHM Polska Miedź S.A. Group, 3248 suppliers (being the number of bidders taking active part in procurement proceedings) cooperated with the KGHM Polska Miedź S.A. Group, out of which 2203 suppliers were selected.

The share of suppliers outside of Poland is relatively low. The number of non-Polish suppliers in 2021, in respect of the aforementioned information, amounted respectively to 168 and 104, or around 5% of all suppliers to the Company.

KGHM works with all types of suppliers: contractors, intermediaries, wholesalers. These include suppliers of raw materials, components, end producers and distributors. Additionally, within the Group, KGHM Polska Miedź S.A. utilises the services of a Logistics Operator – specialised companies providing supply-related functions (Mercus Logistyka, KGHM Metraco, Energetyka).

In 2021 there were no significant changes in the sources of supply of materials, goods and services to KGHM Polska Miedź S.A. There was no recorded dependence on a single or multiple customers or suppliers.

KGHM Polska Miedź S.A. is strengthening its position as an honest and ethical business partner, which cares about the Company's image as well as social matters. In terms of procurement subject

to the aforementioned Policy, the Company strives to ensure that those with whom the Company cooperates meet ethical business standards and operate in a socially responsible manner

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 2021, the production of electrolytic copper

from purchased copper-bearing material amounted to 196.2 thousand tonnes, and represented 34% of total electrolytic copper production.

For the most part, this production came from copper scrap (135.4 thousand tonnes of copper; 23% 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.



PROCEDURE OF 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 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 of 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. addresses the verification measures taken by the Company when it enters into trading transactions.

To protect its image and the Company's security, KGHM 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 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 organizational 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 OF THE KGHM POLSKA MIEDŹ S.A. GROUP

The Instruction has been issued as an Appendix to the Internal Control Procedure of the Security and Loss Prevention Section of the KGHM Polska Miedź S.A. Group. Pursuant to the Organizational Regulations of KGHM Polska Miedź S.A., tasks of the Supply Chain Security Department include: control of the transparency of procurement processes, monitoring of procurement processes with increased risk of abuse and control of completed procurement processes - if abuse is suspected - to verify the correctness of those processes and detect corruption threats.

The document regulates a detailed scope of activities of the Supply Chain Security Department, resulting from the aforesaid tasks, and incorporating the stipulations of the KGHM Polska Miedź S.A. Procurement Policy. The Instruction also applies to procurement excluded from the Procurement Policy which has not been regulated in other internal Company acts - to the extent allowed by the unique specificity of individual procurement processes. For procurement excluded from the Procurement Policy which is regulated by other internal Company acts, the control activities proceed in accordance with those acts.

ANTI-ABUSE PROCEDURE OF THE KGHM POLSKA MIEDŹ S.A. GROUP

The procedure was adopted by Resolution of the KGHM Polska Miedź S.A. Management Board in September 2018. The objective of the Procedure is to prevent abuse at work, by way of implementation of a prevention system and definition of a procedure to be followed if abuse does occur. The procedure is designed to build and enhance an organizational culture based on good interpersonal relations between and among employees.

The procedure describes a catalogue of actions designed to prevent abuse, actions to be taken if abuse does occur, and defines obligations of the employer and employees in this respect. The Procedure applies to all employees of the KGHM Polska Miedź S.A. Group, regardless of the type of contract or position held. Every employee who believes they have experienced or have witnessed behaviour displaying features of abuse, has the right to lodge a Report. Such a report is lodged in a process defined in the Procedure for Disclosing Improprieties and Protecting Whistleblowers, using dedicated channels, subject to the stipulation that in this case it is necessary to disclose personal details of the reporting employee, the employee(s) who may be subjected to abuse and the employee(s) committing actions or behaviour displaying the features of abuse. The

case is examined by the Ethics Committee of the relevant entity of the KGHM Group. Employees are familiarized with the content of the procedure at the time of hiring and periodically, as part of classroom and e-learning training courses.

Compliance with the Procedure is supervised by the work place manager, who is also responsible for the appointment of the Ethics Committee members. The Committee carries out the proceedings related to abuse initiated in connection with receipt of a report. The Ethics and Anticorruption Representative plays an important role in counteracting abuse. The Ethics and Anticorruption Representative conducts preventive actions, including organization of training for Employees, participates in investigation of the abuse reports, is responsible for receiving the reports and initiating further proceedings in accordance with the Procedure of Disclosing Irregularities and Protection of Whistleblowers. A number of abuse reports that are examined by the Ethics Committee pertain mostly to conflicts at the work place. Early detection of such cases, possible thanks to the solutions implemented by KGHM, allows for de-escalation and prevents occurrence of abuse.

PERSONAL DATA PROTECTION POLICY IN KGHM POLSKA MIEDŹ S.A.

In 2018, the Management Board of KGHM Polska Miedź S.A. adopted by resolution a Personal Data Protection Policy. The Policy lays down the rules of processing and securing personal data in KGHM Polska Miedź S.A., 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: GDPR). The Policy has been adopted to ensure that data processing in KGHM proceeds in compliance with the GDPR and other personal data protection regulations, and to be able to demonstrate this compliance. The Policy is subject to reviews and updates, in keeping with the rules laid down therein. The Policy applies to all the personal data processed in KGHM Polska Miedź S.A. for the purposes of the Company's activities. Under the Policy, the object of protection is personal data, processed in IT systems, as well as recorded otherwise on media, including paper form and electronic media. The places where personal data is so processed must be secured in a manner defined by the Policy. The duty to protect personal data processed by KGHM 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. Every person about to have access to personal data may process the data exclusively based on an authorization (delegation). All persons having access to personal data are obliged to familiarize themselves with the Policy and other related documents, and to apply the provisions thereof.

The Policy is consistent with other internal regulations regarding security of information and IT systems applicable in KGHM.

Updates to the Policy are supervised by the Data Protection Officer of KGHM Polska Miedź S.A. (DPO). The DPO and the DPO Team have been appointed to support KGHM Polska Miedź S.A. as a personal data controller in fulfilment of duties imposed in the area of personal data protection. The DPO Team holds regular meetings every week at which the status of works is

updated and issues are discussed connected with personal data protection at the Head Office and in the Divisions of KGHM Polska Miedź S.A.

The following documentation remains in direct relation with the Policy:

- Record of personal data processing activities,
- Record of categories of personal data processing activities (Processor's Record),
- Form of authorization to process personal data and record of authorizations issued,
- Form of agreement to entrust the processing of personal data and record of executed entrustment agreements,
- Procedure for verification of an entity processing personal data,
- Procedure for handling breaches of personal data protection with a record of such breaches,
- Balance tests for data processing based on a PDC's legitimate interest,
- Instruction for a data protection impact assessment (DPIA),
- Procedure for reviewing requests of a data subject with a record of such requests,
- Form of consent to personal data processing,
- Principles of security by design and privacy by default.

The above records as a whole aim to ensure appropriate personal data processing at KGHM Polska Miedź S.A. and make it possible to show fulfilment of the duties imposed on KGHM as personal data controller or processor.

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. In doing so, it attaches importance not only to respect for human rights, lawful terms of employment, environmental norms, freedom of establishing trade unions, compliance of operations with generally applicable laws, no child labour and no extraction of production raw materials from conflict sources (the so-called “conflict minerals”) but also wants to cooperate with business partners

who share these values. For this reason, KGHM’s customers and suppliers are obligated to declare in writing their compliance with the aforementioned principles, by signing the so-called Customer Card and Supplier Card, which is an important factor of the business decisions on undertaking cooperation with the given partner.

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

The Internal Audit Department follows the international internal audit standards. The standards cover 14 areas, with ethics being one of them. When performing internal audit tasks, the risks of potential fraud, conflict of interests or other activities which are not compliant with the Code of

Ethics and other internal regulations are analysed. Any areas with increased risk of unethical behaviour are consistently identified and taken into account in the development of the annual audit plan.

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

The purpose of the Procedure is to define consistent and uniform rules for conducting Internal Control by the Security and Loss Prevention Section.

The Procedure defines how the Control Process is performed by the Section’s units, defines and assigns roles in the Control Process, delineates the framework of cooperation of its participants, as well as lists the scope of activities to be performed in the Process. The scope of audits conducted by

the Security and Loss Prevention Section covers: identification and detection of fraud, irregularities, abuse, corruption, personal abuse and violations of the Group’s Code of Ethics and facilitates the monitoring of transparency of and control over procurement processes.

SELECTED GRI STANDARDS INDICATORS ILLUSTRATING ACTIVITIES RELATING TO ETHICAL ISSUES IN THE KGHM POLSKA MIEDŹ S.A. GROUP AND IN KGHM POLSKA MIEDŹ S.A. IN 2021

GRI 205-3

CONFIRMED INCIDENTS OF CORRUPTION AND ACTIONS TAKEN TO ADDRESS THEM

Recorded corruption cases ended in:	2021		2020	
	KGHM Polska Miedź S.A. Group	KGHM Polska Miedź S.A.	KGHM Polska Miedź S.A. Group	KGHM Polska Miedź S.A.
disciplinary dismissal or punishment of employees	0	0	7	0
refusal to renew contracts with business partners due to breach of corruption rules	1	1	0	0
legal actions pertaining to corruption practices taken against the reporting organization or its employees in the reporting period	0	0	0	0
Total	1	1	7	0



Principles of governance

GRI 102-10

GOVERNANCE STANDARDS OF THE KGHM POLSKA MIEDŹ GROUP

The model for managing and supervising business processes carried out in the KGHM Polska Miedź S.A. Group developed in recent years is continuously updated to address the changing conditions inside and outside of the organization. This occurs by improving processes carried out in the KGHM Group and by selecting or modifying appropriate management tools, in order to achieve the values ensuing from the accepted strategic development directions of the KGHM Group.

The **KGHM Group Council** plays an important role in organizing and coordinating activities within the KGHM Polska Miedź Group. It is a permanent team with advisory and consulting powers, which initiates, among others, business solutions in the KGHM Group. The KGHM Group Council cooperates with entities in the KGHM Group in a manner which does not conflict with the powers and responsibilities of their corporate bodies. The mandate of the KGHM Group Council covers all matters that are important for the functioning of the Group. The Council comprises the management staff from the Head Office of KGHM Polska Miedź S.A. responsible for managing respective business areas. In justified cases, other persons may participate in the Council, including representatives of companies in the KGHM Group.

The solutions that are developed on an ongoing basis in order to coordinate the activities and cooperation within the Group have expanded

the list of regulations included in the previously-adopted Code of Ethics of the KGHM Polska Miedź S.A. Group.

The ongoing analysis of the existing mechanisms/ solutions used in the Group and the improvements of the legal solutions were used to update the corporate governance principles, including the rules of operation of corporate bodies.

The **KGHM Group Governance Model**, which defines the allocation of KGHM Group companies to portfolios, was updated and companies were reallocated to individual business divisions.

In the context of the COVID-19 pandemic, one of the main drivers of the measures undertaken in the Group in 2021 was the need to ensure the continuity and safety of operations and to mitigate the negative effects of the pandemic.

CHANGES TO THE COMPANY'S BASIC MANAGEMENT PRINCIPLES IN 2021:

By a resolution of 19 June 2020, the Ordinary General Meeting of KGHM Polska Miedź S.A. amended the provisions of the Company's Statutes pertaining to activities exceeding the scope of ordinary management. Based on Article 371 of the Commercial Companies and Partnerships Code, it stipulated that Management Board resolutions are required in matters exceeding the scope of ordinary management. This amendment came into effect when it was entered in the Business Register of the National Court Register on 12 August 2020. The Management Board of KGHM Polska Miedź S.A. amended the Management Board Bylaws by defining a detailed procedure and drawing up a list of matters exceeding the scope of ordinary management. The amendments were approved by a Supervisory Board resolution on 21 January 2021.

By Resolution No. 13/1834/2021 of 29 March 2021, the Supervisory Board of the Warsaw Stock Exchange adopted new corporate governance principles for companies listed on the Main Market of the WSE: "Best Practice for GPW Listed Companies 2021" (DPSN2021). The Management Board of KGHM Polska Miedź S.A. decided to adapt the provisions of the Management Board Bylaws to DPSN2021 by way of Resolution No. 137/XI/2021 of 16 August 2021, which was then approved by the Supervisory Board on 23 August 2021. Additionally, in view of the new DPSN2021, the Supervisory Board of KGHM Polska Miedź S.A. adopted Resolution No. 128/X/21 of 23 August 2021 amending the Supervisory Board Bylaws. As a result of the changes introduced to the Bylaws of the Management Board and of the Supervisory Board, the Company published Statement on the Company's compliance with the principles of Best Practice 2021.

CHANGES IN THE BASIC PRINCIPLES FOR MANAGING THE GROUP

Following the restructuring of KGHM INTERNATIONAL LTD., 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 2021 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 addition, in 2021 in terms of general management principles in force to date, actions were undertaken aimed at coordinating new processes in the Group, including among others as regards commercial activities, aimed at maintaining the continuity and operational safety of the core production business. One of the most important aspects in this regard were actions arising from the COVID-19 pandemic. Coordination of these actions at the level of the Parent Entity were aimed at restricting the pandemic's negative impact on the operations of the Group's entities.

GRI 102-18 GRI 102-20 GRI 102-22 GRI 102-26 GRI 102-35

Corporate governance

THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF THE PARENT ENTITY

BIOS AND RESPONSIBILITIES OF MEMBERS OF THE MANAGEMENT BOARD

MARCIN CHLUDZIŃSKI – PRESIDENT OF THE MANAGEMENT BOARD

(fulfilling his duties for a continuous period from 6 July 2018)



The President of the Management Board is responsible for:

- activities related to overall risk management at the corporate level as well as internal auditing and controlling within the Group;
- the preparation, implementation and execution of the Company's Strategy and Sustainable Development Policy;
- activities related to comprehensive management of security and preventing losses in the Group;
- the application of the adopted corporate governance principles in the Company;
- activities related to the development and preparation for implementation of solutions as regards organization and management in the Company, including designing and developing the Company's organizational structure;
- providing organizational services to the Company's bodies;
- providing legal services to the Company's bodies with the exception of the Supervisory Board;
- activities related to communications and corporate image-building within the Group;
- the shaping of relations with the Company's external business environment;
- activities related to human resources management;
- activities related to the development projects in the field of energy.

Since January 2016 the member of the Supervisory Board of PZU S.A. and simultaneously (since June 2018) the President of the Management Board of Agencja Rozwoju Przemysłu S.A., where he was responsible for the restructuring, merger and acquisition processes. Defined the strategic development directions in Agencja Rozwoju Przemysłu S.A. He restructured the following companies: Przewozy Regionalne, H. Cegielski – Fabryka Pojazdów Szynowych and Świętokrzyskie Kopalnie Surowców Mineralnych. Co-founder and President of the Management Board of Invent Grupa Doradztwa i Treningu Sp. z o.o. in the years 2006–2015. President of the economic think tank Fundacja Republikańska (Republican Foundation) in the years 2011–2015.

Graduate of the Institute of Social Policy at the University of Warsaw. He finished his MBA at the Institute of Economics, Polish Academy of Sciences. He co-operated as a lecturer with University of Warsaw, Collegium Civitas and Lazarski University.

He has management experience in the strategic consulting and corporate supervision. He specializes in corporate development restructuring and capital investments.

ANDRZEJ KENSBOK – VICE PRESIDENT OF THE MANAGEMENT BOARD (FINANCE)

(appointed as at 16 April 2021)



The Vice President of the Management Board (Finance) is responsible for:

- the shaping of the Group's financial policy;
- the review of the Strategy's projects in terms of their financial feasibility;
- finances in all of the Group's operations and activities;
- the creation of the Group tax policy;
- the Company's accounting services;
- compliance with formal reporting and publishing obligations within the scope required by law;
- activities related to building and maintaining relations with investors on the Polish and international market;
- the activities of the Data Centre (COPI) with respect to supplying and developing information and communication services required for the proper functioning of the Company and the companies of the KGHM Polska Miedź S.A. Group.

From 6 February 2020 to 24 March 2021 he served as the President of the Management Board of Polska Grupa Zbrojeniowa, where he was responsible among others for consolidating the group around key technology.

Previously (2019-2020) he was associated with KGHM Polska Miedź S.A. He was executive director for strategic projects as well as the President & CEO of KGHM INTERNATIONAL LTD. in Canada. There he carried out a program to increase ore extraction and processing in the Robinson mine/Nevada and to prepare the Victoria deposit to commence exploratory work.

Since 2018 Chairman of the Supervisory Board of PKP S.A. From March 2017 to June 2019 he was Vice President of the Management Board of Agencja Rozwoju Przemysłu S.A. (Industrial Development Agency) and was responsible for finance, corporate supervision and equity transactions. From 2015 he was on the supervisory board and served as the proxy of the management board for restructuring of "Masfrost" companies.

A graduate of the Catholic University of Lublin, with a Master's Degree in philosophy and theoretical physics. He completed MBA studies at INSEAD Business School where he specialized in costs management and the reorganisation of business processes.

Has many years of experience in economic and financial consulting.

PAWEŁ GRUZA – VICE PRESIDENT OF THE MANAGEMENT BOARD (INTERNATIONAL ASSETS)

(fulfilling his duties for a continuous period from 10 September 2018)



The Vice President of the Management Board (International Assets) is responsible for:

- the preparation and implementation of strategy for international assets;
- activities related to acquiring and developing the international resource base;
- analysis, assessment and preparation of new international exploration projects;
- preparation of studies and expert opinions as regards international resource base projects;
- coordination of tasks with respect to the Company's equity investments plan as regards international subsidiaries;
- substantive oversight over the Group's international production subsidiaries, including the creation and execution of their production plans;
- the shaping of the Company's commercial and logistics policies;
- the identification of international mining projects with the potential to provide development opportunities for the Company.

Graduate of the Faculty of Law and Administration at the University of Warsaw.

Undersecretary of State in the Ministry of Finance from November 2016. Co-author of the tax reform. Undersecretary of State in the Ministry of the State Treasury from April to November 2016. He managed a portfolio of companies with State Treasury ownership and state legal entities. He worked on reforming supervision over State Treasury companies. An expert and a management board member of Fundacja Republikańska (Republican Foundation) from 2007 to 2016. As a representative of the minister responsible for financial institutions he was also a member of the Polish Financial Supervision Authority.

He was a partner and a management board member of MMR Consulting sp. z o.o., as well as a partner in the tax consultant office GWW Tax from 2007 to 2016. He worked in the Arthur Andersen and Ernst & Young consultancy companies from 2000 to 2006. He managed interdisciplinary consultant projects for Polish and international companies from the industrial and financial sector.

Author and co-author of numerous publications on taxes and social security.

ADAM BUGAJCZUK – VICE PRESIDENT OF THE MANAGEMENT BOARD (DEVELOPMENT)

(fulfilling his duties for a continuous period from 24 August 2018)



The Vice President of the Management Board (Development) is responsible for:

- advancement of the Company's R&D policy;
- advancement of the Company's innovation and intellectual property protection policy;
- coordination of the Company's investments and development projects;
- the development, updating and monitoring of execution of the Company's consolidated equity investments portfolio;
- shaping of the Company's portfolio of development projects;
- initiation, development and implementation of management standards in the process of managing projects and portfolios;
- acquisition and development of the mining resources base in Poland;
- management of real estate;
- overseeing the Company's administrative services;
- development of the mining structure;
- development of the production lines;
- coordination of the purchasing processes in the Group.

Graduate of the Wrocław University of Economics, Faculty of Economics, Management and Tourism. He completed an Executive MBA – Business Trends program at WSB University in Wrocław.

Involved with PKO Bank Polski S.A. from January 2011, where he served as a manager and director. Among others, he was responsible for supervision over the execution of investment projects and optimisation of business processes, as well the preparation of development plans and improvements in supervised areas. Co-responsible for execution of cost optimisation under the bank's business strategy.

Supported the process of business expansion of PKO Bank Polski S.A. Responsible for the implementation of procurement policy in the Group's companies.

He was employed from 2002 to 2010 in the company Bank Zachodni WBK S.A., where he cooperated in the implementation of investment projects. He was also responsible for the optimisation of and supervision over the realisation of network contracts.

He has extensive experience in the areas of standardisation and normalisation of business processes.

MAREK PIETRZAK – VICE PRESIDENT OF THE MANAGEMENT BOARD (CORPORATE AFFAIRS)

(appointed as of 26 October 2021)



The Vice President of the Management Board (Corporate Affairs) is responsible for:

- corporate supervision standards;
- overall corporate oversight over the Group's subsidiaries in Poland and abroad;
- activities related to creating, updating and maintaining the uniformity of the organisation's internal regulations to maintain consistent operating principles;
- ensuring legal services to the statutory bodies of the Company with regard to the Supervisory Board of the Company;
- ensuring legal services to the Company, with the exclusion of the scope assigned to the President of the Management Board;
- on the Founder's behalf – supervision of the functioning of the KGHM Polish Copper Foundation as well as other organisations serving the public, which support achievement of the Group's business goals.

Until October 2021 he served as President of the Management Board of Orlen Asphalt Sp. z o.o. Currently, he serves as Chairman of the Supervisory Board of Polskie Radio Regionalna Rozgłośnia w Warszawie, Radio dla Ciebie S.A. and as a member of the Supervisory Board of Alior Bank S.A. From December 2016 until October 2021 he served as a Member of the Supervisory Board of KGHM Polska Miedź S.A.

A graduate of the Department of Law and Administration of Łazarski University in Warsaw and the Department of Economics of 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.

MAREK ŚWIDER – VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION)

(appointed as at 15 March 2022)



The Vice President of the Management Board (Production), is responsible for:

- the integrated planning and optimisation of the Company's current production;
- occupational health and safety and control of environmental risks;
- activities with respect to maintaining the readiness of the production and non-production assets and achievement of the main goals of the Energy Strategy;
- activities with respect to manufacturing products and the development of mine and metallurgical production;
- overseeing activities connected with the implementation, maintenance and improvement of management systems in the Company;
- integrated supply chain management.

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.

BIOGRAMS OF MEMBERS OF THE SUPERVISORY BOARD

AGNIESZKA WINNIK-KALEMBA – CHAIRWOMAN OF THE SUPERVISORY BOARD

(Member of the Supervisory Board of KGHM Polska Miedź S.A. since 2016)

Attorney, graduate of the Department of Law of Wrocław University. Also a graduate of the faculty of Public Administration at Georgetown University in Washington D.C.; and of the faculty of Public Administration and Business Law at the University of Kentucky.

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

Since 2003 owner of a Law Office. In the years 2006 - 2010 served as an advisor and regular associate of the late Member of Parliament Aleksandra Natalii-Świat. In the years 1999 - 2003 gained experience as an apprentice attorney-at-law at Kazimierz Cyrklewicz'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. Also gained experience as Legal Assistant in the Law Offices of Bowles, Keating, Matuszewich & 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. Since 2021 again a Member of the Supervisory Board of PKO Bank Polski S.A.

KATARZYNA KRUPA – DEPUTY CHAIRWOMAN OF THE SUPERVISORY BOARD

(Member of the Supervisory Board of KGHM Polska Miedź S.A. since 2021)

Graduate of the Faculty of Management at the University of Warsaw. Employee of the Ministry of State Assets, where she supervises 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 of capital companies. She was a member among others in supervisory boards of companies: Zakłady Azotowe Puławy S.A., Kopex S.A., Warmińsko-Mazurska Specjalna Strefa Ekonomiczna S.A.

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

She is a member of the Supervisory Board of the company Pol-Mot Holding S.A. in restructurisation with its registered head office in Warsaw.

JAROSŁAW JANAS – SECRETARY OF THE SUPERVISORY BOARD

(Member of the Supervisory Board of KGHM Polska Miedź S.A. since 2018)

An attorney with a doctorate in law from Wrocław. From 2009 to 2010 he researched British public healthcare at the University of Exeter School of Law (UK), resulting in a doctorate, "Prywatyzacja brytyjskiego sektora publicznego na przykładzie National Health Service" ("Privatisation of the British public sector, illustrated by the National Health Service"). An entrepreneur continuously from 1999, an academic teacher, member of the management board of Fundacja Sancta Familia (Sancta Familia Foundation) in Wrocław since 2005, Chairman of the Estate Council of Biskupin-Sępólno-Bartoszewice-Dąbie in the years 2009-2013, a volunteer in Ilford Park Polish Home (UK) 2009-2010, member of the Wrocławska Rada ds. Budżetu Obywatelskiego (Wrocław Citizen's Budget Council) in the years 2015-2017, member of the Supervisory Board of Polska Agencja Inwestycji i Handlu S.A. (State Treasury) from 2016 to 2018, and an expert in healthcare reform, since 2020 Member of the Council of Narodowy Fundusz Zdrowia (National Health Fund). In the years 2011-2019 he was an author of research papers on British law, privatisation of the public sector, judicial control of public administration and healthcare law. He has more than twenty years of experience in management.

JÓZEF CZYCZERSKI

(Member of the Supervisory Board of KGHM Polska Miedź S.A. since 2012)

Secondary technical education. Since 1979 employed in the Rudna mine of KGHM Polska Miedź S.A., an underground electromechanic. Chairman of the National Section of Copper Ore Mining of NSZZ Solidarność. Employee-elected member of the Supervisory Board of KGHM Polska Miedź S.A. in the years 1999-2011, and then from 2014.

ROBERT KALETA

(Member of the Supervisory Board of KGHM Polska Miedź S.A. since 2021)

Graduate of the Faculty of Law and Administration at the University of Warsaw.

Since July 2019 has served as President of the Management Board of the company Energa Operator Wykonawstwo Elektroenergetyczne sp. z o.o. with its registered head office in Słupsk, which carries out construction projects involving the development and maintenance of power distribution networks. He acquired professional experience in management positions in economic entities and with respect to ownership supervision. Since 1995 through his own business he has provided consulting services for a variety of companies in the public and private sector in many industries, including transportation, construction and related to education.

As Vice President of the Management Board of the Foundation "Universitatis Varsoviensis" since 1996 he has been responsible for advancing a variety of cultural, educational and charitable initiatives and promoting economic patriotism.

He also gained many years of experience in ownership supervision by serving among others on Supervisory Boards: Przedsiębiorstwo Budowy Kopalń Pebeka S.A., KGHM ZANAM S.A., Trade Trans Karya sp. z o.o. and Wytwórnia Lin Stalowo-Gumowych SAG sp. z o.o.

ANDRZEJ KISIELEWICZ

(Member of the Supervisory Board of KGHM Polska Miedź S.A. since 2018)

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

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

BARTOSZ PIECHOTA

(Member of the Supervisory Board of KGHM Polska Miedź S.A. since 2018)

Bartosz Piechota is an advocate, a graduate of the Faculty of Law and Administration at the University of Warsaw and Cardiff University Law School (Diploma in Legal Studies), as well as IESE Business School Barcelona (Advanced Management Program, AMP). He also graduated from the School of American Law run by the University of Florida Levin College of Law and the Warsaw University. He has many years of experience in providing legal advice to the largest Polish and foreign enterprises. He is identified by international rankings including Legal500 2019 and 2020 as a leading lawyer, in particular in dispute resolution and restructuring/insolvency. He has advised, for instance, on a number of key infrastructure investments and numerous restructuring proceedings. He was a founding partner of a leading dispute resolution and restructuring law firm in Poland. He previously worked in international and Polish law firms, including Allen & Overy and Wardyński & Partners.

From 2014 to 2016, he was the „Liaison Officer” of the International Bar Association’s Restructuring and Insolvency Section responsible for the Central and Eastern Europe area. He was a member of the International Bar Association as well as author of publications and speaker at international and national conferences. Since August 2019, he has been Vice President of the Management Board of the Polish Aviation Group.

From 2016 to 2019, he was a member of the Supervisory Board of PLL LOT S.A., and from October 2018 to July 2019, he served, by delegation, as a member of the Management Board of PLL LOT S.A. He has worked as an expert with the Republican Foundation for many years.

Bartosz Piechota was appointed as a member having knowledge and skills in accounting resulting from his education (among others, graduation from IESE Business School within the Advanced Management Program (AMP) experience and professional practice - performing the function of a member of the management board in commercial law companies, including the one responsible for the finance area, performing the function of a member of supervisory boards, including the function of a member of audit committees of supervisory boards, consulting in restructuring processes and performing the function of a chairman of creditors’ councils in restructuring proceedings.

BOGUSŁAW SZAREK

(Member of the Supervisory Board of KGHM Polska Miedź S.A. since 2012)

Secondary technical education.

Since 1982 employed at the Sieroszowice Mine of KGHM Polska Miedź S.A. in the position: mining machinery and tools mechanic.

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

Mine. Following the merger of the Polkowice and Sieroszowice mines, since 1996 Chairman of the Plant Committee of the trade union NSZZ „Solidarność” in the Polkowice-Sieroszowice mine. Since 2012 an employee-elected Member of the Supervisory Board of KGHM Polska Miedź S.A.

Deputy Chairman of the National Section of Copper Ore Mining of NSZZ „Solidarność”. Treasurer of the Board of the Secretary Office for Mining and Energy of the trade union NSZZ „Solidarność”. Member of the National Committee of the trade union NSZZ „Solidarność”.

PRZEMYSŁAW DAROWSKI

(Member of the Supervisory Board of KGHM Polska Miedź S.A. since 2020)

He has higher technical education. Started his professional career in 1997 as a locksmith, thereafter as a Specialist of railway rolling stock at Pol-Miedź Trans Sp. z o.o. From 2003, he was the Head of the Planning and Settlement of Renovations Department and Renovations Control, subsequently the Manager of the Railway Operations Department in Głogów. Since 2006, Senior Specialist/ Commissioner of the Carriage Maintenance Department. He cooperated with Legnica Municipality, on behalf of which the Complex of Technical and Comprehensive School of Henryk Pobożny in Legnica is run, in the field of conducting trainings and examinations for train drivers and candidates for train drivers.

Former member of railway commissions at Pol-Miedź Trans that investigate railway accidents and incidents. In addition, in 2017-2019, he held an office of a Social Labour Inspector.

Currently, Chairman of the Intercompany Committee of NSSZ „Solidarność” in Pol-Miedź Trans. Member of the National Section of Copper Ore Mining of NSSZ „Solidarność”. Member of the Board of the Copper Basin Region of NSSZ „Solidarność”.

CHANGES IN THE PARENT ENTITY’S BODIES

MANAGEMENT BOARD OF THE COMPANY

In accordance with the Statutes of KGHM Polska Miedź S.A. the members of the Management Board are appointed and dismissed by the Supervisory Board. The composition of the 10th-term Management Board of KGHM Polska Miedź S.A. as at 1 January 2021 was as follows:

- 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),
- Katarzyna Kreczmańska-Gigol Vice President of the Management Board (Finance),
- Radosław Stach Vice President of the Management Board (Production).

On 23 March 2021 the Supervisory Board of KGHM Polska Miedź S.A. having the intention to synchronize the term of office and the mandate of the Management Board, as well as after conducting the qualification proceedings for the positions of individual Members of the 11th-term Management Board, adopted resolutions on dismissing, as of 15 April 2021, all of the members of the 10th-term Management Board of KGHM Polska Miedź S.A., and then on the appointment, as of 16 April 2021, to the 11th-term Management Board of KGHM Polska Miedź S.A.:

- Marcin Chludziński, assigning him the function of the President of the Management Board,
- Andrzej Kensbok, assigning him the function of the Vice President of the Management Board (Finance),
- Adam Bugajczuk, assigning him the function of the Vice President of the Management Board (Development),

- Paweł Gruza, assigning him the function of the Vice President of the Management Board (International Assets).

On 14 May 2021 the Supervisory Board of the Company, following the qualification proceedings for the function of Vice President of the Management Board (Production), on 15 May 2021 adopted a resolution on appointing Dariusz Świdorski to the Management Board of KGHM Polska Miedź S.A, assigning him the function of Vice President of the 11th-term Management Board (Production).

On 25 October 2021 the Supervisory Board of the Company, following the qualification proceedings for the function of Vice President of the Management Board (Corporate Affairs), on 26 October 2021 adopted a resolution on appointing Marek Pietrzak to the Management Board of KGHM Polska Miedź S.A, assigning him the function of Vice President of the 11th-term Management Board (Corporate Affairs).

The composition of the 11th-term Management Board of KGHM Polska Miedź S.A. from 26 October 2021 was as follows:

- 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 Świdorski Vice President of the Management Board (Production),
- Marek Pietrzak Vice President of the Management Board (Corporate Affairs).

On 21 February 2022 the Supervisory Board of KGHM Polska Miedź S.A. dismissed Dariusz Świdorski, serving in the function of Vice President of the Management Board (Production), from the composition of the Management Board of KGHM Polska Miedź S.A., at the same time initiating qualification proceedings aimed at verifying and assessing the qualifications of the candidates and appointing the best candidate to the function of Vice President of the Management Board (Production) of KGHM Polska Miedź S.A.

On 22 February 2022 the Supervisory Board of KGHM Polska Miedź S.A. assigned the temporary function of fulfilling the duties of Vice President of the

Management Board (Production) to Marek Pietrzak until the conclusion of qualification proceedings for this function.

On 14 March 2022, the Supervisory Board of the Company, following the qualification proceedings for the position of Vice President of the Management Board (Production), adopted a resolution on appointing Marek Świder as of 15 March 2022 to the Management Board of KGHM Polska Miedź S.A., granting him the function of Vice President of the 11th term Management Board (Production) of KGHM Polska Miedź S.A.

The composition of the 11th-term Management Board of KGHM Polska Miedź S.A. from 15 March 2022 was as follows:

- 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),
- Marek Pietrzak Vice President of the Management Board (Corporate Affairs),
- Marek Świder Vice President of the Management Board (Production).

SUPERVISORY BOARD OF THE COMPANY

In accordance with the Statutes of the Company the members of the Supervisory Board are appointed and dismissed by the General Meeting.

As at 1 January 2021, the composition of the 10th-term Supervisory Board of KGHM Polska Miedź S.A. was as follows:

- Andrzej Kisielewicz Chairman
- Katarzyna Lewandowska Deputy Chairwoman
- Jarosław Janas Secretary
- Bartosz Piechota
- Marek Pietrzak
- Agnieszka Winnik-Kalemba

And elected by employees:

- Józef Czyczerski
- Bogusław Szarek
- Przemysław Darowski

On 20 April 2021 the Company received a letter from Katarzyna Lewandowska concerning her resignation from serving in the function of Member of the Supervisory Board of KGHM Polska Miedź S.A. as of 20 April 2021.

On 6 July 2021 the General Meeting appointed Robert Kaleta and Katarzyna Krupa to the Supervisory Board.

On 16 August 2021 Andrzej Kisielewicz submitted his resignation from the function of Chairman of the Supervisory Board, effective immediately. On the same day, the Supervisory Board adopted a resolution concerning the appointment of Agnieszka Winnik-Kalemba as Chairwoman of the Supervisory Board of KGHM Polska Miedź S.A.

On 23 August 2021 the Supervisory Board adopted a resolution regarding the appointment of Marek Pietrzak as Deputy Chairman of the Supervisory Board of KGHM Polska Miedź S.A.

On 25 October 2021 the Company received a letter from Marek Pietrzak announcing his resignation from the function of Member of the Supervisory Board, effective immediately.

On 20 December 2021 the Supervisory Board adopted a resolution regarding the appointment of Katarzyna Krupa as Deputy Chairwoman of the Supervisory Board of KGHM Polska Miedź S.A.

From 20 December 2021 the composition of the Supervisory Board was as follows:

- Agnieszka Winnik-Kalemba Chairwoman
- Katarzyna Krupa Deputy Chairwoman
- Jarosław Janas Secretary
- Andrzej Kisielewicz
- Bartosz Piechota
- Robert Kaleta

And elected by employees:

- Józef Czyczerski
- Bogusław Szarek
- Przemysław Darowski

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

INFORMATION ON REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD OF 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.

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 - a 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 is for the President of the Management Board fifteen times, and for Vice Presidents of the Management Board fourteen times 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 for the time during which the subject of a given contract is performed (with the provision that the contract was performed for a period longer than three months).

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 2021.

The Management Goals under which the variable remuneration for the financial year of the Company may be received are the following:

- application of the principles of remunerating members of management and supervisory bodies, pursuant to the act dated 9 June 2016 on the terms of setting the remuneration of individuals managing certain companies, in all of the Group's companies;
- execution of the duties described in art. 17-20, art. 22 and art. 23 of the act dated 16 December 2016 on the principles of state assets management.

The Supervisory Board also established additional management goals for individual members of the Management Board according to the areas of competence assigned to them, including:

- business measures (KPIs)
 - adjusted EBITDA of KGHM and KGHM INTERNATIONAL LTD.,
 - volume of electrolytic copper production from own concentrate;
 - CI cost of KGHM Polska Miedź S.A.;
 - Net debt/EBITDA ratio for the KGHM Polska Miedź S.A. Group;
 - LTIFR;
- other management goals related to the implementation of key strategic projects, such as:
 - efficiency increase of the KGHM Polska Miedź S.A. Group subsidiaries,
 - Climate Policy of KGHM Polska Miedź S.A.,
 - review and update of the strategy in the context of changes in the macroeconomic and legislative environment,
 - ensuring long-term financial stability,

- implementation of the Integrated Financial Management System at the Head Office, Divisions and in selected companies of the KGHM Group,
- preparation and implementation of the Research Agenda,
- development of the Core Production Line,
- increasing the efficiency of the KGHM Polska Miedź S.A. Group through innovative activities,
- optimization of procurement processes at KGHM Polska Miedź S.A.,
- implementation of systemic external services management,
- implementation of measures to maintain mining production at the level of 440 thousand tonnes of copper in ore,
- realisation of Sierra Gorda's planned ore processing,

- realisation of copper production plans by international assets,
- Sierra Gorda financing,
- preparation of a Long-Term Plan for Ensuring an Optimal Portfolio of Purchased Metal-bearing Material Inputs ensuring the production level assumed in the Strategy of KGHM Polska Miedź S.A.

Payment of variable remuneration is made following the submission by individual members of the Management Board of reports on the achievement of the KPIs and goals. Payment of the variable part is contingent on the achievement by a manager of the 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 2021

First, last name	Position	Potentially-due variable remuneration (PLN thousand)
Marcin Chludziński	Member of the Management Board - President of the Management Board	1,018.0
Andrzej Kensbok	Member of the Management Board - Vice President of the Management Board	673.0
Adam Bugajczuk	Member of the Management Board - Vice President of the Management Board	950.1
Dariusz Świdorski	Member of the Management Board - Vice President of the Management Board	599.1
Paweł Gruza	Member of the Management Board - Vice President of the Management Board	950.1
Marek Pietrzak	Member of the Management Board - Vice President of the Management Board	0.0
Katarzyna Kreczmańska-Gigol	Member of the Management Board - Vice President of the Management Board	277.1
Radosław Stach	Member of the Management Board - Vice President of the Management Board	277.1
Total		4,744.5

Members of the Management Board may join the Employee Pension Program under the terms of the existing Collective Agreement, with the proviso that the amount of the monthly contribution under this Program is included in the amount of the fixed remuneration for the given period.

From 2020, by a decision of the Supervisory Board, it is permissible for the cost of a Management Board Member's life insurance policy, under the group life insurance policies in place in the Company, including in the case of death, accident or illness, to be covered by the Company. The scope of this insurance is analogous to that provided to management staff, the sole difference being that in the case of the selection by a particular Management Board Member of life insurance with a so-called equity insurance fund (ubezpieczeniowy fundusz kapitałowy), that portion of the contribution under this option will not be financed by the Company.

The management services contracts also regulate issues involving the application (utilisation) of all of the Company's resources (tools) required to carry out the contractual duties and to maintain the requirements of security in terms of collecting and transmitting data, including in particular:

- office space together with technical equipment and infrastructure, including a personal computer with wireless Internet access and other necessary equipment, means of communication, including a mobile phone;
- 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);
- participation in conferences, seminars or business meetings related to the Company's operations and, if necessary to carry out these obligations, business trips in Poland and abroad;
- the incurring by the Company of costs related to services performed outside of the Head Office which must be incurred to properly perform the services, in particular such as travel costs and accommodation in a standard appropriate to the function performed;
- use of a company car for business purposes;
- civil liability insurance for the Management Board Member related to serving in the function; and

- 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.

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 6 months. If a Member of the Management

Board breaches the aforementioned contract, he or she will be required to pay a contractual penalty in the amount of the entire compensation received. Payment of

the contractual penalty does not deprive the Company of the right to seek compensation in an amount exceeding that amount under general rules.

INFORMATION ON REMUNERATION OF SUPERVISORY BOARD MEMBERS

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 Companies and Partnerships Code, the Company also covers or reimburses costs related to participation in the work of the Supervisory Board.

Detailed information on the amount of remuneration and other benefits for Supervisory Board and Management Board members may be found in note 12.9 of the separate and consolidated financial statement and will be presented in „Report on the remuneration of members of the Management Board and Supervisory Board KGHM Polska Miedź S.A. for 2021”.

INFORMATION ON THE ADOPTED AND APPLIED REMUNERATION SYSTEM FOR KEY MANAGERS

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 a system of business measures and individual goals; the system is based on collective and individual KPIs and goals, the basis of which are the key performance indicators of the Management Board and goals resulting from the Company's strategy,

- additional benefits, such as life insurance, the Employee Pension Program, a Health Care Package,
- a company car
- a 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 (if the contract was in force for at least 6 months).

PENSION OBLIGATIONS AND RELATED BENEFITS IN RESPECT OF FORMER MANAGEMENT AND SUPERVISORY STAFF

KGHM Polska Miedź S.A. has no pension obligations or related benefits in respect of former management and supervisory staff or liabilities drawn in respect of such pensions.

CORPORATE GOVERNANCE STATEMENT

KGHM Polska Miedź S.A., whose shares are listed on the Warsaw Stock Exchange, in the period from 1 January 2021 to 30 June 2021 was compliant with the corporate governance principles described in the document „Best Practice for GPW Listed Companies 2016”, which was adopted by the Warsaw Stock Exchange Supervisory Board on 13 October 2015 (this document is available on the official website of the Warsaw Stock Exchange at <https://www.gpw.pl/best-practice-archives> and in the archives of KGHM Polska Miedź S.A.'s corporate website of at <https://kghm.com/en/investors/corporate-governance>).

On 29 March 2021, the Supervisory Board of the Warsaw Stock Exchange via a Resolution No 13/1834/2021 adopted the document „Best Practice for GPW Listed Companies 2021” (hereafter “Best Practices”), in force from 1 July 2021. The content

of the principles is available on the website of the Warsaw Stock Exchange devoted to this subject <https://www.gpw.pl/best-practice2021>, as well as on the corporate website of KGHM Polska Miedź S.A. in the corporate governance section <https://kghm.com/en/investors/corporate-governance>. Due to the above, a number of measures were taken to adjust KGHM Polska Miedź S.A. to the current trends in the area of corporate governance and market expectations, expressed in the content of the new Best Practices. KGHM Polska Miedź S.A. strives at every stage of its operations to apply the principles contained in the „Best Practices”, taking into account the principles of proportionality and adequacy to the greatest possible extent. In accordance with the published statement on the Company's compliance with the principles contained in the „Best Practices”, the following principle does not apply to the Company:

Principle

Explanation

Principle 3.7 which states that principles 3.4 to 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.

(see principles 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.

Principle 3.5. - persons responsible for risk and compliance management report directly to the president or other member of the management board.

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).

This principle is not applicable to the Company. The Company has not appointed persons to perform the tasks specified in principles 3.4-3.6. in entities of the Group, but has appointed persons in Group entities who serve as risk coordinators and report directly to persons responsible for risk management and compliance in the Parent Entity (i.e. in the Company). Moreover, in 2022, following completion of the development of an IT tool for the compliance function, it is expected that compliance coordinators will be appointed in these companies. The Company will also consider, in respect of group companies, the development of a structure which would meet the criteria of principles 3.4.-3.6. in terms of the risk management and compliance function. In Group entities the audit function is fulfilled by the Internal Audit Department of the Parent Entity (the Company).

In accordance with the published statement on the Company's compliance with the principles contained in the „Best Practices”, the following principles are not applied:

Principle

Explanation

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

The principle is partially applied. The Company includes ESG and environmental themes in its business strategy, and is fully conscious of its impact on its surroundings and on the need for the Company to develop in compliance with the principles of sustainable development. The Company regularly reports on risk analysis, emissions (scope 1, 2 and, since July 2021, scope 3), energy usage, water intake and many other GRI indicators in the non-financial and integrated reports published by the Company. At present KGHM is developing more detailed solutions in terms of developing plans and strategic goals as regards climate, among others in the form of a Climate Policy which will include emissions reduction targets, yardsticks and emissions scopes and scenario analyses, as well as detailed descriptions of the risks and opportunities related with climate change.

Principle 1.3.2 on integration of ESG factors in the business strategy, including 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 planned 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 according to which a company publishes on their website information concerning the framework of the ESG strategy that should explain how the decision-making processes of the company and its group members integrate climate change, including the resulting risks.

At present the Company is developing more detailed solutions in terms of developing plans and strategic goals as regards climate change, among others in the form of a Climate Policy. This work includes, among others, detailed descriptions of the risks and opportunities related to climate change as well as the modelling of decision-making processes in the Company and Group entities in terms of questions related to climate change. The completion of this work will enable the appropriate information to be provided on the website.

Principle 2.1. which states that 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%.

The principle is partially applied. 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 management and supervisory bodies is presented further in this Corporate Governance Statement.

Principle 2.2. according to which persons taking 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.

The principle is partially applied. 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 management and supervisory bodies is presented further in this Corporate Governance Statement.

Principle 2.11.6. according to which, in addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the annual general meeting once per year, includes the 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 due to a lack of a Diversity Policy (see the explanation regarding the non-application of principle 2.1.)

Principle 3.3. 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.

The principle is partially applied. 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.

Principle 3.4. 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.

The principle is partially applied. 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.

Principle 3.5. which states that persons responsible for risk and compliance management report directly to the president or other member of the management board.

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.

Principle 4.1. according to which a company should enable their shareholders to participate in a general meeting by means of electronic communication (e-meeting) if justified by the expectations of shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed.

The principle is not applied at present. In the Company’s opinion, introduction of the possibility of participation in general meetings using electronic means of communication may carry risks of a legal and technical nature leading to interference with the efficient conduct of General Meetings, and as a result to the possible questioning of any resolutions adopted. In the Company’s opinion, the principle of participation in the general meetings of KGHM Polska Miedź S.A. enables all shareholders to exercise the rights attached to owning the shares and protects the interests of all shareholders. The Company’s Statutes do not restrict the participation of shareholders in general meetings in terms of the use of electronic means of communication, and the Company is able to ensure the requisite technical infrastructure to conduct such general meetings. The Company will consider the implementation of the principle if the technical and legal aspect no longer raise any doubts, and when such introduction will be justified by a real need for this form of communication with shareholders. Since 2016 KGHM Polska Miedź S.A. has been providing real-time streaming webcasts of its General Meetings.

Principle 4.8. according to which draft resolutions of the general meeting on matters put on the agenda of the general meeting should be tabled by shareholders no later than three days before the general meeting.

The Company applies the Commercial Companies and Partnerships Code in this regard. In the Company's opinion, this principle restricts the rights of shareholders to propose items for the agenda during general meetings.

Principle 4.9.1. which states that the candidates for members of the supervisory board should be nominated with a notice necessary for shareholders present at the general meeting to make an informed decision and in any case no later than three days before the general meeting; the names of candidates and all related documents should be immediately published on the company's website.

Years of practical experience by the Company have shown that proposals of a shareholder (pursuant to the shareholder's rights arising from the Commercial Companies and Partnerships Code) of candidates to the Supervisory Board usually occur during the course of a General Meeting, i.e. in breach of principle 4.9.1. In the Company's opinion, despite the fact that such announcements are made during the course of a General Meeting, candidates are assessed with due consideration, based on complete materials regarding the given candidate.

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.

MAIN CHARACTERISTICS OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS AS APPLIED BY THE COMPANY IN THE PROCESS OF PREPARING SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

To ensure reliability and accuracy as well as compliance with general laws in force and internal regulations, the process of preparing the separate and consolidated financial statements is subject to internal audit and risk management systems, comprised of the following:

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

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.

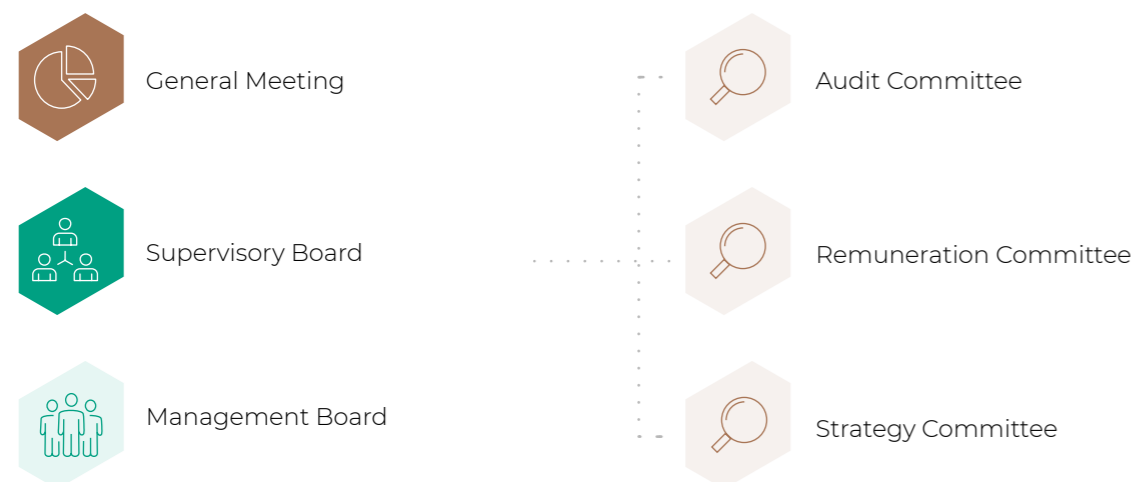
Control over the accounting policies applied in the process of preparing the financial statements of KGHM Polska Miedź S.A. and of the Group subsidiaries is based on the control mechanisms embedded in the functioning of the reporting systems.

The reporting packets of subsidiaries are also reviewed by appropriate services in the Parent Entity.

Centralised financial and accounting services

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 Centre 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.

CORPORATE GOVERNANCE STRUCTURE IN KGHM POLSKA MIEDŹ S.A.



Finance and accounting systems

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.

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.

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:

- the Workflow system of electronic document settlement and approval,
- the system for transmitting data between the system in the Parent Entity and IT systems in Group companies, and
- customer settlement based on e-invoices for procurement and sales.

Corporate risk management

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 KGHM Polska Miedź S.A. Group. Risk factors associated with the Group's various operations are continuously identified, assessed and analysed in terms of their possible limitation.

The Corporate Risk and Compliance Management Department 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.

These activities also comprise risk management with respect to the process of preparing the consolidated financial statements of the Group.

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").

Detailed information regarding the risk management system applied in the KGHM Polska Miedź S.A. Group is presented in section 12 of this report.

Internal audit

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.

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.

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.

External audit

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.

The appropriate entity to audit the financial statements of KGHM Polska Miedź S.A. for the years 2019-2021 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 consolidated financial statements.

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.

Supervision over the process of financial reporting

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:

- 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,
- monitors the effectiveness of internal control systems, internal audit and risk management,
- monitors the independence of the certified auditor and of the entity entitled to audit financial statements, and
- conducts the process of selecting the entity entitled to audit financial statements of the Parent Entity to provide a recommendation to the Supervisory Board.

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.



GENERAL MEETING

The General Meeting (GM) 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". A General Meeting is convened by the Company's Management Board. In situations defined by the Commercial Companies and Partnerships Code, General Meetings may be convened by the Supervisory Board or by shareholders. The Statutes of KGHM Polska Miedź S.A. also authorise the Polish State Treasury to convene a General Meeting. The General Meeting of the Company 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. The principles for conducting a General Meeting are set forth by the Commercial Companies and Partnerships Code and the Company's Statutes. 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 GM on 17 May 2010, which are available on the Company's website, www.kghm.com.

The duties of the General Meeting include in particular:

- examining and approving the report of the Management Board on the Company's activity and the financial statements, including the financial statements of the Group, for the past financial year,
- adopting resolutions on the distribution 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
- 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.

The introduction of changes to the Company Statutes requires a resolution by the General Meeting and an entry in the register of entrepreneurs of the National Court Register. Changes in the Company Statutes are made by the General Meeting in accordance with generally prevailing laws, in the manner and form prescribed by the Commercial Companies and Partnerships Code, i.e. by a majority three-fourths of the votes cast in the presence of persons representing at least half of the share capital.

Amongst the regulations of the Commercial Companies and Partnerships 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 Company

SHAREHOLDERS AND THEIR RIGHTS

Detailed information on the ownership structure is presented in Section 11 of this report.

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. All shares are bearer shares. Each share represents one vote.

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.

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.

A shareholder is entitled in particular to the following:

- to convene an Extraordinary General Meeting if the said shareholder represents at least half of the share capital or has been authorised by a court of registration and represents at least one-twentieth of the share capital,
- to announce draft resolutions and their justification during a General Meeting which are in regard to matters introduced to the agenda,
- in accordance with the Statutes, 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 be removed or not considered,
- to order the inclusion of specified matters on the agenda of the next General Meeting, if the shareholder or shareholders represent at least one-twentieth of the share capital.



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. According to the Statutes of the Company, the Supervisory Board is composed of 7 to 10 members appointed by the General Meeting, 3 of whom are elected by the Company's employees. The Members of the Supervisory Board are appointed for a mutual term in the office, which lasts three years. The Supervisory Board selects from among its members a Chairman of the Supervisory Board, his Deputy and, if needed, a Secretary. The Supervisory Board should meet at least once a quarter. For resolutions of the Supervisory Board to be valid all of the members of the Supervisory Board must be invited to attend and resolutions must be adopted by an absolute majority of votes in the presence of at least one-half of the members. Voting shall be open unless otherwise provided for by law or if any member of the Supervisory Board requests a secret ballot. The duties of the Supervisory Board include in particular the following:

- 1) evaluation of the separate and consolidated financial statements and the report of the Management Board on the Company's activities for the financial year,
- 2) evaluation of the Management Board's proposals for the distribution of profit or coverage of losses,
- 3) report annually in writing to the General Meeting on the results of the evaluations referred to in points 1 i 2,
- 4) submitting annual proposals to the General Meeting to discharge the members of the Board of Directors for the performance of their duties in the financial year,
- 5) examination and control of the Company's activities and financial status, and submission to the General Meeting of a concise assessment of the Company's situation on an annual basis,
- 6) selecting a certified auditor to audit the accounts referred to in point 1,
- 7) determining the number of members of the Management Board for a given term of office,
- 8) appointment and dismissal of Management Board Members, subject to the provisions of Clause

- 12 of the Company's Statutes,
- 9) suspending individual or all Members of the Management Board for important reasons,
- 10) delegating a Member or Members of the Board to temporarily perform the duties of Members of the Company's Management Board who are unable to perform their duties,
- 11) fixing remuneration for members of the Management Board and other terms and conditions of their agreements or contracts,
- 12) approval of the Regulations of the Company's Management Board,
- 13) approval of the Company's annual and multi-annual business plans, including the Company Strategy and the annual budget,
- 14) giving its opinion on the Board's proposals to the General Meeting,
- 15) at the request of the Management Board giving its consent to:
 - a) acquisition and disposal of real estate, perpetual usufruct or share in real estate (no resolution of the General Meeting is required in this respect),
 - b) granting of sureties and loans to business entities in which the Company holds less than 1/3 of the votes from shares or stocks at the General Meetings / Shareholders' Meetings of such entities,
 - c) formation of and participation in commercial companies,
 - d) disposal of shares in the Company's subsidiaries,
 - e) establishment abroad of departments, companies, representative offices and other business units or entities,
 - f) subscription for or acquisition of shares in another Company,
 - g) establishment and winding-up of foundations,
 - h) entering into contracts for legal services, marketing services, public relations and

social communication services and management consulting services, if the total remuneration for the services provided exceeds the net amount of PLN 500,000, on an annual basis,

- i) entering into an amendment to a contract for legal services, marketing services, public relations and communication services and management consulting services, which increases the remuneration above the amount referred to in point (h),
 - j) entering into contracts for legal services, marketing services, public relations and communication services and management consulting services where no maximum remuneration is provided for,
 - k) entering into a donation or another similar agreement with a value exceeding PLN 20,000 or 0.1% of the total assets within the meaning of the Accounting Act of 29 September 1994, as determined on the basis of the last approved financial statements,
 - l) entering into a debt waiver or another similar agreement with a value exceeding PLN 50,000 or 0.1% of the total assets within the meaning of the Accounting Act of 29 September 1994, as determined on the basis of the last approved financial statements.
- 16) defining the manner of exercising voting rights by the representative of KGHM Polska Miedź S.A. at the General Meeting of companies with respect to which the Company is a dominant enterprise within the meaning of Article 4 (3) of the Act of 16 February 2007 on Competition and Consumer Protection on the following matters:
- a) incorporation by the company of another company;
 - b) amendments to the company's Memorandum or Articles of Association and objects of business;
 - c) merger, transformation, division, dissolution and liquidation of the company;
 - d) increase or reduction of the company's share capital;
 - e) sale and lease of the company's undertaking or its organised part and the creation of a limited right in rem thereon;
 - f) redemption of shares;
 - g) determination of remuneration of members of the Management Board and the Supervisory Board;
 - h) provisions concerning claims for damage

caused by the formation of the company or by its management or supervision;

i) in the matters referred to in Article 17 of the Act of 16 December 2016, on the principles of state property management, subject to § 34 (4) of the Statutes.

17) expressing opinions on the Company's investments in fixed assets that meet one of the conditions:

- a) an investment with a value exceeding 10% of the Company's fixed asset capital expenditure budget for the financial year,
- b) an investment of more than 5% of the Company's capital expenditure budget in fixed assets for a given financial year, if the investment does not meet the criterion of planned efficiency in comparison with the Company's assumed rate of

18) giving an opinion on reports drawn up by the Management Board on representation expenses, expenses for legal services, marketing services, public relations and communication services and management consulting services,

19) giving its opinion on the principles of sponsorship activities and assessing the effectiveness of the Company's sponsorship activities,

20) giving an opinion on the change in the rules for disposing of fixed assets, as laid down in §331 of the Statutes,

21) approving the remuneration policy for the Group,

22) acceptance of a uniform text of the Company Statutes, prepared by the Management Board,

23) drawing up and submitting to the Ordinary General Meeting for approval the annual report on the activities of the Supervisory Board,

24) examining the assessment, submitted to the Supervisory Board, of the effectiveness of the internal control, risk management and compliance systems, as well as the internal audit function and the Management Board's report in this regard.

The Supervisory Board operates on the basis of generally prevailing law, the Statutes of the Company and the Bylaws of the Supervisory Board. The Bylaws and Statutes of the Company are available on the Company's website www.kghm.com.

THE COMPOSITION OF THE SUPERVISORY BOARD IN 2021 WAS AS FOLLOWS:

	1 January – 20 April	20 April – 6 July	6 July – 16 August	16 August – 25 October	25 October – 31 December
Agnieszka Winnik-Kalemba	▪	▪	▪	▪ (Chairwoman)	▪ (Chairwoman)
Bartosz Piechota	▪	▪	▪	▪	▪
Marek Pietrzak	▪	▪	▪	▪	▪
Bogusław Szarek ¹⁾	▪	▪	▪	▪	▪
Jarosław Janas	▪	▪	▪	▪	▪
Józef Czyczerski ¹⁾	▪	▪	▪	▪	▪
Andrzej Kisielewicz	▪ (Chairman)	▪ (Chairman)	▪ (Chairman)	▪	▪
Katarzyna Lewandowska	▪				
Przemysław Darowski ¹⁾	▪	▪	▪	▪	▪
Robert Kaleta			▪	▪	▪
Katarzyna Krupa			▪	▪	▪

¹⁾ elected by Employees

As of 31 December 2021 the Members of the Supervisory Board of KGHM Polska Miedź S.A.: Andrzej Kisielewicz, Jarosław Janas, Agnieszka Winnik – Kalemba and Robert Kaleta submitted declarations on meeting independence criteria,

specified 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 Best Practices).

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.

AUDIT COMMITTEE

THE COMPOSITION OF THE AUDIT COMMITTEE IN 2021:

	1 January – 20 April	20 April – 23 August	23 August - 25 October	25 October - 20 December	20 December - 31 December
Agnieszka Winnik-Kalemba	▪ (Chairwoman)	▪ (Chairwoman)	▪	▪	▪
Bartosz Piechota	▪	▪	▪	▪	▪
Marek Pietrzak	▪	▪	▪ (Chairman)		
Bogusław Szarek	▪	▪	▪	▪	▪
Jarosław Janas	▪	▪	▪	▪	▪ (Chairman)
Katarzyna Lewandowska	▪				
Przemysław Darowski	▪	▪	▪	▪	▪
Robert Kaleta			▪	▪	▪
Katarzyna Krupa			▪	▪	▪

In accordance with the Bylaws of the Supervisory Board the tasks of the Audit Committee are as follows:

- 1) monitoring of:
 - a) the financial reporting process,
 - b) the effectiveness of internal control systems and risk management systems, compliance monitoring as well as internal auditing, including financial reporting,
 - c) the conduct of financial review, in particular the conduct of audits by the auditor, reflecting all of the conclusions and recommendations of the Polish Audit Supervision Agency arising from audits conducted in the auditing firm,
- 2) conducting reviews of transactions carried out by the Company, which the Audit Committee considers as significant for the Company,
- 3) 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,
- 4) analysis of the conclusions and recommendations of the Company's internal audit from monitoring the degree of implementation of recommendations made by the Company's Management Board,
- 5) auditing and monitoring the independence of the certified auditor and the auditing firm, in particular if the auditing firm provides services to the Company apart from auditing,
- 6) informing the Supervisory Board of audit results and explaining to what degree such audits have resulted in the transparency of financial reporting in the Company, and also the role of the Audit Committee in this process,
- 7) assessing the independence of the certified auditor and expressing consent for the certified auditor to provide permitted non-auditing services in the Company,
- 8) developing a policy to select the auditing firm for conducting audits,
- 9) 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,
- 10) setting forth the Company's procedures for selecting an auditing firm,

11) presenting the Supervisory Board with the recommendations referred to in art. 16 section 2 of Decree No. 537/2014 (i.e. recommendations regarding the appointment of a certified auditor or auditing firms), in accordance with the Policies in points 8 and 9 above,

12) submitting recommendations aimed at ensuring the transparency of the Company's financial reporting process,

13) making a recommendation to the Supervisory Board on the appointment of an independent auditor to review the internal audit function,

14) other tasks ordered by the Supervisory Board.

Members of the Audit Committee that met the criteria for independence as defined by art. 129 sec. 3 of the Act dated 11 May 2017 on certified auditors, auditing firms and public oversight:

- Agnieszka Winnik-Kalemba, Bartosz Piechota and Jarosław Janas serving in the functions from 1 January 2021 to 31 December 2021,
- Marek Pietrzak serving in the function from 1 January 2021 to 25 October 2021,
- Robert Kaleta serving in the function from 23 August 2021 to 31 December 2021.

The qualifications of the 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 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.

In the period from 1 January 2021 to 25 October 2021 Marek Pietrzak was selected as a member possessing qualifications in the field of accounting or the auditing of financial statements, resulting from his education (among others the title of legal adviser and Executive Master of Business Administration and completion of post-graduate studies in accounting and corporate finance at the SGH Warsaw School of Economics), experience and professional practice (among others supervision and management of commercial law companies).

In the period from 25 October 2021 to 31 December 2021 Bartosz Piechota was selected as a member possessing knowledge and skills in accounting resulting from his

education (among others, graduation from IESE Business School within the Advanced Management Program (AMP) experience and professional practice - performing the function of a member of the management board in commercial law companies, including the one responsible for the area of finance, performing the function of a member of supervisory boards, including the function of a member of audit committees of supervisory boards, consulting in restructuring processes and performing the function of a chairman of creditors' committees in restructuring proceedings.

REMUNERATION COMMITTEE

COMPOSITION OF THE REMUNERATION COMMITTEE IN 2021:

	1 January – 20 April	20 April – 23 August	23 August – 25 October	25 October – 31 December
Józef Czyczerski	▪	▪	▪	▪
Marek Pietrzak	▪	▪	▪	▪
Bogusław Szarek	▪	▪	▪	▪
Andrzej Kisielewicz	▪ (Chairman)	▪ (Chairman)	▪ (Chairman)	▪ (Chairman)
Jarosław Janas	▪	▪	▪	▪
Katarzyna Lewandowska	▪	▪	▪	▪
Przemysław Darowski	▪	▪	▪	▪
Katarzyna Krupa			▪	▪
Agnieszka Winnik - Kalemba			▪	▪
Bartosz Piechota			▪	▪

In accordance with the Bylaws of the Supervisory Board the tasks of the Remuneration Committee are as follows:

- 1) 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,
- 2) the preparation of draft contracts/agreements and other sample documents related to the establishment of an employment relationship with Members of the Management Board and oversight of the execution of the contractual obligations by the parties,
- 3) oversight of the execution of the Management Board remuneration system, in particular the

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 KGHM Polska Miedź S.A. Supervisory Board elected by employees.

In 2021 there were 11 meetings of the Audit Committee.

- preparation of settlement documents with respect to variable/exchangeable bonus elements of the remuneration in order to submit recommendations to the Supervisory Board on the remuneration of Members of the Management Board and Supervisory Board,
- 4) 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,
 - 5) 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, such as insurance, company cars, housing, etc.,
 - 6) other tasks ordered by the Supervisory Board.

STRATEGY COMMITTEE

COMPOSITION OF THE STRATEGY COMMITTEE IN 2021:

	1 January – 20 April	20 April – 23 August	23 August – 25 October	25 October – 31 December
Józef Czyczerski	▪	▪	▪	▪
Marek Pietrzak	▪	▪	▪	▪
Bogusław Szarek	▪	▪	▪	▪
Bartosz Piechota	▪ (Chairman)	▪ (Chairman)	▪ (Chairman)	▪ (Chairman)
Agnieszka Winnik-Kalemba	▪	▪	▪	▪
Katarzyna Lewandowska	▪			
Przemysław Darowski	▪	▪	▪	▪
Robert Kaleta			▪	▪

In accordance with the Bylaws of the Supervisory Board the tasks of the Strategy Committee are as follows:

- 1) 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,
- 2) 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,
- 3) 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,
- 4) 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,

5) 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,

6) other tasks ordered by the Supervisory Board.

The detailed rights, scope of activities and manner of work of these Committees are described by bylaws approved by the Supervisory Board. After the end of the year the Audit, Remuneration and Strategy Committees submit reports on their activities to the Supervisory Board.



MANAGEMENT BOARD

The duties of the Management Board include all matters pertaining to the functioning of the Company which have not been reserved by the Commercial Companies and Partnerships Code and the Statutes of the Company to the duties of the General Meeting and the Supervisory Board. A detailed description of the Management Board's scope of duties and obligations and the manner in which it functions may be found in the Bylaws of the Management Board.

According to the Statutes of KGHM Polska Miedź S.A., the Company's Management Board may be composed of 1 to 7 persons, appointed for a mutual term of office. The term of office of the Management Board lasts three consecutive years. The number of members of the Management Board is set by the Supervisory Board, 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 Member of the Management Board, with due regard being given to sec. 5 and sections 7 to 12 of Statutes concerning the appointment or recall of an employee-elected member of the Management Board. The members of the Management Board, including any such chosen by the employees, may be recalled by the Supervisory Board prior to the expiration of their term, which in no way shall 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 result of elections of an employee-elected member of the Management Board, or the result of voting for their recalling, shall be binding upon the Supervisory Board, as long as in the said voting for either their appointment or recalling at least 50% of the Company's employees have participated. The election and recall of an employee-elected member of the Management Board requires an absolute majority of the votes cast.

The Management Board operates based on generally prevailing law, the Statutes of the Company and the Bylaws of the Management Board of KGHM Polska Miedź S.A. For resolutions of the Management Board to be valid at least two-thirds of the members of the Management Board must be present. Resolutions of the Management Board are approved by a simple majority of the votes cast. In the case of a tie vote being cast either for or against a given resolution,

the President of the Management Board casts the deciding vote. Resolutions of the Management Board shall be adopted in open voting unless otherwise provided for by law or if any member of the Management Board requests a secret ballot.

A detailed list of the matters requiring a resolution of the Management Board is included in the Bylaws of the Management Board of KGHM Polska Miedź S.A. approved by the Supervisory Board.

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 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. 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 Companies and Partnerships Code.

The delegation of duties of the Management Board is presented in Section 17 of this report. In 2021 there were following changes in the Management Board and the composition of the Management Board:

- On 23 March 2021 the Supervisory Board of the Company, having the intention to synchronize the term of office and the mandate, adopted resolutions on dismissing, as of 15 April 2021, of all members of the 10th-term Management Board of KGHM Polska Miedź S.A., listed as follows:
 - Marcin Chludziński (President of the Management Board of KGHM Polska Miedź S.A. appointed as of 6 July 2018),
 - Adam Bugajczuk (Vice President of the Management Board (Development) appointed as of 24 August 2018),
 - Paweł Gruza (Vice President of the Management Board (International Assets) appointed as of 10 September 2018),

- Katarzyna Kreczmańska-Gigol (Vice President of the Management Board (Finance) appointed as of 6 July 2018),
- Radosław Stach (Vice President of the Management Board (Production) appointed as of 6 July 2018).
- on 23 March 2021 the Supervisory Board of the Company adopted resolutions on the appointment, as of 16 April 2021, to the 11th-term Management Board of KGHM Polska Miedź S.A., the following Members of the Management Board:
 - Marcin Chludziński (President of the Management Board of KGHM Polska Miedź S.A.),
 - 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)).
- on 14 May 2021 the Supervisory Board of the Company adopted a resolution on the appointment of Dariusz Świdorski as of 15 May 2021, as Vice President of the Management Board (Production) of KGHM Polska Miedź S.A.,

- on 25 October 2021 the Supervisory Board of the Company adopted a resolution on the appointment of Marek Pietrzak as of 26 October 2021, as Vice President of the Management Board (Corporate Affairs) of KGHM Polska Miedź S.A.,
- on 21 February 2022 the Supervisory Board of the Company adopted a resolution on dismissal of Dariusz Świdorski serving in the function of Vice President of the Management Board (Production) of KGHM Polska Miedź S.A.,
- on 22 February 2022 the Supervisory Board of the Company adopted a resolution on temporary assignment of duties of Vice President of the Management Board (Production) to Marek Pietrzak until the settlement of qualification proceedings for the function of Vice President of the Management Board (Production),
- On 14 March 2022, the Supervisory Board of the Company, following the qualification proceedings for the position of Vice President of the Management Board (Production), adopted a resolution on appointing Marek Świder as of 15 March 2022 to the Management Board of KGHM Polska Miedź S.A., granting him the function of Vice President of the 11th term Management Board (Production) of KGHM Polska Miedź S.A.

AUDIT FIRM AUDITING THE FINANCIAL STATEMENTS

Permitted non-auditing services were provided to the Company by the firm auditing its financial statements. 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.

In 2021 the Company implemented an updated 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) and an updated 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).

Main tenets of the Selection Policy:

- 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,

- 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 for the years 2019-2021 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.



GRI 103-1 GRI 103-2 GRI 103-3

DIVERSITY POLICY APPLIED TO THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES OF THE COMPANY

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, 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 individual 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 Management Board of KGHM Polska Miedź S.A. The management and supervisory board members are diverse in terms of gender, age and experience:

STRUCTURE OF DIVERSITY AMONGST MANAGEMENT AND SUPERVISORY BOARD MEMBERS OF THE COMPANY AS AT 31 DECEMBER 2021

Structure of gender diversity	Women		Men	
Supervisory Board of KGHM Polska Miedź S.A.	2		7	
Management Board of KGHM Polska Miedź S.A.	-		6	

Structure of age diversity	<40 years	40-50 years	51-60 years	>60 years
	Supervisory Board of KGHM Polska Miedź S.A.	-	4	2
Management Board of KGHM Polska Miedź S.A.	-	4	2	-

Employment in KGHM Polska Miedź S.A.	<5 years	5-10 years	11-20 years	>20 years
	Supervisory Board of KGHM Polska Miedź S.A.	6	1	-
Management Board of KGHM Polska Miedź S.A.	4	1	-	1

Chapter 4

Employees and society

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Human capital



During its 60 years of history, KGHM Polska Miedź S.A. has acquired experience, knowledge and skills that have enabled the Company to transform its business from a local miner 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. We are aware of the importance of building and maintaining relations with employees, identifying talents and educating the personnel, which is key for further growth of the KGHM Group. The KGHM Group sets itself apart through its commitment to the development, safety, health, satisfaction and well-being of its employees.

– Magdalena Wróbel
Executive Director of Human Resources Management

A human-centered business but united with and respecting the local environment where they reside and work, in terms of climate and society, based on orderliness and sustainable activity with other elements making up the world order.

In the KGHM Group, an employee is the most valuable capital KGHM Polska Miedź S.A. builds its business potential and competitive advantage by strengthening the value of a human being as the human factor without which the company's operation would have no chance of success. A human being has always been in the centre of KGHM's business. Climate change and economic changes in the world have shown an even greater need to respect the natural environment, the social factor at a regional and global scale and economic elements which shape the world order to the same degree.

KGHM Polska Miedź S.A. recognizes, respects and observes human rights - including employee rights. The Company conducts its operations in accordance with the UN's Universal Declaration of Human Rights. The KGHM Declaration on Human Rights Protection defines our approach to human rights protection. Employee dignity and personal rights are subject to absolute protection, and any mutual relations are based on respect thereof. KGHM is a global company operating across the world's markets and it applies standards of work

and employee relations as stipulated by local law, as well as by international institutions, such as the International Labour Organization (ILO) or UN Global Compact. Regulations and policies take account of the interests of employees and mutual relationships, based on best practice, irrespective of the jurisdiction, in which the Company conducts its operations.

KGHM applies impartial and fair criteria of employee assessment, being guided by knowledge, professional skills, social skills and the quality of work. 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.

GRI 102-8

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 our 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.

EMPLOYMENT

Employment in KGHM Polska Miedź S.A. and the KGHM Group in 2021 was as follows:



18,519 persons

Employment in the company



34,286 persons

Employment in the Group

In 2021, employment in KGHM Polska Miedź S.A. was at a level slightly higher than in the previous year. The headcount at the end of 2021 amounted to 18,601 people, and was 0.4% higher than at the end of the prior year. Average annual employment in KGHM Polska Miedź S.A. amounted to 18,519. The table below presents a breakdown of headcount by the Company's segments:

AVERAGE EMPLOYMENT IN KGHM POLSKA MIEDŹ S.A.

	2021	2020	Change (%)
Mines	12,453	12,430	+0.2
Metallurgical plants	3,607	3,604	+0.1
Other divisions	2,459	2,406	+2.2
KGHM Polska Miedź S.A.	18,519	18,440	+0.4



The increased headcount was mainly caused by:

- increasing need for qualified employees in order to develop and implement application and infrastructural projects for the entire Group (among others the KGHM 4.0 Program, implementation of the ECM/BPM platform, implementation of the Integration platform, the SKD CCTV System and the Printing System),
- increased need for qualified employees in order to continue development of the Żelazny Most Tailings Storage Facility, as well as development of the circular economy concept in the Company.

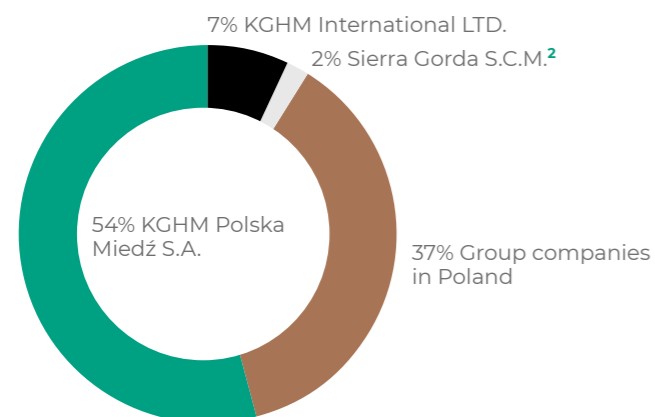
AVERAGE EMPLOYMENT IN KGHM POLSKA MIEDŹ S.A. GROUP

In 2021, 34,286 people were employed on average in the Group, or an increase by 0.5% compared to the prior year. The employment structure is shown in the following table and chart:

	2021	2020	Change (%)
KGHM Polska Miedź S.A.	18,519	18,440	+0.4
KGHM INTERNATIONAL LTD.	2,236	2,006	+11.5
Sierra Gorda S.C.M. ¹	785	789	(0.5)
Group companies in Poland	12,737	12,872	(1.0)
Other Group companies	9	9	-
Total	34,286	34,116	+0.5

^{1/} Sierra Gorda S.C.M. – employment proportional to share in the company (55%)

EMPLOYMENT STRUCTURE IN KGHM POLSKA MIEDŹ S.A. GROUP IN 2021



^{1/} Sierra Gorda S.C.M. – employment proportional to share in the company (55%)

In 2021, average employment in the companies of the KGHM Polska Miedź S.A. Group in Poland decreased as compared to 2020 by 135 positions (or by 1%). This change was mainly in respect of blue-collar positions and was due to matching employment to the production tasks advanced. In 2021, average employment in the international companies of the KGHM Polska Miedź S.A. Group increased as compared to 2020 by 226 positions (or by 8.1%). The increase in employment was mainly in the companies operating under the DMC brand due to their involvement in the advancement of new projects in Canada and Chile.



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Response to demographic trends

In response to ongoing and projected demographic changes and the labour market consequences ensuing from them, KGHM has prepared and implemented a program entitled “Competent in the mining and metallurgical sector. KGHM as a key partner in vocational education”

This program targeting pupils in trade schools should prepare workers in occupations that are currently disappearing from the labour market but that are important to ensure the effective operation of the organization. Having regard for demographic determinants and changes to the system of education, the Polish market is no longer seeing incoming specialists in selected technical fields (e.g. electromechanical engineers, mechatronic engineers, electricians), making these professions more and more competitive.

Through cooperation with schools providing training in niche vocations the Competent in the Industry Program is supposed to prevent gaps from appearing in the future when it comes to hiring people to fill technical positions. The pupils in the classes under KGHM’s patronage can count on many benefits. During vocational internships held in the Company’s divisions, young people get to know the work establishment with which they would possibly like to be affiliated. In school they perfect practical skills in workshops outfitted with equipment by KGHM. Additionally, the pupils have the possibility of participating in workshops to improve their soft skills, educational games and lessons to become familiar with different vocations. A scientific scholarship is awarded to the best pupils. A detailed summary of the Program in 2021 can be found below in this section - HR PROJECTS

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 view of the international operations of the KGHM Polska Miedź S.A. Group, a policy of international mobility has been adopted as the basis for action in conformity with the due diligence procedure. In order to unify the principles of the international delegation of employees and to improve the efficiency of the mobility process, on 27 April 2020 an updated version of the Policy of International Mobility

in the KGHM Polska Miedź S.A. Group was introduced. Also adopted for implementation was the Procedure for Advancing the Policy of International Mobility in the KGHM Polska Miedź S.A. Group. 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. The policy not only satisfies the local requirement for personnel, but also develops the employee’s professional potential, which increases the Company’s competitive edge. In 2021, the international mobility process covered 11 employees of the KGHM Polska Miedź S.A. Group.

In 2021, the companies in Poland continued projects implemented in the previous years, among others a project comprising all of the companies in Poland, i.e. the e-Rekrutacja system. In addition, each company advanced its own HR projects. Those involved areas such as enhancing professional skills and qualifications and improving productivity, alongside the utilization of motivational tools. In connection with the challenges associated with the acquisition of employees, cooperation was launched with external institutions: vocational schools and employment offices. Agreements were also concluded with institutions of higher education, which allowed for execution of joint research & development projects, among others, organization of workshops, training courses, lectures and industry panel discussions. POL-MIEDŹ TRANS Sp. z o.o. in Lubin took actions aimed at establishing a Centre for Training and Examination of Train Drivers and Train Driver Candidates. On 7 May 2021, the Company was entered into the Register of Training and Examination Centres maintained by the President of the Office of Rail Transport. The centre was entered under the number PL/54/2021. The Company provides professional and financial support to the schools and centres of learning providing training in railway-related professions. The support provided to these schools is aimed at developing professional training for the railway sector and a staff of qualified employees for the Company in the future.

In connection with the regulations, recommendations and restrictions introduced by the Polish government regarding the state of the SARS-CoV-2 epidemic and since it was necessary to ensure safety and continuity of work, the companies introduced internal orders defining, among others, work organization, including rules of remote working, and other regulations arising from the needs driven by the state of epidemic. They focused mainly on the creation of safe work conditions and protection of employees from infection.

In 2021, the following HR projects were advanced in the companies of the KGHM INTERNATIONAL LTD. Group in Canada and the USA:

Assets in the Sudbury Basin in Canada:

- A cycle of training workshops for leaders of production assets and HR teams in the field of communication, conflict management and employee well-being,
- preparation of a staff succession plan for key management functions in the mines, covering the following processes: identification of key leadership roles in the organisation, creation of competency profiles of leaders, determination of potential of employees and assessment of their development needs, talent development plans and monitoring of their accomplishment progress.

Robinson and Carlota mines in the USA:

- Deployment of a modern recruitment platform and automation of the candidate selection process,
- Training program dedicated to 75 representatives of the management staff, delivered in cooperation with the University of Nevada, Reno Extended Studies,
- Update of descriptions of jobs in mines: adaptation to organizational needs and current market trends,

- An employee appreciation program supporting leaders in developing a culture of employee engagement appreciation in the organization,
- Audit of the employee training process and of the process of legalizing non-American employment in the USA.

KGHM International Ltd. in Canada:

Relocation of certain functions from KGHM International Ltd. to the KGHM Polska Miedź S.A. Head Office and other business units of the KGHM INTERNATIONAL Ltd. Group.

Sierra Gorda S.C.M.

- Introduction of new work systems: 14x14 and 8x6, and renewal of permit for 4x3 and 7x7 work systems, approval of new jobs for work in special conditions,
- Introduction of a diversity and integration policy,
- Introduction of a new competency model based on production successes,
- Transformation of HR processes into the online form,
- Introduction of a remote work system for administrative jobs,
- Construction of new social facilities for mine employees,
- Deployment of web applications for: an employee transport request system, workwear requesting system, COVID-19 information campaigns, online surveys and polls, module concerning employee well-being for the purpose of easing the quarantine of employees and their families,
- Implementation of a campaign and projects related to the COVID-19 pandemic as regards employee safety, information about the pandemic situation, preventative measures, information for external companies on the current pandemic situation in the company and existing procedures,

Working conditions and employee development



Best practice

KGHM Polska Miedź S.A. attaches enormous importance not only to production-related matters, it is also raising the standards of corporate culture to an ever higher level. Creating an environment free of any and all manifestations of discrimination is one of the constituent elements of these efforts. High standards are applicable to managing the business on an everyday basis. This means that workers are evaluated on the basis of their job performance, not on their gender, age, nationality or ethnic origin, for instance.

One of the elements of KGHM's HR policy is gender equality in terms of access to jobs. This is a deliberate strategy to hire the best candidates. KGHM provides all people, men and women alike, identical conditions of professional development, opportunities to raise their qualifications and, above all, the very same career promotion path is open to all workers.

In its divisions in Poland KGHM employs more than 18 thousand people, with women forming a group numbering more than 1300 (7% of the staff). This stems from the distinct nature of the mining and metallurgical industry. Considering the challenging work conditions calling for extensive physical strength, historically men were chiefly hired. That is not just a Polish feature. The same situation is present in copper sector businesses and in the overall mining and metallurgical industry around the world.

Historically, there was a ban against employing women underground in mines in Poland since 1975, and this stemmed directly from the labour code. A more flexible approach has been in place only since Poland joined the European Union in 2004. This contributed to creating possibilities of educating women in mining vocations and their overall career path in this industry.

Every year KGHM invests in innovation and implementing modern technologies thanks to which one can realistically think about ratcheting up the hiring of women in production divisions. Women in KGHM work for instance in engineering positions and research units, and women are frequently encountered at the mine bottom where, for instance, they run production processes, tend to the security of raw materials extraction and conduct geological and investment work.

Today there is no shortage of examples of women holding high positions in KGHM's hierarchy in Poland and abroad. The head of the Robinson mine in the US is Amanda Hilton, and Beata Chorągwicka-Majstrowicz is responsible for human resources in the Sierra Gorda mine in Chile. In Poland, the central directors for accounting services, communication and HR management are Agnieszka Siniar, Lidia Marcinkowska-Bartkowiak and Magdalena Wróbel. And they have gained international recognition. In 2018 Kamilla Słowikowska, a specialist in metallurgical technology in KGHM was recognized for her contribution to the development and education of young technical and engineering cadre in the publication entitled "Women in Mining". At the time, that was the first case in which the global mining industry distinguished a woman from Poland.

KGHM Polska Miedź does not impose any employment-related obstacles on women and offers excellent conditions to develop their professional qualifications.

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WORK REGULATIONS AT KGHM POLSKA MIEDŹ S.A.

KGHM Polska Miedź S.A. has in place Work Regulations which define the organization and management of the labour process as well as the related rights and obligations of the employer and employees. The regulations 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.

Competent in the mining and metallurgical sector. KGHM – a key partner in professional education

Competent in the Mining and Metallurgical Sector. KGHM – a key partner in professional education is a Program under which, since 2018, KGHM supports education in professions which, according to the announcement of the Ministry of Education and Science of 27 January 2021, are the most important for Lower Silesia and which are also of key significance for our organization. The Program covers 9 schools from such towns as: Legnica, Bolesławiec, Lubin, Chojnów, Polkowice and Głogów. In 58 classes educating in such professions as: underground mining technician, electrical technician, electrician, mechatronic technician, operator of composite machines and processing devices, there are over 1900 students who can have practical training within the education in the Divisions of KGHM Polska Miedź S.A. Our patronage classes are attended by both boys and girls. This year, we were pleased to welcome over 400 first-graders with small gifts.

Since the program started, i.e. 2018:

- educational grants were paid to the best students in the amount of PLN 441,500.00,
- funds were transferred to purchase additional equipment and furnishing for school workshops and classrooms for teaching professional subjects in the amount of PLN 579,188.45,
- 179 graduates were employed in Divisions of KGHM Polska Miedź S.A., where they can continue their professional development.

In school year 2021/2022:

- 250 students are receiving practical professional education in 9 Divisions of KGHM Polska Miedź S.A.
- a conference was organized under the slogan “Everything starts from a Master!” for Instructors of Practical Professional Education and Teachers of Professional Subjects from schools covered by the Program – a total of over 150 people, normally working in a different work environment, for which the common denominator is a STUDENT.
- work started to develop Principles of Best Practice to come into force in KGHM Polska Miedź S.A. – continuation of activities in 2022.

HR PROJECTS

KGHM Polska Miedź S.A.

KGHM as a global company gives a unique opportunity to persons who want to gain access to state-of-the art technologies and equipment. They can do so by participating in the work of specialist project teams. Working in such a team is also a perfect opportunity to share knowledge and experience within the company. Below, there is a list of HR projects completed in KGHM Polska Miedź S.A. in 2021:

Newsletter for Leaders

A project performed in cooperation with the Communication Department. The period of pandemic created the need for strong support for team leaders by providing them with tools allowing them to help employees go through the hard times. The major target group consists of lower-level executives from the manufacturing area. The newsletter responds to questions that arise among the staff about the current situation in the Company and is a development guide which shows in a nutshell directions of activities in the area of specific tools, suggests professional literature, publications to study topics in depth individually. Up-to-date knowledge of the Company and the ability to develop the necessary leadership skills are an essential component of leadership competence, especially in the situation of intensive changes and turbulent times. The electronic form makes it possible to reach all the readers at the same time and to use the information provided at a time suitable to them.

Information hotline for employees and a mailbox @Pytania HR (@Questions HR)

An initiative responding to an urgent need of all the Company’s employees and their families to get information about the situation at KGHM. The hotline was started when the pandemic situation was first announced in Poland, i.e. in March 2020, and it provides the opportunity to contact the employer to get information on procedures introduced in the Company to keep the employees safe and to ensure production continuity. The activity turned out to be particularly important when the hotline was first launched, giving employees the chance to present their fears and suggestions of safeguards to restrict the spreading of the COVID-19 virus among the staff and their families.

LinkedIn – #Rzecznictwo pracowników KGHM - #KGHM Lovers

#Rzecznictwo pracowników KGHM - #KGHM Lovers is a project initiated in 2021, aiming to develop Employer Advocacy competencies and build the employer’s image in the social media by promoting the personal brands of KGHM employees and managers.

Digitalisation of HR processes

In 2021, while increasing effectiveness of HR activities, the following processes were digitized: handling electronic workstation work cards, performance management, secondments (foreign and local trips, eKariera (e-Career) system and development of the eRekrutacja (eRecruitment) system). In 2021, two further modules were added to the already existing eRekrutacja (eRecruitment) module: staże (probationary period employment) and prace dyplomowe (graduate theses).

eDelegacje Application

In 2021, the eDelegacje application was developed – at the end of the year, two functionalities were embedded in the production environment – handling foreign trips and the “local rides” process. Users have been trained on the operation of the application. The development of the application allows for increasing the effectiveness of handling the process and makes it possible to manage the area by accessing current data.

POLISH COMPANIES OF THE KGHM POLSKA MIEDŹ S.A. GROUP

Engagement research

In 2021, for the first time in KGHM research was carried out on engagement at the scale of the entire Head Office and Company Divisions. The strategic partner of the research was the University of Warsaw. 54.9% of our employees participated.

Implementation of leadership standards „Engaging Leader” in the Divisions of KGHM Polska Miedź S.A.

In 2021, under this initiative, the results of research into focus groups were analysed in terms of key skills to be developed amongst the leadership staff in the Divisions. The result of this analysis was the start-up of development programs individually dedicated for specific managers or groups of managers.

Development Program Executive MBA in Innovation Management

Referring to the idea of building and developing the professional competencies of the managerial staff, KGHM started an Executive MBA in Innovation Management Development Program. It is an original program of the exclusive partner of the world famous business school – IESE Business School.

The program enables its participants to utilise the resources of the largest research laboratory in Silicon Valley in terms of developing and implementing innovations.

Post-graduate studies Copper Leaders

Research into family business responsibilities carried out by KGHM showed how important it is to facilitate employee development. As a result of this research, prestigious post-graduate management studies are organised for mid-level management. This project, called **Post-graduate studies Copper Leaders**, is based on MBA standards and comprehensively discusses the role of the leader in managing change, projects, people and finances.

Giants of KGHM Leader Academy

In October 2021 a pilot program was commenced, dedicated to low-level managers, comprised of developing management skills. Under this Academy the challenge was taken up of dealing with the unstable pandemic situation by learning about the symptoms of depression and emergency aid methods.

Competence Academy 4E

In 2021, actions were continued aimed at the Company’s managers related to operationalisation of the Strategy. This project is a response to the current business situation and is aimed at strengthening leadership skills, which are key from the point of view of future skills. Two editions of the Academy have been conducted, including the first which was conducted on-line. The first subject was #Strength_4E or the main pillars of the Strategy of KGHM and their significance during the pandemic. The second, „Let’s talk about the company”, initiated by engagement research, dealt with subjects related with creating a motivational working environment and the role of the manager in this process.



On-board training program for new employees

In 2020 a watershed process of on-board training commenced, which was continued in 2021. Cyclical training (also online in form) for newly-hired employees is aimed at familiarising them with the company, their rapid integration into the organisation and a smooth transition to accomplishing tasks. During this training the subjects raised are related to the Mission, Vision and Strategy of our Company, the subject of activities and the production process, the rules governing the movement within the organisation, and HR questions.

E-learning language courses

The pandemic year 2021 permanently solidified the foreign language services provided to all of KGHM’s employees and their families. English, German and Spanish courses are offered through dedicated language platforms available at any time and in any place.

Management of career paths and recruitment in KGHM Polska Miedź S.A.

KGHM Polska Miedź S.A. ensures highly-qualified staff through an internal process and external recruitment. Care for the KGHM brand as a first-choice employer for both current as well as potential employees.

In dialogue with the labour market the image of a good employer is strengthened by displaying in job ads the organisational culture based on values and benefits for employees, i.e. the rich packet of benefits for parents, trainings and the possibility to learn foreign languages, subscription medical care, life insurance and the Employee Retirement Program.

KGHM Polska Miedź S.A. Group

Companies in Poland

In 2021, actions were taken in terms of global projects introduced in prior years, comprising all of the Polish companies of KGHM Polska Miedź S.A. Group, including recruitment principles using the e-Rekrutacja system.

In addition, each company advanced its own HR projects. Those involved areas such as enhancing professional abilities and qualifications, skills and improving productivity, alongside the utilization of motivational tools. To address problems associated with acquiring employees, cooperation was launched with external institutions: vocational schools, institutions of higher education and employment offices.

International companies of the KGHM Polska Miedź S.A. Group

KGHM INTERNATIONAL LTD.

In 2021, the following HR projects were advanced in the companies of the KGHM INTERNATIONAL LTD. Group:

in Canada and the USA

Annual assessment and review of findings, including an analysis of wages, STIP and LTIP concerning Canada and the United States,

Support of the HR function in the process of replacing the entity which provides medical services for employees in the USA (Robinson and Carlota mines),

Replacement of the entity providing tax advisory services in employment-related matters.

in Chile

Continuation of the program of professional integration compliance, pursuant to legal requirements in Chile – these laws serve a social function and require companies to employ people with certain disabilities. The company met this requirement with the support of an advisory firm by determining which employees have a certain degree of disability.

MANAGEMENT OF CAREER PATHS AND RECRUITMENT IN KGHM POLSKA MIEDŹ S.A.

KGHM Polska Miedź S.A. ensures highly-qualified staff through an internal process and external recruitment. The company acts in accordance with due diligence rules and it keeps an electronic register of job candidates based on the advertisements published at <https://rekrutacja.kghm.com>. The electronic registration of candidates comprises job vacancies announced by all Divisions of KGHM Polska Miedź S.A. In order to submit an application the candidate should complete the

electronic template containing the necessary personal data and the requirements for the job for which the candidate is applying. Online registration is considered as valid if the application was completed within the set term, after entering by the candidate of all necessary data, confirmed in accordance with the information sent to the candidate by the system. KGHM Polska Miedź S.A. is not liable for any inability to register the application due to Internet failures, server overload, server failures and other cases of this type. Candidates are obligated to express consent to the processing of their personal data contained in the online application for the purposes of recruitment by

KGHM Polska Miedź S.A., in conformity with the Act of 10 May 2018 on Personal Data Protection (Journal of Laws of 2018, item 1000) and the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons in connection with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (GDPR).

The Company ensures full discretion to candidates who submit applications and reserves the right to contact only selected persons. No information within the term set in the job announcement means that the application was not accepted. Candidates whose applications have been accepted are notified separately of the date of their job interview. Candidates who successfully pass their job interview may be, upon the candidate's consent, entered in the Central Base of Candidates. The application is stored in the Central Base of Candidates for a period of 12 months. Changes and updates of the stored application are made on the candidate's request. Personal data collected during electronic recruitment of candidates are used only for these processes and are not made available to third parties. The Candidate's Communication via the <https://rekrutacja.kghm.com> portal is encrypted with SSL protocol with the use of a certificate issued by a trusted certification centre. The electronic recruitment system in KGHM provides for the safety of the candidates' stored data and for compliance with the requirements of the 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: GDPR). The candidate's attempts to obtain access to the server, attacks blocking its functioning, breaking through the security mechanisms, interception, theft or destruction of the data of registered candidates are prohibited. Any such action results in disqualification from the recruitment process.

TRAINING POLICY IN KGHM POLSKA MIEDŹ S.A.

The pace of changes on the labour market in 2021 was greatly and irreversibly affected by the pandemic situation caused by the COVID-19 virus spreading very fast all over the world. In this context, HR departments started to function in a state of constant preparedness. The pandemic surprised all employers and showed clearly the necessity to adapt quickly to sudden and unpredictable changes, accelerated digitalization and automation of management and administrative processes and transformation of on-site training into e-learning courses. The need to adjust to the new conditions, with employee health in mind, made it necessary to introduce remote or hybrid working, increased the skill of agile management and managers' activity, contributed to caring for the employee's well-being, created the need for continuous dialogue with co-workers as well as cooperation and leadership based on empathy and involvement.

KGHM, as a modern and socially responsible organization, adjusted to the current market requirements in an exemplary fashion. KGHM has been successful as a workplace which respects the contribution of factors for variability and diversity management, development of the employee's key competences and careful and efficient coordination of training and development activities.

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 evolving. 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 Company's 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.

In 2021, employees of KGHM were provided with:

- the opportunity to pursue educational programs to develop professional, managerial and specialist skills,
- the possibility of improving their qualifications through co-financing of university education, including:
 - co-financing of MBA studies,
 - doing group postgraduate management studies under the name “Copper Leaders” in cooperation with the University of Warsaw
 - co-financing of individually chosen post-graduate studies,
 - co-financing of higher education.
- 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.

The dynamics of changes in the world in recent years stressed the great role of HR and training services in the Company. It was observed that HR not only provides administrative services to its employees but also, perhaps first of all, collects and analyses data, talks and discusses, supports and suggests career paths as well as responds to challenges of the modern labour market, creating and predicting the future so as to get ahead of other companies on the labour market and prevent them from “taking over” an employee.

TRAINING PROCESSES IN KGHM POLSKA MIEDŹ S.A.

In 2021, 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 or learning Spanish, in accordance with the conducted mining and production activity in the international entities belonging to the Company.

Training processes continued to be standardized and made uniform in all the KGHM Divisions and the Head Office. To a large extent, the transfer of paper documents was reduced by introducing electronic signature authorizing forms, applications and normative acts in the Company. Work was done to automate the entering of hard copy data on acquired and supplemented professional qualifications of employees. The purpose of employee development activities in KGHM in 2021 was to retain and improve human capital and to manage the Company’s intellectual capital taking into account the strategic directions in this process: 4E (Elasticity (flexibility), Efficiency, Ecology - safety and sustainable development, E-industry) as well as its long-term development plans through:

- Securing fulfilment of the requirements defined in regulations by the employees’ participation in periodic training courses on occupational health and safety, courses and examinations entitling to take up jobs in underground mines which require specialist actions as well as other jobs in the Company,
- Improving employee skills by the participation in training courses and other development activities, with particular focus on linguistic, managerial and interpersonal skills, as well as 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.

The employer ensures a high level of training, in particular by aligning the contents of the training courses with the business goals. When planning activities, the Company focuses on ensuring that they fit in the best possible way to the execution of the adopted strategic priorities. Systemic competence development activities are performed by a centralized unit specialized in this area. Development needs are established regularly and constitute the basis for building a training plan and calculation of the resources needed for its performance. These actions are performed on the basis of the procedures existing in the Company and are registered for purposes of internal and external accounting. Both the skills development activity and the utilization of the allocated budget are regularly monitored and the results are reported.

In 2021, the number of employees participating in a single training event was 36,277. Employees were afforded the opportunity to develop their skills through co-funding of the courses of higher study, post-graduate studies and MBA studies. 124 persons benefited from co-funding of their studies in 2021. The development of skills through the co-funding of higher courses of study spanned the following:

1. MBA studies - 18 people,
2. doing group postgraduate management studies under the name “Copper Leaders” in cooperation with the University of Warsaw – 41 people,
3. individual post-graduate studies – 47 people,
4. higher courses of study – 18 people,
5. Implementation Doctorates Program – 31 PhD students from two editions (edition I – 21 participants, edition II – 10 participants). The first defences of PhD students of the first edition have been planned for September-October 2022.

A survey of family responsibility of business performed at KGHM in 2021 showed how important it is to make it possible for employees who feel such a need to grow. The respondents indicated that leadership skills should be developed even at the lowest positions, therefore prestigious post-graduate management studies were organised for middle-level managerial staff. The project was named Post-graduate Studies – Copper Leaders. The project is based on MBA standards, discussing comprehensively the role of leader in managing change, projects, human resources and finance.

Development Program Executive MBA in Innovation Management

Referring to the idea of building and developing the professional competencies of the managerial staff, KGHM started an Executive MBA in Innovation Management Development Program. It is an original program of the exclusive partner of the world famous business school – IESE Business School. The program is taught by outstanding professors of leading business schools in the world based on long-term experience in training managers. The program shows the participant the most recent achievement in the field of management as well as technologies of great importance for business models, now and in the future. The program allows the participants to have access to resources of the biggest research laboratory in the



GRI 403-5

Silicon Valley in the field of innovation development and implementation. Experienced experts will provide advice to the participants about how to prepare and implement innovations at KGHM. The program is a platform for sharing experience for the most important managers in the KGHM Group. The program also supports the decision-making process, due to which it contributes to the achievement of greater benefits for entities from the KGHM Group. In 2021, 27 participants joined the development program.

E-learning language courses

Observing a significant decrease in the attachment of employees to the employer on global markets, KGHM has responded to this trend by offering a wide range of employee benefits, which attach employees to the company by investing in their talent and potential, taking care of their health and financial security, but also allowing their families to take advantage of non-salary benefits, such as free language courses for an additional person named by the employee. Remote participation in the courses brought benefits mostly to employees on blue-collar positions, working within a multi-shift work system.

The pandemic year 2021 permanently solidified the foreign language services provided to all of KGHM's employees and their families. English, German and Spanish courses are offered through dedicated language platforms available at any time and in any place. The greatest number of participants chose English. The offer was extended to include a course of Spanish, which is necessary for tasks with the Group's international assets. The courses are non-salary benefits, fully financed by the employer, contributing to an improvement of the Company's image on the labour market.

E-learning courses

In 2021, online courses were conducted in the Company included training and professional courses as well as courses in the areas defined by internal normative acts. The proposed e-learning training courses are one of the forms of instruction focused on expanding knowledge. A great advantage of e-learning is the possibility of training a large number of people in a short time.

In 2021, 9,469 employees of the Company attended e-learning courses. All the e-learning courses dedicated to the Company's employees include interactive elements to facilitate comprehension and committing the needed information to memory. E-learning training courses provide for an interactive form of learning and contain numerous additional materials, short video clips, case studies and decision-making exercises.

The following e-learning courses were provided:

- Training on ethics:
- Training for employees in managerial jobs (people who manage other people) 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, prevention of irregularities in the company (in particular, corruption, abuse and discrimination) and submitting whistleblower reports concerning irregularities utilizing the channels in place in the company,
- Training on Information Security Policy (Information Security Policy based on the ISO 27000 standard).
- GDPR training,
- Training on recognizing a conflict of interest and preventing it,
- Training in mine rescue for managers and supervisors of underground mines who are not members of rescue teams,
- Periodic OHS training:
 - for employers and individuals supervising employees,
 - for administration and office staff
 - for engineering and technical staff.

The introduction of e-learning training on the Intranet platform made it possible to provide free access to training especially to blue-collar workers who do not have a computer workstation at work. This kind of training aims to make everybody aware what social risks are entailed by the failure to observe ethical principles at work, getting involved in corruption activities, cybersecurity and OHS

GRI 103-1 GRI 103-2 GRI 103-3 GRI 403-1 GRI 403-2 GRI 403-3 GRI 403-6 GRI 403-7 GRI 403-8

threats, corruption, lack of transparency in relationships with clients, irresponsible energy management, failure to comply with Circular Economy or violations of human rights.

TRAINING PROCESSES IN THE KGHM POLSKA MIEDŹ S.A. GROUP

The KGHM Polska Miedź S.A. Group does not have in place a shared Training Policy. Given the international scale of the business, cultural differences and the unique characteristics of the industries, in which the Group operates, each company undertakes many different activities associated with employee training.

OCCUPATIONAL SAFETY

The life and health of employees and workplace safety in general is the chief 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 2021, the Employee Safety Improvement Program „Think About The Consequences” continued as well as the Program to prevent the most common hazards to workplace safety by utilising innovative technology, in accordance with the updated Company Strategy to the year 2023.

The Company applies high OHS standards as demonstrated by the ISO 45001:2018 certificate, both towards its own employees as well as towards those providing services on the grounds of KGHM Polska Miedź S.A. The Occupational Health and Safety Policy of KGHM Polska Miedź S.A. was approved for application by Resolution no. 318/X/2020 adopted by the KGHM Polska Miedź S.A. Management Board of 17 September 2020. All work stations have identified threats. The Company has assessed occupational risks and updates them continually. 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 immediately implements new regulations and legal requirements regarding occupational health and safety.



In 2021, in spite of the high threat caused by the external risk following from the coronavirus pandemic, the Company recorded once again a significant reduction in the number of workplace accidents* measured year over year, from 213 to 165 injured persons (down by 48 accidents). The number of workplace accidents in 2021 in KGHM Polska Miedź S.A., excluding accidents due to natural causes (roof collapses, destressings, tremors, rock falls) was lower by 44 (a decrease from 194 to 150). The vast majority of workplace accidents (around 96.4%) qualified as light injuries, caused mainly by contact (striking) with or by moveable/ immovable objects, loss of balance by employees, as well as the breaking off of pieces of rock from the rockmass.

The mining operations of KGHM Polska Miedź S.A. are associated with natural threats. In particular they arise from the occurrence of mining tremors and their potential impact in the form of roof and wall collapses and de-stressings. These are very important from the safety point of view, 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. The Company for many years has carried out a variety of preventive actions in its mines involving the intentional provoking of roof collapses and rock falls, comprising systematic seismological observations, on-going assessment of the rock mass and the marking off of areas of particular threat of roof collapse. The size, shape and number of

chambers and inter-chamber pillars is selected, as well as the most advantageous direction of mine work advance and the optimum order of ore selection to minimise local concentrations of stress in the rock mass. So-called active methods of preventing uncontrolled roof collapses and rock falls are also applied, based on provoking dynamic events through mass blasting of mining faces and through blasting to release stress in the orebody or its roof.

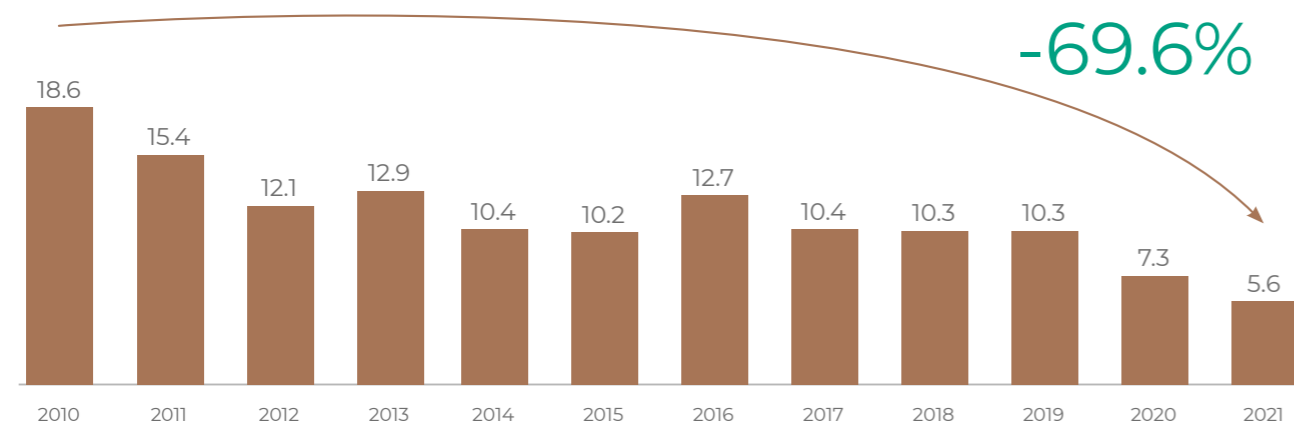
In 2021, in the mines of KGHM Polska Miedź S.A. a total of 15 workplace accidents were recorded, resulting from natural hazards from the rockmass. These incidents represented 12.6% of all workplace accidents in the mines during this period. The Company is continuously improving its safety record in the mining of the copper ore deposit.

The LTIFR_{KGHM} ratio (Lost Time Injury Frequency Rate KGHM) in 2021, which is the total number of workplace accidents* in the Company, which is the number of accidents per million hours worked by KGHM Polska Miedź S.A. employees, was at 5.63 and

at the same time it was 69.6% less than the 2010 figure and 23.0% less than the 2020 figure (7.31). This is the best result to date in the Company's history, one achieved thanks to the attitude and commitment of all of the Company's employees.

LTIFR_{KGHM} IN KGHM POLSKA MIEDŹ S.A.

Changes in the LTIFR_{KGHM} ratio over time are presented in the figure below:



*workplace accident within the meaning of the Act of 30 October 2002 on Social Insurance Against Work Accidents and Occupational Diseases (Journal of Laws 2002 No. 199 Item 1673, as amended).

KGHM INTERNATIONAL LTD. in 2021, despite the continuing difficult conditions imposed by the pandemic, once again recorded its best result in history in terms of occupational health and safety, improving on the result from 2020. In 2021, a total of 11 incidents at work were registered in the mines supervised by KGHM INTERNATIONAL LTD. in Canada and the United States of America compared to 19 registered in 2020, while the TRIR ratio amounted to 1.00.

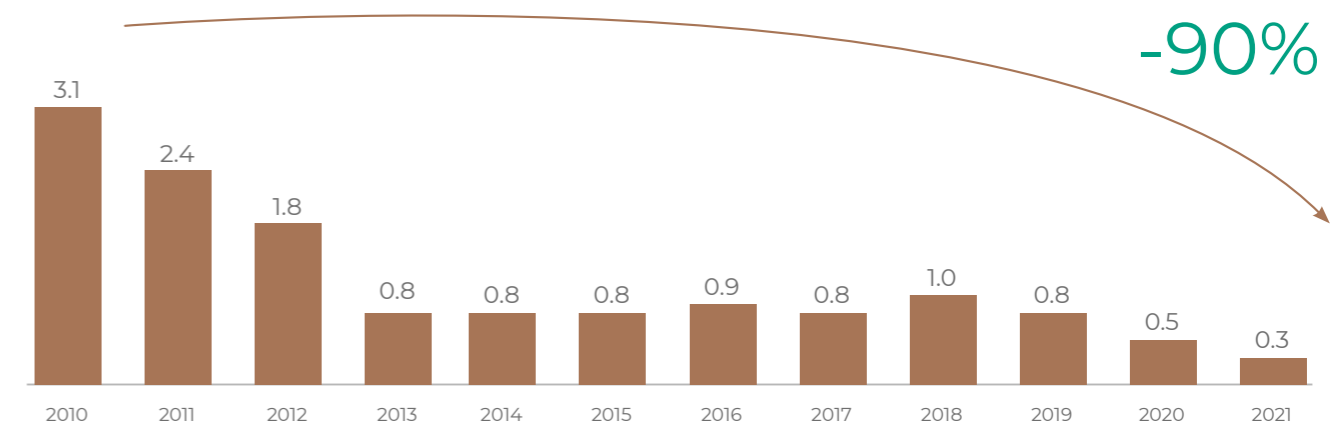
In Chile, KGHM Polska Miedź S.A. conducts mining operations in two entities, which have separate systems of OHS management adapted to the legal requirements and mining conditions in this country. These systems encompass both the employees in these entities as well as sub-contractors, and are aimed at achieving the long-term vision "Zero harm". In KGHM Chile SpA, which oversees the Franke mine, and which also engages in its own exploration and other activities, only a single workplace accident was recorded in 2021 (compared to 4 registered in 2020), with a TRIR ratio of 0.12. In Sierra Gorda SCM (joint venture), nine workplace accidents

were recorded in 2021 (compared to 11 registered in 2020), with a TRIR ratio of 0.20.

In 2021, in the entities in which the KGHM Polska Miedź S.A. Group conducts mining operations in Canada, the United States and Chile, compared to 2020, a total of 13 fewer workplace accidents were registered (a drop from 34 to 21 workplace accidents). The consolidated TRIR ratio (Total Recordable Incident Rate) for these operations reached 0.32.

TRIR IN KGHM INTERNATIONAL LTD.

This was 0.20 lower compared to 2020 and at the same time 90% lower than the level recorded in 2010, which is shown in the chart below:



*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 SCM and sub-contractors for these entities, per 200,000 worked hours.

OHS GOLDEN RULES

THE GOLDEN RULES OF OHS IN EFFECT IN KGHM POLSKA MIEDŹ S.A.

KGHM Polska Miedź S.A. has prepared and applies the Golden Rules of OHS, as presented below:



I think before I act



I come to work rested and sober, and not under the influence of intoxicants



I react when I see unsafe behavior or situations



I maintain harmony and order at my workplace



I use appropriate protective equipment



I work with properly-functioning tools, machinery and equipment



I am aware of the occupational hazards and risks



I think of my family

LABOUR SAFETY COUNCIL OF KGHM POLSKA MIEDŹ S.A.

The Occupational Safety Council in KGHM Polska Miedź S.A. was established on 13 March 2013 at the initiative of the KGHM Polska Miedź Management Board and representatives of trade unions. 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 (20 members), and 20 representatives of social side, i.e. the trade unions operating in KGHM Polska Miedź S.A. which are a party to the Company Collective Bargaining Agreement 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. Because of the epidemic connected with the spread of coronavirus and actions taken by the Company aimed at reducing the risk, on-site meetings of the Council have been suspended. The Council is informed once a year of the current OHS situation in KGHM Polska Miedź S.A. It should be also noted that 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. Regular meetings on the above area are also organized with the mining and state supervisory authorities.





Best practice

Gold for KGHM – the copper giant is a Safe Work Leader

The improvement in work safety and conditions at KGHM has been recognized once again - the Company started 2021 holding the Gold Card as a Safe Work Leader. The Gold Card as a Safe Work Leader is awarded for a period of two years by the Safe Work Leader Selection Committee operating in the Central Labour Protection Institute in the State Research Institute (CIOP). KGHM received its first card back in 2000, and its first gold card in 2002. Since that time the Company has constantly retained its position as a safe work leader.

KGHM has belonged to the Safe Work Leaders Forum since 2000. Its establishment was a joint initiative of the Central Labour Protection Institute in the State Research Institute and business circles representing various industries. The Safe Work Leaders Forum now consists of 160 businesses from across Poland. This forum is a platform for exchanging experience and knowledge on occupational health and safety among scientific communities and businesses.

“Occupational health and safety means the daily monitoring and mitigation of the risk of injuries and diseases that may appear in the process of labour. It also involves alleviating the effects of these events, inculcating safe habits and constant improvement. In 2021, under the motto of ‘Be responsible for others’ we have continued our activities, striving in particular to continue reducing the number of workplace incidents due to technical, organizational or human causes,” said Adam Chyliński, Director of the OHS and Occupational Risk Department in KGHM.

KGHM belongs to the prestigious group of 27 businesses forming the top players in occupational safety and health in Poland known as the Gold Leaders. It is the only representative of underground mining and metal processing in this group.

GRI 102-41 GRI 407-1

RELATIONS WITH THE TRADE UNIONS

KGHM Polska Miedź S.A.

In 2021, w KGHM Polska Miedź S.A. continued its dialogue with the trade unions. The most important event with respect to relations with the trade unions was the signing in February 2021 of an agreement on wages and employee benefits for that year. The main point of the agreement was the signing of an additional protocol to the Collective Labour Agreement (CLA) for the Employees of KGHM Polska Miedź S.A., which among others increased basic wage rates by 5.2% as at 1 January. Another point in the agreement was setting the minimum level of upward employee categorisation at 15%.

Given the restrictions related to the COVID-19 epidemic, some of the meetings were held through teleconferences. Apart from the usual subjects arising from the Collective Labour Agreement for the Employees of KGHM Polska Miedź S.A., the discussions involved the actions taken by the Company as regards employee health and safety.

During wage negotiations with the trade unions which were held from 25-27 January 2022, wage and employee benefits agreements were reached and signed as well as an additional protocol to the CLA introducing the following wage elements in 2022:

- an increase in the monthly basic wage rate by 10%,
- upward employee categorisation covering 15% of employees,
- payment of a one-off gratification in the pre-tax amount of PLN 2 thousand per employee, contingent on:
 - achievement of planned production in the first half-year,
 - continuation of the average copper price at a level not lower than planned in the budget.

In accordance with the requirements of the Good Practices of GPW Listed Companies, KGHM Polska Miedź S.A. discloses its expenditures related to the functioning of trade unions in the Company. In 2021, they amounted to PLN 12,095,619, of which PLN 11,477,698 was associated with the remuneration of trade union activists released

from the obligation to provide work under the Trade Unions Act of 23 May 1991 (Journal of Laws 2019 No. 263, consolidated text of 12 February 2019).

Polish companies of the KGHM Polska Miedź S.A. Group

With few exceptions, trade unions are active in the Group companies in Poland. In 2021, talks were held in these companies with the trade unions regarding questions of remuneration, rules for granting bonuses, the level of pension plan contributions, employment conditions and social matters. In most cases they concluded with the signing of agreements and additional protocols to the Collective Labour Agreements and with changes to remuneration regulations. In companies exposed to the impact of the coronavirus epidemic, agreements were entered into with the trade unions regarding the economic shutdown and the means of remunerating employees during this period.

In 2021, within the group of companies in Poland, a collective dispute was commenced but also concluded – in the company „Energetyka” sp. z o.o. However, a collective dispute initiated in prior years in the company MERCUS Logistyka sp. z o.o. remained unsettled. The above can be described as follows:

- Energetyka” sp. z o.o. – On 15 April 2021 a collective dispute was initiated by the trade union Zakładowe Organizacje Związkowe. Given a lack of agreement during negotiations, the dispute continued with the participation of a mediator designated on 1 June 2021. As a result of the mediation carried out, the parties concluded the dispute with the signing on 25 June 2021 of an agreement regarding the disputed questions.
- MERCUS Logistyka sp. z o.o. – in 2021 the collective dispute initiated in 2019 remained unsettled. In 2021 negotiations in respect of this dispute were not continued but instead were postponed, however agreements were reached as regards new questions raised during the year, involving questions of remuneration and apart from remuneration.

International companies of the KGHM Polska Miedź S.A. Group

KGHM INTERNATIONAL LTD.

In the companies of the KGHM INTERNATIONAL LTD. Group in Canada and the United States, the interests of employees are represented by trade unions only in the assets in the Sudbury Basin in Canada, while employees in the Robinson and Carlota mines and at the Ajax and Victoria projects are not represented by trade unions. In the Sudbury Basin, the trade union United Steelworkers Local 2020 (USW Local 2020) represents 95 employees.

In the companies of the KGHM INTERNATIONAL LTD. Group in South America, there is trade union representation in the Franke mine. Two independent trade unions are active at the mine, covering altogether 295 employees.

In the companies acting under the DMC Mining Services brand, employees are not represented by trade unions.

In 2021, in the Sudbury Basin, cooperation continued with USW Local 2020 to ensure adherence to the Collective Labour Agreement, which is in force until 30 June 2023. In the past year a substantial amount of time was dedicated to consultations and cooperation with the Union to ensure the safety of the employees of KGHM INTERNATIONAL LTD. while crossing the picket line of striking employees of the neighbouring mine belonging to the company Vale and to enable travel to the Levack mine. Throughout the year there were also numerous discussions with USW Local 2020 on protecting the safety of the employees during the strengthening of the COVID-19 pandemic and the increases in infections in the region. The relations of KGHM INTERNATIONAL LTD. with USW Local 2020 are very important for the continued functioning of KGHM INTERNATIONAL LTD. in the Sudbury Basin, and both parties are striving to ensure that communication remains full of mutual respect. Moreover, KGHM INTERNATIONAL LTD. supports First Nations in the Sudbury Basin through its obligations expressed in the Impact Benefit Agreements and Understanding Agreement, sharing information about the environment, potential business opportunities and job offers with each of the First Nations with whom the agreement has been signed, as well as continuously responding to any questions or concerns, thereby

strengthening the ties between the First Nations in the region and KGHM INTERNATIONAL LTD.

In the Franke mine the parties to the collective labour agreement negotiated an agreement regarding the system of working time beyond the basic working time standard.

Sierra Gorda S.C.M.

There are three trade unions active in Sierra Gorda S.C.M. representing 1282 employees. Relations between Sierra Gorda SCM and its three trade unions are conducted in a very constructive and positive working atmosphere. The successful cooperation results among others from weekly meetings on various organisational topics.

In 2021, early collective negotiations were successfully held with all three unions. The successful conclusion of these negotiations given the complex pandemic and social situation, against a backdrop of rising copper prices, was a historic event in Sierra Gorda S.C.M., as well as being a seldom-seen situation in the Chilean mining industry. Sierra Gorda S.C.M. enjoys a reputation as a company engaged in dialogue which respects its trade union representatives.



Best practice

Employee-friendly Employer – a member company of the KGHM Group receives a prestigious certificate

In 2021 a statuette symbolizing the Employee-friendly Employer certificate was bestowed on KGHM ZANAM – Poland's President Andrzej Duda handed this award conferred by NSZZ Solidarność to the Company's Management Board.

One of our overriding objectives in HR policy is to maintain partnership relations between the employer and the employees. Receiving this certificate during the pandemic has special meaning for us. During this difficult period we managed to keep the same number of employees. On top of that, we raised wages thanks to our robust financial standing. In the future, we plan to continue pursuing employee-friendly initiatives
– says Bernard Cichocki, CEO of KGHM ZANAM

KGHM ZANAM is one of the largest manufacturers of machinery and equipment for the mining sector in Poland. The company also manufactures equipment used in transloading systems, transport units and open pit mines. The company also produces rock and cast iron molds. In 2020 Oddział Górniczy KGHM Polkowice-Sieroszowice won this award.

This competition is organized by NSZZ Solidarność under the honorable patronage of the President of Poland. The purpose is to advance outstanding employers applying best practices relating to the observation of labour law regulations, especially through employment stability, adherence to the rules of occupational safety and health and the right to form trade unions. This certificate can be used for a period of three years.

GRI 102-12 GRI 102-13 GRI 203-2

Society as the pillar of sustainability activities of the KGHM Polska Miedź Group

In its relations with clients, employees, external partners and local communities, the KGHM Polska Miedź S.A. Group complies with the laws which are in effect in the countries where it operates. The Group also complies with voluntary obligations resulting from ISO and ASTM standards as well as from membership in international organisations such as International Copper Association, European Precious Metals Federation, Eurometaux, Euromines, the London Bullion Market Association, the European Technology Platform on Sustainable Mineral Resources, the European Innovation Partnership, and domestic organisations, including: the Polish Association of Listed Companies, Association of Non-Ferrous Metals Engineers and Technicians, the Economic Chamber of Non-Ferrous Metals and Recycling, the Polish Committee of the World Mining Congress, the Polish Chamber of Chemical Industry, the Polish-Canadian Chamber of Commerce, the Polish Chamber of Commerce for High Technology, and the Employers' Organization of Polish Copper. The KGHM Polska Miedź S.A. Group does not participate in undertakings which involve breaking the law and pose a threat to its reputation.

The principles applied by the KGHM Polska Miedź S.A. Group with respect to social activities are as follows:

- we comply with the provisions of law and internal regulations in effect in KGHM Polska Miedź S.A.
- we keep our obligations written in contracts as well as verbal promises made to our clients, suppliers and social partners.
- we duly perform our professional duties.
- we do not offer or accept bribes or other material or personal benefits; we also do not cooperate with companies of doubtful reputation.

SOCIAL DIALOGUE AND COOPERATING WITH LOCAL COMMUNITIES IN THE KGHM POLSKA MIEDŹ S.A. GROUP

Social dialogue and cooperation with the local governments of the Copper Basin is reflected in the updated "Strategy of the KGHM Polska Miedź S.A. Group to the year 2030 with an outlook to 2040" adopted by the Company's Supervisory Board on 14 January 2022. The updated Strategy does not alter the Company's current approach to its business activities. KGHM continues to act responsibly and to think long-term about the Company's future.

GRI 403-6



One of the strategic areas for KGHM is to grow based on the idea of sustainable development and safety and to enhance the Group's image as a socially responsible organisation. Partnership with local communities is the result of KGHM's sensitivity to the needs of the environment in which it operates. The social context is just as important to a company as economic considerations. Implementation of KGHM's social responsibility policy has a positive impact on local entrepreneurship and the economic situation. KGHM Polska Miedź S.A. builds good relations with local communities, local government and non-governmental organisations. KGHM listens to the voice of all key stakeholders at the local level. The company is also a key employer in the region and a significant payer of taxes, as well as a moving force behind various educational, cultural and health-oriented activities for the residents of the regions where it operates. KGHM's social responsibility is also reflected in its support for local initiatives through sponsoring and donations, from Group companies and from the KGHM Polska Miedź Foundation. In recent years, KGHM has been placing special emphasis on the support for families.

– Lidia Marcinkowska-Bartkowiak
Executive Director, Communications

In 2021, a number of family-friendly initiatives targeting employees and the community were implemented:

- 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 small gifts. In 2021, one Copper Basin town also got involved in the initiative by introducing gifts for newborns,
- 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 17 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,
- an annual Programme for Depression Prevention and Mental Health Promotion was initiated,
- cooperation with institutions responsible for family foster care was deepened and a number of activities aimed at promoting foster parenthood were carried out.

In October and December 2021, an employee survey was conducted in KGHM Polska Miedź S.A. and PLN 6 was donated to orphanages specified by the employee for each completed questionnaire. As a result, more than PLN 61,000 was donated to social care centres in the Copper Basin region.

Despite the pandemic, pro-family activities were also intense in 2021. The activities were adapted to the epidemic situation and were conducted for the most part in an online format:

- More than 3700 pupils and 1300 parents participated in the subsidised recommendation programmes,
- Within the framework of recommended programmes for families, more than 50 editions of meetings were held and about 700 parents were trained.

In 2020, the naMIEDZI application was launched, which promotes family and individual tourism in the Copper Basin (24 routes and over 270 sites created mostly by local governments). In 2021, the development of the application continued with, among other things, competitions for employees and an invitation to visit the Copper Basin. The application has been supplemented with new attractions, including a point located in the town of Sieroszowice, at the site of the discovery of the Polish Copper deposit.



Best practice

Investments in employees and their families – third edition of the Have an Impact Conference

In November 2021, for the third time, KGHM Polska Miedź S.A. organised the “Have an impact – the 3rd Lower Silesian CSR Conference – Investment in employees and their families – an inevitable necessity for employers”. The online discussion included topics related to the development of ESG regulation from the perspective of the government side, the capital market and investors, as well as large and small businesses, local government and non-governmental organisations (NGOs).

When planning business strategies, it is worthwhile to create solutions to support employees, and also to make it easier to strike a balance between family and work life. I think it would be worthwhile to consider extending ESG to family-related policies. KGHM serves as an example of taking a comprehensive approach to business, which also carries out a wide variety of activities to benefit employees and their loved ones – **Barbara Socha, Deputy Minister of Family and Social Policy and the Government’s Plenipotentiary on Demographic Policy. The Deputy Minister added** that the importance of ESG as a part of business that is measured and rated by investors is growing.

According to the panellists, the pandemic accelerated technological transformation, which translates into social transformation.

This leads to changes on the labour market and new challenges: the risk of digital exclusion, needs to develop new skills and the need to alter one’s lifestyle in this time of demographic challenges. The pandemic also sped up evolution. The consequences of changes such as the approach to hybrid work, remote education of children and youth and restructuring processes most frequently affect employees – **explained Zofia Dzik, the President of the Humanites Institute, the conference’s substantive partner.**

More than 200 people attended the conference held by the Employers’ Organization of Polish Copper, KGHM and the Humanites Institute.

KGHM supports local municipalities among others in the preparation of their development strategies, among other topics, it supports their growth through payment of taxes, hiring residents of local communities and implements a number of Social Agreements to augment the living standard of residents. The Company’s representatives participate in meetings and sessions of City and Town Councils, and in events organised by local governments. Every year, mayors of municipalities, towns and cities participate in festivities organised to commemorate the Miner’s Day and the Metallurgy Worker’s Day. The Company sponsors events organized by municipalities; it provides support from the KGHM Polska Miedź Foundation’s budget to cover the costs of children’s summer and winter day camps, school field trips and outings to a swimming pool.

The local communities perceive KGHM not only as a major employer, offering stable employment and high wages, but also as an active promoter of social life. Through social initiatives and access to them, it also ensures a high standard of living for all residents of the Copper Basin.

In 2021, two conferences for local governments were held in cooperation with the Employers’ Organization of Polish Copper:

- “Comprehensive waste management in the Copper Basin”, which discussed KGHM’s systematic investments in modern pro-ecological solutions and technologies and its adaptation to strict EU standards. This allowed KGHM to effectively protect the environment.
- “Climate policy, economic and environmental aspects of using aggregates in the Copper Basin.” Extensive use of minerals accompanying copper or other metal ores was presented as an excellent example of Circular Economy, which reduces the negative impact on the environment, protecting natural resources (minerals) for aggregate production, reducing emissions from transportation, reducing the amount of waste disposed of in landfills, reclaiming land occupied by landfills. Additional positive factors are the social benefits, including: supporting the local labour market, reducing the volume of lorry traffic and therefore increasing road safety, as well as creating educational opportunities.

Considering the successful past cooperation between KGHM Polska Miedź S.A. and the local governments of the Copper Basin, activities promoting health, ecology and a healthy lifestyle for the region’s residents were continued. In 2021, the funding of PLN 3,200,000 was provided.

Supported activities included: the “Health is vital” social education campaign addressed to families living in the city; the “In the heart of Legnica” social education campaign addressed to children and youth, the promotion of physical, cultural and social activity through participation in campaigns and events, the planting of trees and shrubs, and medical tests, including nephrology, pulmonology and endocrinology. Additionally, local squares were developed to be used for recreation, integration, the strengthening of local bonds and traditions and leisure, and a series of training workshops were delivered, including chess, multi-generational dance meetings named “Meetings on the Copper” and interactive educational computer monitor sets were purchased for schools.

Considering the successful past cooperation between KGHM Polska Miedź S.A. and the local governments of the Copper Basin, in 2021 activities promoting health, ecology and a healthy lifestyle were carried out for the region’s inhabitants:

Głogów Urban Municipality

The amount of PLN 300,000 was donated to the Głogów Urban Municipality for the following activities: health clinics: opening a nephrology clinic, sessions in a salt cave for primary school children, promotion of healthy eating, sports activities for children and young people using municipal sports facilities, “Fit Resident of Głogów”, planting trees, shrubs.

Legnica Urban Municipality

The amount of PLN 300,000 was donated to the Legnica Urban Municipality for the following activities: the “Healthy Legnica” health programme, which aimed at promoting healthy lifestyles and at educating and increasing the availability of medical care for Legnica’s residents.

Głogów County

Supported activities: preventive examinations for lung, thyroid diseases, diagnostics of prostate cancer, USG breast exams, promotion of a healthy diet, sporting and cultural activities for children, youth, adults, and the elderly, provision of additional equipment for the hospital, schools, and volunteer fire units. Funds in the amount of PLN 870,000 were donated for these purposes (Head Office of Głogów County – PLN 410,000, Głogów Rural Municipality – PLN 90,000, Kotla Municipality – PLN 120,000, Pečław Municipality – PLN 150,000 and Żukowice Municipality – PLN 100,000).

KGHM is involved in educational activities in the Copper Basin. The “Competent in the mining and metallurgical sector” programme continued in 2021. KGHM has assumed patronage over 9 vocational schools. Last year an interactive competition about KGHM was organised for students, with attractive prizes. This initiative is a further stage in the company’s commitment to caring for its staff at the secondary school level. In the 2020/2021 school year, more than 1,900 students participated in the “Competent in the sector” programme. The best players and school representatives received congratulatory diplomas and prizes from KGHM. A school’s score was calculated as the average points scored by a player from that school. This meant that what mattered was the quality of play, not the number of participants logged on. What mattered was what is key in pursuing a goal and achieving above-average results, namely perseverance, consistency, systematic learning and knowledge gained during the game. The schools whose pupils proved most engaged throughout the game were:

1. First place – Zespół Szkół Technicznych i Ogólnokształcących w Legnicy (Complex of Technical and High Schools in Legnica),
2. Second place – Zespół Szkół im. Narodów Zjednoczonej Europy w Polkowicach (United Nations School Complex in Polkowice),
3. Third place – Zespół Szkół Mechanicznych w Bolesławcu (Mechanical School Complex in Bolesławiec).

The project for patron school students was carried out under the auspices of the Ministry of Education and Science.

CSR ACTIVITIES OF THE KGHM INTERNATIONAL LTD. GROUP

In 2021 the entities of the KGHM INTERNATIONAL LTD. Group, as in previous years, continued their activities supporting local communities. Support was not limited to financial issues, but also to the organisation of various initiatives. KGHM INTERNATIONAL LTD. operates on both continents of the Americas. The local support offered is based on the individual needs of the region. In addition to charitable activities, the presence of the company’s employees in many different social and cultural events is also visible. The focus is mainly on employees and their families, an example being the Family Day held annually at the Robinson Mine. This event is organised not only for employees’ families, but also for anyone interested in the operation of the mine. It is a great opportunity for integration among all employees.

The Robinson Mine is located in White Pine County. The nearest town is Ely and this is where most of the workers come from. The Group is one of the largest employers in Poland. The connection between the Robinson Mine and the local community is very strong, as evidenced by the high level of community activity. More than USD 90,000 was donated to charity in 2021. The year also saw a number of initiatives to protect health during the COVID-19 pandemic. Schools were supported with protective and personal hygiene equipment. Volunteers from the company took part in the vaccination campaign, oversaw the organisation and progress of the event, and looked after patients immediately after receiving the vaccine. A blood drive was organised at the mine site, with 59 employees taking part. The company has actively supported all kinds of projects encouraging children to read, promoting sports and recreation. Financial support was provided and sports equipment was purchased for schools in the county. Sponsored academic scholarships were provided for children of Robinson Mine employees. Sports teams were financially supported, and as a thank you they picked up litter along the road leading to the mine. During the summer months, Robinson Mine employees participated in an outreach programme to poorer school children in White Pine: personal hygiene products were collected, packaged and distributed to those in need. In turn, winter financial support was provided by White Pine County Social Services,



which provided families in need with gifts of food, and clothing, and also provided financial assistance to cover some of the high heating bills during the winter. Support was also provided for various cultural events in the region, including the White Pine County Horse Races and the Fire and Ice Festival fireworks display.

The Franke Mine got involved in the fight against the COVID-19 pandemic by supporting a school in the town of Diego de Almagro with disposable protective masks. In addition, a dialysis machine worth over USD 17,000 was purchased for the local hospital. Mine staff also gave lectures at the school on the archaeological heritage of the region.

The Carlota Mine supported the local community with USD 11,000. In February, mine workers delivered cookies to a nursing home in Globe. Volunteers from Carlota helped pack sandbags to protect homes from flooding after the extinguishing of the Pine Mountain

Fire. Company employees participated in a litter pick-up from mountain trails. A collection of plastic bottle tops was also organised for a sick boy, who thanks to the action gained access to free dialysis. Representatives of the Carlota Mine have donated a more than 100-year-old mining tool to the Bulion Plaza Museum in Miami, Arizona.

The Sudbury Basin Mines have also been active in community outreach. We joined the tree planting campaign: 500 plants were purchased and planted by willing employees in the “Kivi Park”. Representatives of the mine also participated in the National Indigenous Peoples’ Day celebrations. One academic scholarship under the Mineral Resources Industry Leadership Program was also sponsored. This program helps participants gain the skills and knowledge to do their jobs more effectively. In December 2021, donations were made to charities such as the Edgar Burton Food Drive and Elgin Street Mission. Company employees also served meals to the poor as part of their volunteering.

DMC Mining services also actively participates in social activities. Employees organised a fundraiser among themselves to support a food bank for the poorest. DMC Operations Department also supported the Sudbury baby food bank. Employees whose life situation has suddenly deteriorated due to unforeseen random events can also count on the employer’s support.

There is also a special Sponsorship & Donations Committee in KGHM INTERNATIONAL LTD., whose aim is to bring Polish history and culture to the Canadian community. This is crucial for mutual understanding in Canada’s multicultural community. The Committee cooperates with the Polish Consulate in Toronto. One of the events supported financially was a concert dedicated to the memory of John Paul II. A plaque honouring the Polish veterans of World War II who remained in Canada was also dedicated in Toronto.

Support of the public by the KGHM Polska Miedź S.A. Group during the COVID-19 pandemic

KGHM Polska Miedź S.A. as well as all international mines of KGHM Polska Miedź S.A. Group and Sierra Gorda S.C.M. took a number of measures in connection with the coronavirus pandemic announced in 2020. These are shown in the graphic below:

SUPPORT OF THE PUBLIC BY THE KGHM POLSKA MIEDŹ S.A. GROUP DURING THE COVID-19 PANDEMIC



Initiatives & procedures

- Covid patient care at the hospital MCZ in Lubin
- Temporary hospital in Legnica
- Mobile vaccination points for employees of KGHM and others
- Protective procedures



Preventive methods

- Thermal cameras
- Disinfectant liquid
- Masks in common-use areas
- Personal safety measures when travelling into/out of the mines
- Limits in employee transport vehicles



Communication & education

- Informational campaign about vaccinations
- Competitions for employees promoting vaccination
- Continuous announcements on internal procedures and sanitary services guidelines in Company media platforms
- Infolines for employees and dedicated e-mail addresses

In 2021, activities related to assistance for the inhabitants of, among others, the Copper Basin, but also in support of KGHM employees, continued. Special emphasis was placed on educational and informational activities, as well as mitigating the effects of the pandemic, among others by popularising and providing access to psychological advice for employees and the region's inhabitants. The Management Board's Medical Council made recommendations related to sanitary strictures on

an ongoing basis. Mobile vaccination points were launched in late July and early August in each of the Company's facilities. The possibility of voluntary vaccination against COVID 19 was offered not only to employees, but also to the families, friends and acquaintances of KGHM's employees. Thanks to the campaign and the commitment of the medical staff of the Copper Health Centre (a Group company), nearly 2,200 people were vaccinated. The campaign continues in 2022.

THE KGHM POLSKA MIEDŹ FOUNDATION MADE DONATIONS IN CONNECTION WITH COVID-19 IN 2021:

Entity	Territorial affiliation	Received on	Project name	Donation granted PLN
Fundacja na Rzecz Umacniania Więzi Rodzinnych i społecznych NEURON+ w Warszawie (Foundation for Strengthening Family and Social Ties NEURON+ in Warsaw)	Capital City of Warsaw County Mazovian Voivodeship ul. Piękna 49 00-672 Warsaw	2021/02/12	Subsidising the organisation of the National Information and Education Campaign Stop Barriers – Stop COVID-19. Building an effective ecosystem for COVID-19 support for people at particular risk of the pandemic due to age and disability. Costs of maintenance of the Stop the Barriers Internet platform, work of the platform's editorial team, fees for on-line consultations (doctor, epidemiologist, psychologist, legal advisor, consultant on administrative procedures for persons with disabilities, expansion and updating of maps, information and educational production, creation of mobile Application 2.0, costs of an information campaign spot, launch of a hotline. Project completion date is Q1-Q4 2021.	150,000
Wielospecjalistyczny Szpital Powiatowy S.A. (Multi-specialty County Hospital) in Tarnowskie Góry	Góry County Tarnowskie Góry Municipality Silesian Voivodship ul. Pyskowska 47-51 42-600 Tarnowskie Góry	2021/02/12	Purchase of 5 pieces of ECG equipment to supply WSP S.A. in Tarnowskie Góry with medical equipment to combat COVID-19.	30,000
Stowarzyszenie Wspólnota Mieszkańców Dzielnicy Włochy w Warszawie (Residents' Community Association of the District of Włochy in Warsaw)	Łomża County Łomża Municipality Podlaskie Voivodship ul. Rybaki 1 18-400 Łomża	2021/02/16	"At WMDW we support residents in 2021 – together against COVID". Purchase of personal protective equipment: masks, disinfectant fluids, disinfectant gels, disinfectant wipes, antibacterial soap, gloves for vulnerable people – volunteers caring for the elderly and residents. Deadline for project implementation until 05.2021 (scan of application)	20,000

Entity	Territorial affiliation	Received on	Project name	Donation granted PLN
Caritas Diecezji Łomżyńskiej (Caritas of Łomża Diocese)	Łomża County Łomża Municipality Podlaskie Voivodship ul. Rybaki 1 18-400 Łomża	2021/02/23	Co-financing of the project titled "Chance for Health – post-Covid rehabilitation"! – co-financing of the Rehabilitation Hall through purchase of a set of specialist rehabilitation equipment necessary for rehabilitation of post-COVID-19 patients. Costs of purchasing sets of rehabilitation equipment: CARDIV system with ERT-200 treadmill, Profi L plus manual lymphatic drainage table, torsion stepper, stabilometric platform, VAST equipment, rowing machine, therapeutic massage apparatus, Aquapump, sollux lamp and ultrasound inhaler.	90,000
Medycznego we Wrocławiu (Foundation of the Medical University of Wrocław)	Wrocław County Wrocław Municipality Dolnośląskie Voivodship ul. J. Mikulicza-Radeckiego 5 50-345 Wrocław	2021/03/10	Purchase of personal protective equipment for 6,000 students of the Medical University of Wrocław who attend clinical classes in hospitals at patients' bedsides. The cost of purchasing 58,080 protective aprons as part of the prevention, counteraction and eradication of COVID-19.	100,000
Szkoła Podstawowa im. K. Makuszyńskiego w Gaworzycach (K. Makuszyński Primary School in Gaworzycy)	Polkowice County Gaworzycy Municipality Dolnośląskie Voivodship ul. Szkolna 211 59-180 Gaworzycy	2021/03/23	Funding for the organisation of a cycle of psychological support workshops during the Covid-19 pandemic for 50 students and 20 parents of SP Gaworzycy. Salary costs for pedagogues, psychologists and therapists. From 04 to 06.2021	5,005
Wojewódzki Szpital Specjalistyczny w Legnicy (Voivodeship Specialized Hospital in Legnica)	Legnica County Legnica Municipality Dolnośląskie Voivodship ul. Iwazkiewicza 5 59-220 Legnica	2021/06/02	Subsidised rehabilitation of patients following COVID-19. Cardiology consultation, pulmonology, dietetics, psychology, rehabilitation, neurology, rehabilitation consults. Deadline until 06.2022	100,000

Entity	Territorial affiliation	Received on	Project name	Donation granted PLN
Zakład Opiekuńczo-Lecznicy dla Dzieci im. Jana Pawła II prowadzony przez Zgromadzenie Sióstr Maryi Niepokalanej w Jaszkanie (John Paul II Care and Treatment Centre for Children run by the Congregation of Mary Immaculate Sisters in Jaszkanie)	Wrocław County, Kąty Wrocławskie Municipality Dolnośląskie Voivodship Jaszkanie 21 55-080 Kąty Wrocławskie	2021/06/10	Equipping a newly developed rehabilitation and education area to improve the fitness of school and pre-school children struggling with motor and mental disabilities and exclusion due to the COVID-19 pandemic. Costs of purchase of 2 rotors for exercising upper limbs and 2 for exercising lower limbs, a mangle for the therapy of disorders, a zigzag tunnel, a set of sports accessories, a gymnastic set, a bosu ball, costs of 4 steppers, 4 balls, 4 sensory cushions, an equipment trolley, 4 Redcord Trainer Mastery devices, a stationary bicycle, a Luiz children's exercise device, a treadmill, costs of Universal Exercise Units – complete equipment, a table for Universal Exercise Units for exercises in rehabilitation of muscular disorders and a table for manual exercises, a gymnastics and exercise set. Deadline until 12.2021	60,000
TOTAL				PLN 555,005

KGHM Polska Miedź S.A., together with regional Social Assistance Centres, Caritas and local organizations, planned measures to increase the safety and comfort of the elderly in Lower Silesia. The total commitment of KGHM as part of the Solidarity Senior Aid Corps amounted to over PLN 520,000. Aid has reached over 34 thousand people.

At the Miedziowe Centrum Zdrowia (Copper Health Centre) in Lubin, which belongs to the KGHM Group, a ward for patients with coronavirus and suspected infection has been operating since early November 2020. The hospital can take more than 50 patients.



GRI 413-1

The foundation and sponsorship activities

KGHM is a “good neighbour and trustworthy investor”. It supports 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.



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 Foundation’s day-to-day activities are informed by the values held by the Founder, which include zero harm, teamwork, results driven, accountability and courage. The basis for the operation of the KGHM Polska Miedź Foundation are financial and material donations granted to:

1. individuals in the field of health care and natural disaster relief;
2. institutions for project execution.

The projects pursued in 2021 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 2021, the KGHM Polska Miedź Foundation was focused on granting donations and overseeing how they are spent as well as on running programs. 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 2021, the Foundation continued to develop its operations, pursuing its statutory goals in four main areas:

3. Health and Safety,
4. Sports and Recreation,
5. Culture and Tradition,
6. Science and Education.

In 2021, 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 20,669,524.66, including PLN 19,676,423.56 for the performance of 312 projects and PLN 993,101.10 for 116 private individuals.

No	AREA	Donations	
		Amount awarded PLN	Number of projects/individuals
DONATIONS FOR INSTITUTIONS		19,676,423.56	312
1.	HEALTH AND SAFETY	5,648,459.77	70
2.	SCIENCE AND EDUCATION	2,442,618.60	43
3.	SPORTS AND RECREATION	2,273,347.00	65
4.	CULTURE AND TRADITION	9,311,998.19	134
DONATIONS FOR INDIVIDUALS		993,101.10	116
1.	HEALTH CARE	983,101.10	115
2.	SOCIAL WELFARE ASSISTANCE	10,000.00	1
TOTAL DONATION AMOUNT		PLN 20,669,524.66	

HEALTH AND SAFETY AREA

Statutory Objectives:

- social assistance, including assistance to families and persons in difficult life situations and equalisation of opportunities for these families and persons,
- supporting families and the foster care system,
- charitable activity,
- health protection and promotion,
- activities for persons with disabilities,
- working for equal rights for women and men,
- activities for people of retirement age,
- ecology and protection of animals and natural heritage,
- public order and safety,
- State defence and the activity of the Armed Forces of the Republic of Poland,
- rescue and civil protection,
- assistance to victims of disasters, natural disasters, armed conflicts and wars in Poland and abroad,
- promotion and organisation of volunteering,
- activities for families, maternity, parenthood, promotion and protection of children’s rights.

Lines of action:

- research and diagnostic programmes, prevention,
- promotion of blood donation and blood therapy,
- purchase of equipment and specialised medical supplies,
- scientific conferences and medical symposia,
- rehabilitation and sports activities,
- environmental education of children and young people,
- purchase of equipment for the State and Voluntary Fire Brigades, the Police,
- training and prevention activities,
- subsidising rehabilitation holidays, supporting physical activity of disabled people.

As part of the “Health and Safety” area, the KGHM Polska Miedź Foundation provides financial support to several healthcare institutions and private individuals. Most of the funds are earmarked for purchase of state-of-the-art equipment and specialist medical apparatus for hospitals, rehabilitation centres and other healthcare facilities. As a result, the quality and effectiveness of preventive health care provided has improved significantly. As regards health protection, the Foundation’s activities are not reduced merely to provision of equipment to healthcare facilities but it also finances preventive examinations for residents as well as initiates and supports projects promoting blood donation and hemotherapy, and co-funds scientific conferences in the field of medicine. In order to prevent,

counteract and combat the COVID-19 infectious disease, the financial donations made to the institutions were for subsidies for the purchase of personal protective equipment, equipment for rehabilitation after surviving the COVID-19 virus, and subsidies for rehabilitation classes for recovering patients. Individuals receive financial support from the KGHM Polska Miedź Foundation for health care, mainly for rehabilitation holidays, inpatient rehabilitation, the purchase of hearing aids and wheelchairs, surgical treatment, including treatment abroad, and the removal of architectural barriers.

With well-being and safety in view, the KGHM Polska Miedź Foundation is involved also in numerous projects and actions related to public safety. Most of the funds were spent on purchasing modern rescue and fire-fighting equipment and special vehicles for local emergency rescue facilities, e.g. fire and police stations. State-of-the-art equipment contributes to increased safety and enables the efficient operation of institutions that protect life, health and property. As part of its social activities, the KGHM Polska Miedź Foundation tries to counteract the social exclusion of people and families that find themselves in a difficult life

situation. Cash donations are made for projects related to the organisation of Christmas events for those in need, e.g. Christmas Eve for the homeless or gifts for children.

In 2021, the implementation of 70 projects was co-financed to the amount of PLN 5,648,459.77 and 116 individuals were gifted a total of PLN 993,101.10.

SCIENCE AND EDUCATION AREA

Statutory Objectives:

1. providing free legal assistance and increasing the legal awareness of the public,
2. activities aimed at professional and social integration and reintegration of people at risk of social exclusion,
3. activities for the integration of immigrants,
4. promotion of employment and professional activation of unemployed persons and persons threatened with job loss,
5. activities supporting economic development, including the development of entrepreneurship,



6. activities supporting the development of technology, invention and innovation, as well as the dissemination and implementation of new technical solutions in economic practice,
7. activities supporting the development of local communities,
8. science, higher education, education and upbringing,
9. promotion and protection of human rights, freedoms and civil liberties, as well as activities supporting the development of democracy,
10. provision of free-of-charge civic advice,
11. promotion and protection of consumer rights,
12. activities promoting European integration and developing contacts and cooperation between societies.

Lines of action:

- equipping learning labs with teaching aids,
- study grants, prizes,
- scientific publications, popular science and educational and training publications,
- educational programs and workshops,
- scientific symposia and conferences.

In the "Science and Education" area, the KGHM Polska Miedź Foundation focuses on propagating science and education. Support from the KGHM Foundation is received by educational facilities, which purchase teaching aids with the funds received, thereby contributing to an increased educational level. Scientific projects supported by the Foundation include also scientific publications or the organization of scientific conferences and contests, as well as educational and integration classes for children and youth.

As part of a broad range of initiatives, the amount of PLN 2,442,618.60 was spent to run 43 projects in 2021.

SPORTS AND RECREATION AREA

Statutory Objectives:

- activities for children and young people, including leisure activities for children and young people,

- promotion and dissemination of physical culture,
- tourism and sightseeing.

Lines of action:

- implementation of the Health Promotion and Environmental Hazards Prevention Program – organisation of preventive health care trips for children and young people from the Copper Basin,
- supporting the training activities of institutions promoting sport,
- subsidising the organisation of sporting events,
- purchase of sports equipment and outfits,
- creation of new recreational areas such as outdoor gyms,
- organisation of sports events,
- leisure for children and youth,

In the "Sports and Recreation" area, the KGHM Polska Miedź Foundation supports all actions for the development of physical activity of young people undertaken by local institutions, associations and sports clubs. The cash donations provided by the Foundation enabled the purchase of sports equipment and delivery of numerous sport training courses, various tournaments and competitions, and establishment of new recreational and sports facilities, such as outdoor gyms and children's playgrounds. Moreover, some of the funds were dedicated to co-funding the organization of summer and winter holidays for children and youth by local divisions of the Society of the Friends of Children (TPD), the Polish Scouting and Guiding Association (ZHP), associations, orphanages, and parishes. The participants are mainly children and youth from underprivileged, dysfunctional, and poor families, who, thanks to the Foundation's support, have the opportunity to go to the seaside or the mountains for the first time in their lives and learn about another culture.

In 2021, the amount of PLN 2,273,347.00 was expended on the execution of 65 projects.

CULTURE AND TRADITION AREA

Statutory Objectives:

- maintenance and dissemination of national traditions, cultivation of Polish identity and development of national, civic and cultural awareness,

- activities in favour of national and ethnic minorities and regional language,
- culture, arts, protection of cultural assets and national heritage,
- promotion of the Republic of Poland abroad; assistance to the Polish community and Poles abroad,
- activities on behalf of combatants, veterans and repressed persons.

Lines of action:

- conservation, restoration and reconstruction of historic architectural buildings,
- conservation of movable objects,
- purchase of valuable objects for museums,
- organisation of artistic and cultural events,
- support for film productions, art workshops,
- dissemination and promotion of mining and metallurgical traditions.

The “Culture and Tradition” area is a very important part of the Foundation’s activities, in which the Foundation supports projects cultivating mining and smelting traditions, commemorating Polish cultural and historical heritage and strengthening local cultural identity at the local, regional and national levels. Supported projects related to the rescue of cultural heritage and tradition, contribute to a significant improvement in the condition of many historic buildings, and some even save the monuments from a building disaster. To support culture and art, the KGHM Polska Miedź Foundation also provides financial aid to diverse artistic and cultural events organised by various associations, cultural societies, cultural centres and museums.

In 2021, 134 projects in the area of culture and traditions were co-financed for a total amount of PLN 9,311,998.19.

HEALTH PROMOTION AND ENVIRONMENTAL HAZARDS PREVENTION PROGRAM

The program has been implemented for five years in cooperation with an external company. The Health Promotion and Environmental Hazards Prevention Program is intended to counteract the potential impact of industry on people, in particular children living in the counties of: Głogów, Legnica, Lubin and Polkowice. It provides financing for preventive and health trips for children and adolescents aged 6-16 to mountain or coastal health resorts.

Due to the epidemiological situation in the country, related to the spread of the coronavirus in 2021, only the amount of 154,700.00 PLN was allocated for its implementation and 47 children from the Municipalities of Kotla and Żukowice were covered by it. In 2022, the Foundation intends to continue the programme, which has become a permanent part of its statutory activities.

SPONSORING IN KGHM POLSKA MIEDŹ S.A

KGHM’s sponsorship strategy is closely associated with the activity pursued in the area of Corporate Social Responsibility (CSR) and assumes that funds will be allocated for the performance of actions promoting the Company on the one hand and for supporting valuable cultural, sports, scientific, and social initiatives and undertakings on the other.

Efficient operation of important cultural or scientific institutions today depends largely on the support from sponsors. Without support from companies such as KGHM, many valuable projects would have no chance of successful completion. This is why KGHM, as it considers its sponsoring activities, takes into account the social aspect of each undertaking.

The areas of sponsoring activities of KGHM Polska Miedź S.A. are culture and social affairs, science and sport.

The Company considers sport an important area of social life and therefore it supports both top-class professional sport and amateur sport. As the largest employer in the region, it appreciates the significance of sport in forming the culture of

leisure for adults and its educational role for youth. 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 (which is the top league in Poland). 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. KGHM 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.

KGHM Polska Miedź S.A. is a patron of culture and art. It participates in organisation of significant projects addressed to the society in the region and the whole country and takes patronage over them. As of 2019, KGHM has assumed patronage of the Royal Castle in Warsaw. It has also supported the Wrocław Opera for many years. In 2021, KGHM continued its support for these cultural institutions.

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.

To ensure transparent rules of taking decisions to support a given project, offers are analysed by the Sponsorship Committee. The decisions of the Commission 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 Commission.

AMOUNTS GRANTED BY KGHM POLSKA MIEDŹ S.A. THROUGH ITS SPONSORSHIP FUNCTION IN 2021, BY AREA:

Area	Granted amount in PLN
Sports	25,238,000.00
Culture and tradition	7,468,222.45
Science	3,357,600.00
Total	36,063,822.45

THE AMOUNT SPENT BY THE KGHM GROUP COMPANIES (EXCLUDING THE PARENT ENTITY) AS PART OF ITS SPONSORSHIP AND DONATIONS ACTIVITY IN 2021 WAS:

	Companies in Poland	KGHM International	Total
Sponsorship	157,000.00	78,396.34	235,396.34
Donations	3,983,144.39	676,319.30	4,659,463.69
Total	4,140,144.39	754,715.64	



Best practice

KGHM is a triple winner in the CSR Leaders Program

KGHM won awards in three categories of the CSR Leaders Program: Good Company, Good Employer and Eco Company. This plebiscite distinguishes companies that pursue societally beneficial activities that extend beyond the world of business.

The editorial boards of Forum Biznesu and Biznes Trendy pick institutions that satisfy CSR-related criteria. The underlying reasons for making this choice span subjects such as corporate engagement in charitable and sponsorship activity, corporate employer policy and other positive aspects of corporate activity.

The organizers of this competition emphasize that the receipt of these titles confirms KGHM's status as a reliable company that is sensitive to the needs of its surroundings – and that it is worthwhile to be affiliated and cooperate with it. The CSR Leader logo received will assist in marketing, recruitment and image-related activities.



KGHM Polska Miedź S.A. CSR Programs

Running Corporate Social Responsibility (CSR) Programs is one of the principal ways of building the KGHM Group's image as an environmentally-friendly and pro-health organization.

KGHM Polska Miedź is an active sponsor and ambassador which supports the development of both local and national sport, but above all engages in initiatives to promote a healthy and active lifestyle.

Since 2019, the CSR programme called "Copper Competition" has been implemented, which provides annual scholarships to athletes for exemplary sporting achievements and orientation towards increasingly better results in the implementation of a given sport. In 2021, such support was provided to 26 athletes from all over Poland, including seven from the Copper Basin and as many as 17 Polish representatives at the 2021 Olympic Games in Tokyo.

In addition to the support given to national athletes, support for local initiatives should be highlighted. For years, support has been provided for 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.

Worth emphasising is the grassroots initiative of the Company's internal sports association – Stowarzyszenie Sportowe KGHM ZG Run, which on the occasion of the Company's round anniversary organised a 60 km cycling race for the 60th anniversary of KGHM.

With the support and resources of the company, nearly 200 cyclists covered a distance of 75 kilometres along the picturesque trails of the Barycz Valley. Although the original distance was supposed to be symbolic and related to KGHM's anniversary, and amounted to 60 kilometres, all the participants completed it without any major problems, being able to count on each other's support, which contributed to the integration of the employees.

The longest history can be boasted by the "Bieg o Lampkę Górniczą" (Street Run for the Miner's Lamp), which also opens the Miner's Day celebrations, with its 35th edition held in November 2021. In the same year, for the first time in its history, an initiative was implemented combining two CSR programmes operating within the

Company – Employee Volunteering and the Eco-Health programme to promote physical activity among the Copper Basin inhabitants.

Volunteers, KGHM employees and amateur runners conducted a series of joint training sessions in preparation for the start of the 10-kilometre run through the streets of Lubin. The programme benefited nearly 80 people who took part in joint training and prepared for the start on the basis of a training plan prepared especially for them.

The company constantly promotes health by promoting active leisure. One example of such activities is the Eco-Health programme mentioned above, established in 2014. The purpose of the program is to undertake projects/initiatives promoting preventive health care, an active lifestyle, physical activity and recreation, in order to improve the physical condition and health of the children, adults and the elderly living in the region. As part of the initiative, Nordic Walking classes or swimming lessons were organised for the residents of the Copper Basin.

In 2021, KGHM once again became involved in activities promoting breast cancer prevention. As part of the traditional pink October, KGHM was also pink. Most of the Company's Divisions were illuminated in pink and the ladies working in the company received a small gift to remind them of the need to get examined. Analogous to last year, on 22 October 2021, the colour pink reigned supreme in all Divisions, whether in the form of an entire outfit or a small element of a woman's wardrobe.

Throughout October 2021, internal company television broadcast spots featuring female KGHM employees, KGHM ambassadors, aimed at persuading women to undergo examinations or self-examination of breasts. Following the educational campaign related to the popularisation of breast cancer prevention, KGHM addressed the male part of the workforce under the slogan: "You are important, do not be afraid to be examined" and joined the "Movember" campaign at KGHM. The international social campaign Movember was created to promote research and care for men's

health. Men, who at the same time become ambassadors of the action, grow moustaches in November to provoke society to talk about testicular cancer and prostate cancer. In connection with it, in November 2021 the KGHM logo was adorned with a moustache.

EMPLOYEE VOLUNTEERISM PROGRAMME

The “Copper Heart” employee volunteerism program has been operating in KGHM POLSKA MIEDŹ S.A. since 2014. Volunteering activities reinforce the values guiding KGHM employees on a day-to-day basis: responsibility, safety, performance orientation, courage, and collaboration. Employees engaging in organizing and 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 2021, despite the ever-present threat of the pandemic, 40 volunteer actions were successfully carried out, doing so while maintaining all sanitary standards. KGHM employees visited educational institutions in the Copper Basin region, where they conducted first aid lessons or brought the secrets of the work of extracting and processing copper ore closer in a friendly manner. Traditionally, volunteers supported athletes on the route of the Summer and Winter run called “Bieg Piastów” as well as cleaned up the routes after the exceptionally long winter season.

In 2021, another edition of the “Pączek ze Szlachetnym Nadzieniem” (Doughnut with Noble Filling) campaign was held, in which, on the occasion of Fat Thursday, a record sum of almost PLN 80,000 was collected for the benefit of three children of KGHM employees.

On the occasion of the jubilee of KGHM Polska Miedź S.A., all of the Company’s Volunteer Blood Donor Clubs have joined forces to jointly achieve the goal of collecting as many litres of blood as possible. This year, a single, common calendar of blood donation events was created, taking into account the schedules of all the clubs. The cooperation was inaugurated with an occasional “smelter blood collection”, where blood and its components were collected simultaneously in all cities of the Copper Basin. It is worth noting that the blood donors, who

together donated more than 40 litres of blood, on that day gave up the privilege of a day off work, as the action was held on a Saturday. Each donor who gave the password KGHM 60 at any of the Blood Donation and Haemotherapy Centres in the Copper Basin received a bracelet with the copper designation of their blood group.

A number of actions carried out and grassroots initiatives by employees resulted in the Lubin County being awarded the title of Volunteer of the Year 2021. It is worth noting that, in addition to the title awarded to the KGHM Volunteers, individual awards were also received by many of the Company’s employees.

EXPLOITING THE POTENTIAL OF SPONSORING – BARGIEL’S PROMOTION OF VALUES AT KGHM

One of the ambassadors of KGHM Polska Miedź S.A. connected with the Company by a sponsorship agreement is the outstanding ski-alpinist Andrzej Bargiel. Although on the surface the sportsman’s activities are very different from the mining industry, they share the same values, such as cooperation, responsibility, result-orientation, courage or safety. These very qualities were highlighted by Andrzej Bargiel in a series of films addressed to employees of the KGHM Polska Miedź S.A. Group, seeking a reference to his activities after visiting the deepest KGHM mine.

By planning and implementing CSR activities, whose addressees and direct recipients are the social beneficiaries of the Company’s environment, the Company maintains the “licence to act” which is important for the Group and which manifests itself in social acceptance of KGHM’s business activities in the mining sector.

THE ECO-HEALTH

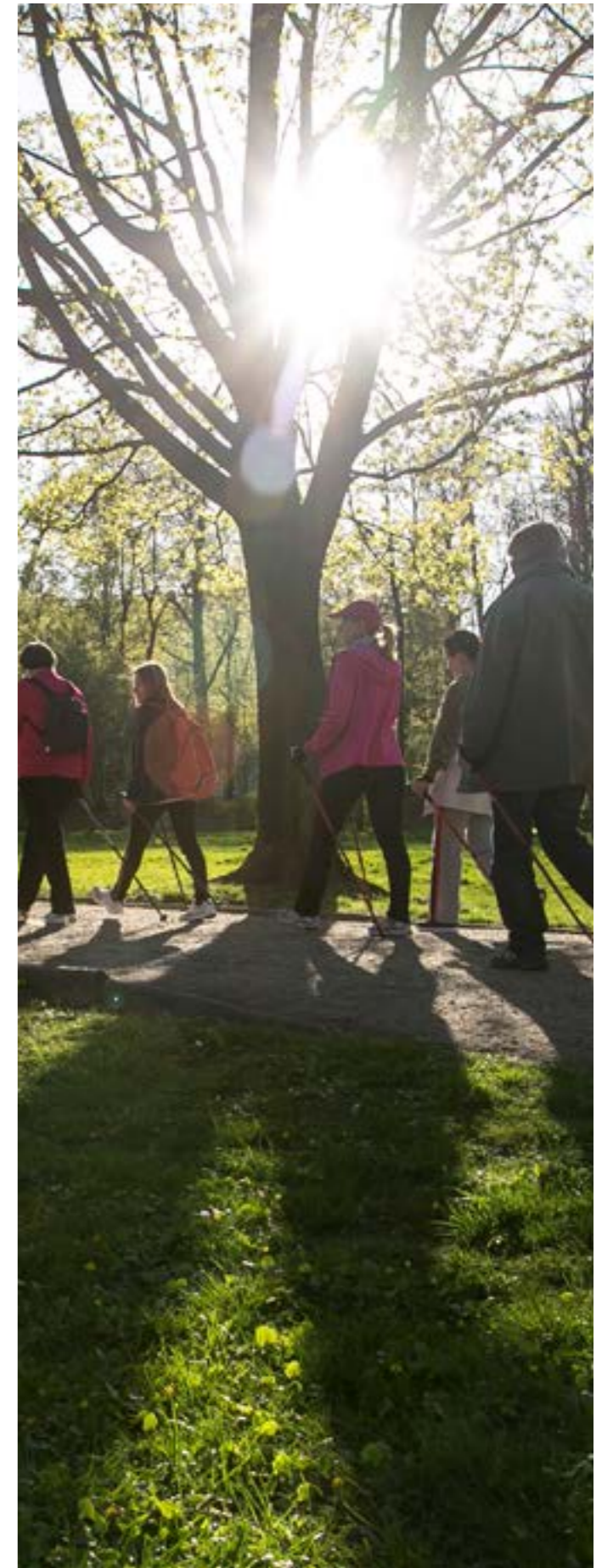
program was launched in 2014 as part of corporate social responsibility. The priority of the ECO-Health program are in particular the promotion of preventive health care and an active lifestyle among residents of the Copper Basin. The purpose of the program is to undertake projects/initiatives promoting preventive health care, an active lifestyle, physical activity and recreation, in order to improve the physical condition and health of the children, adults and the elderly living in the region.

The program’s efforts to advance include regular activities: Nordic Walking for adults, recreational gymnastics for elderly citizens, and swimming lessons for children.

The Nordic Walking project is addressed to people over 35 years of age. It assumes cyclic activities with the participation of qualified and experienced instructors in various cities and towns of the Copper Basin. The participants acquire or improve the basic skills of walking with the poles and take part in lectures on Nordic Walking techniques and principles of healthy nutrition.

The impact of Nordic Walking on the body is similar to that of jogging without putting excessive strain on joints and the spine. It relieves hip and knee joints, the lumbar spine, and releases shoulder, neck, and back muscle tension. Additionally, it does not require specialized equipment and engages up to 90 per cent of muscles safely (with a low risk of injury).

So far, 11 editions of the Nordic walking project have been held in which more than 1,600 people participated. Swimming lessons involve cyclical lessons in the basics of swimming for children aged 5-10 years. The classes are held in indoor swimming pools in several towns of the Copper Basin: Chojnów, Legnica, Lubin, Polkowice, Głogów, and Rudna, and children develop their basic swimming skills under the supervision of qualified instructors from swimming clubs in the region. Swimming is a sport strongly recommended to children. It helps ensure the correct posture and reverse scoliosis. This discipline makes a child develop healthily, be physically fit, have a good stamina and motor coordination. Water exercises have a highly positive influence on the respiratory and circulatory systems, too. KGHM pursues the strategic assumptions of its CSR policy by engaging in dialogue and partnership with its environment. The company is a good neighbour and a trusted investor. To be effective, it incorporates social, cultural and economic elements into its projects. KGHM works closely with local governments and non-governmental organisations, analyses information about the needs of local communities and supports them in selected areas organisationally and financially. As a result, the company creates a sustainable, fair and equal relationship with its environment.





Best practice

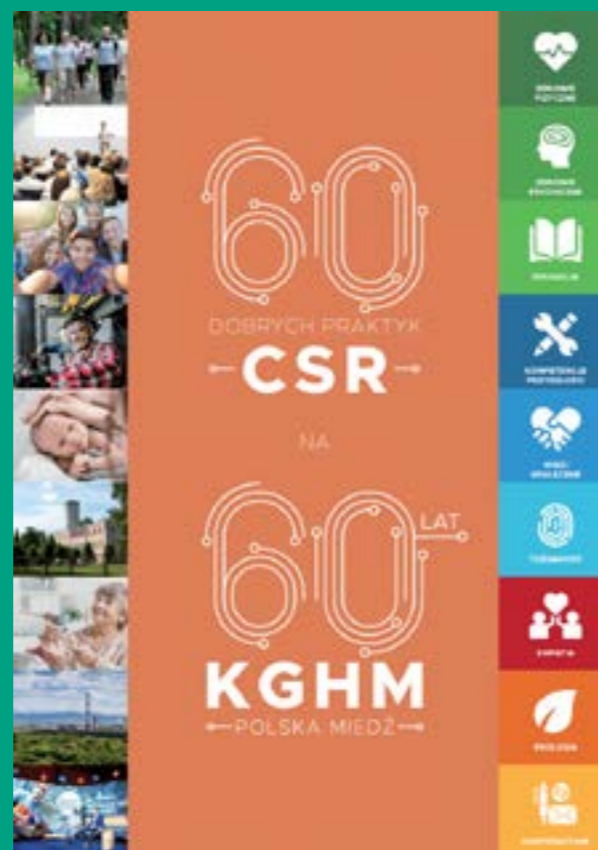
60 CSR best practices to celebrate 60 years of KGHM

As a leader in Corporate Social Responsibility, KGHM Polska Miedź S.A. published "60 CSR best practices to celebrate 60 years of KGHM". This online publication to mark its anniversary may serve as a source of inspiration for other companies and institutions. It proves that caring about people, their families and environment can go hand-in-hand with pursuing

This publication contains a description of 60 best practices in the copper company in several categories such as physical health, education, ecology and social bonds. KGHM showcases its activities and its staff's commitment to volunteer and aid campaigns to benefit the residents of the Copper Basin.

This publication on CSR best practices shows that KGHM Polska Miedź S.A. is consistent in pursuing and applying the principles of corporate social responsibility.

This exceptional document is available online and can be downloaded from the website:



Selected indicators illustrating activities in the area of labour and social issues in the KGHM Polska Miedź S.A. Group and KGHM Polska Miedź S.A. in 2021

GRI 102-8

TOTAL NUMBER OF EMPLOYEES

Total number of employees (headcount) as at 31 December	2021		2020	
	KGHM Polska Miedź S.A. Group	KGHM Polska Miedź S.A.	KGHM Polska Miedź S.A. Group	KGHM Polska Miedź S.A.
Total	33,965	18,601	33,526	18,529

GRI 401-1

TOTAL NEW EMPLOYEE HIRES AND EMPLOYEE DEPARTURES

		Number of employees (headcount)		Number of new hires		Rate of new employee hires	
		KGHM Polska Miedź S.A. Group	KGHM Polska Miedź S.A.	KGHM Polska Miedź S.A. Group	KGHM Polska Miedź S.A.	KGHM Polska Miedź S.A. Group	KGHM Polska Miedź S.A.
New hires:	2021	33,965	18,601	3,550	96	10.45%	0.52%
	2020	33,526	18,529	2,898	1,022	8.64%	5.52%
		Number of employees (head count)		Number of employee departures (head count)		Percentage of employee departures	
		KGHM Polska Miedź S.A. Group	KGHM Polska Miedź S.A.	KGHM Polska Miedź S.A. Group	KGHM Polska Miedź S.A.	KGHM Polska Miedź S.A. Group	KGHM Polska Miedź S.A.
Departures	2021	33,965	18,601	3,176	80	9.35%	0.43%
	2020	33,526	18,529	3,183	1,031	9.49%	5.56%

GRI 403-9

NUMBER OF WORK-RELATED ACCIDENTS BY GENDER:

	2021		2020		2021		2020	
	KGHM Polska Miedź S.A. Group		KGHM Polska Miedź S.A.		KGHM Polska Miedź S.A. Group		KGHM Polska Miedź S.A.	
	Women	Men	Women	Men	Women	Men	Women	Men
Total number of work accidents (incidents)	51	321	1	164	64	361	3	210
Number of fatal accidents (incidents)	0	3	0	2	0	3	0	3
Number of severe accidents (incidents)	2	11	0	4	0	4	0	3
Number of minor accidents (incidents)	49	307	1	158	64	354	3	204
Total number of people injured in accidents	372		165		425		213	

GRI 404-1

AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE

	2021		2020	
	KGHM Polska Miedź S.A. Group	KGHM Polska Miedź S.A.	KGHM Polska Miedź S.A. Group	KGHM Polska Miedź S.A.
Total number of training hours	670,087	461,098	395,309	326,817
Number of employees	33,965	18,601	33,526	18,529
Average number of training hours per employee	19.73	24.79	11.80	17.60

GRI 203-1

LIST OF DONATIONS BY THE KGHM POLSKA MIEDŹ FOUNDATION FOR INSTITUTIONS AND INDIVIDUALS IN 2021, BY AREAS

No.	AREA	Donations	
		Amount awarded PLN	Number of projects/individuals
DONATIONS FOR INSTITUTIONS		19,676,423.56	312
1.	HEALTH AND SAFETY	5,648,459.77	70
2.	SCIENCE AND EDUCATION	2,442,618.60	43
3.	SPORTS AND RECREATION	2,273,347.00	65
4.	CULTURE AND TRADITION	9,311,998.19	134
DONATIONS FOR INDIVIDUALS		993,101.10	116
1.	HEALTH CARE	983,101.10	115
2.	SOCIAL WELFARE ASSISTANCE	10,000.00	1
TOTAL DONATION AMOUNT		PLN 20,669,524.66	

A detailed list of donations granted to institutions is presented at

www.fundacjakghm.pl

Chapter 5

Natural environment

- | | | | |
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CLIMATE POLICY OF KGHM POLSKA MIEDŹ S.A.

KGHM Polska Miedź S.A. is an enterprise operating in accordance with the principles of social responsibility and undertaking initiatives to mitigate its impact on the environment. The concept of sustainable development, including in particular the conservation of the natural environment, is one of the most significant principles guiding the Company's activities.

KGHM Polska Miedź S.A., as one of the world's leaders in the production of copper and silver, intends to continuously and consciously develop its activities in accordance with the principles of sustainable development and responsible business, conducting its operations in a manner which takes into account both the impact of the organisation on the climate and the impact of climate change on the Company.

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 this 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.

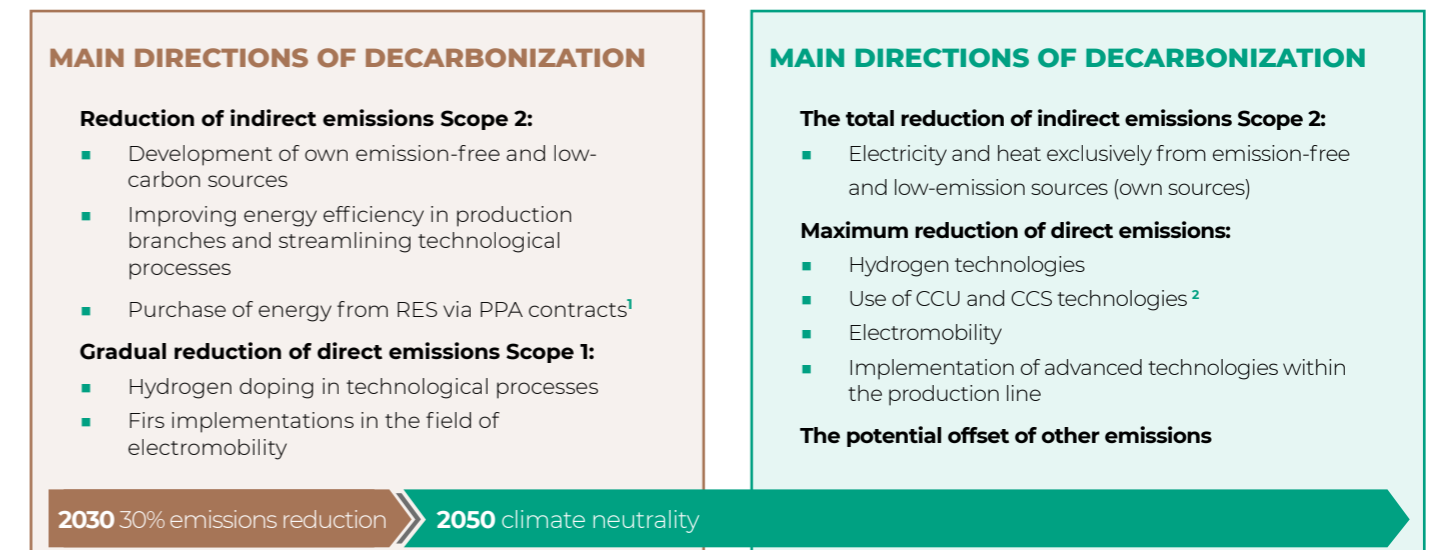


MAIN ASSUMPTIONS OF THE CLIMATE POLICY OF KGHM POLSKA MIEDŹ S.A.

The overarching goal of the KGHM Climate Policy is for the Parent Company 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. The intermediate goal is to achieve a 30% reduction in total Scope 1 and Scope 2 emissions by 2030 as compared to the 2020 emissions.

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



¹Main goal in respect of Scope 1 and Scope 2 GHG emissions, assuming their maximum possible reduction. Reduction goals in reference to 2020 emissions.

²CCU (carbon capture and utilisation) and CCS (carbon capture and storage) technology

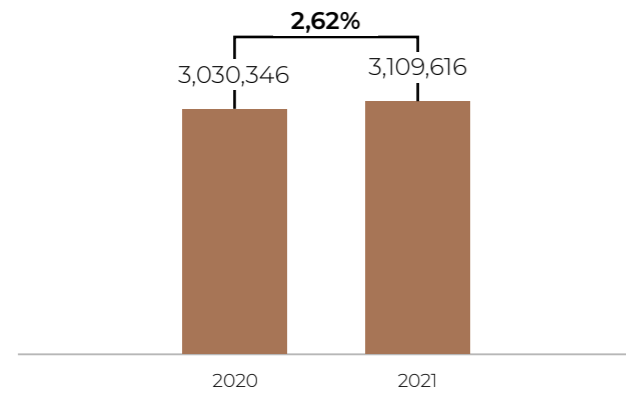
In 2021 total Scope 1 and 2 greenhouse gas emissions by KGHM Polska Miedź S.A. amounted to around 3 million tonnes of eCO₂ (tonnes of carbon dioxide equivalent). As a result of full implementation of GHG protocol, emissions in 2020, which at the same time is the base year for the reduction goals defined in the Climate Policy, were re-calculated. Comparing emissions in 2021 to those of the base year, we can see a slight increase in Scope 1 and 2 emissions. Total Scope 1 and 2 emissions increased by 2.62%. The small increase in Scope 1 and 2 emissions was due to higher electrolytic copper production. In comparing the greenhouse gas emissions ratio we can however see a slight decrease in emissions intensity despite the increase in electrolytic copper production.

GRI 305-1 GRI 305-2

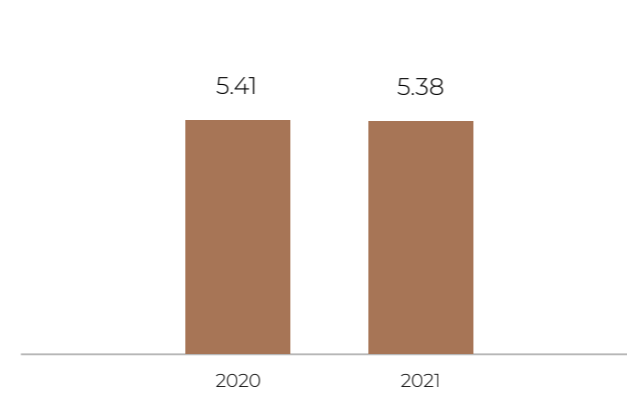
GREENHOUSE GAS EMISSIONS BY KGHM POLSKA MIEDŹ S.A. [tonnes of eCO₂]

	2020	2021	y/y	y/y%
Scope 1	1,413,129	1,457,899	+44,770	+3.17%
Scope 2	1,617,217	1,651,717	+34,500	+2.17%
Total emissions (Scope 1 + 2)	3,030,346	3,109,616	+79,270	+2.62%

CHANGE IN TOTAL SCOPE 1 AND 2 EMISSIONS IN KGHM POLSKA MIEDŹ S.A. [METRIC TONNES OF eCO₂]



GREENHOUSE GAS EMISSIONS RATIO FOR KGHM POLSKA MIEDŹ S.A. [METRIC TONNES OF eCO₂/TONNE OF ELECTROLYTIC COPPER]



DECARBONISATION PROGRAMME OF THE KGHM GROUP

The Climate Policy will be followed by the Decarbonisation Program of the Group, which will provide details on how the Climate Policy's goals will be attained, as well as total capital expenditures on the realisation of activities aimed at reducing the emission of greenhouse gases.

In 2021 total Scope 1 and 2 greenhouse gas emissions by the KGHM Group amounted to 5.18 million tonnes of eCO₂, of which around 60% was attributable to the Parent Entity (KGHM Polska Miedź S.A.). Emissions for the Group were calculated for the first time. Because of this, the year 2021 was set as the base year for monitoring changes in greenhouse gas emissions in the KGHM Group.

GRI 305-1 GRI 305-2

GREENHOUSE GAS EMISSIONS BY THE KGHM POLSKA MIEDŹ S.A. GROUP IN 2021 [tonnes of eCO₂]

	KGHM Polska Miedź S.A.	Companies in Poland	Companies ex-Poland	Group
TOTAL EMISSIONS (Scope 1 + 2)	3,109,616	851,264	1,222,799	5,183,679
SCOPE 1 – direct emissions	1,457,899	612,224	478,189	2,548,312
SCOPE 2 - indirect emissions	1,651,717	239,040	744,610	2,635,367
Including indirect equivalent emissions related to heat consumption:	0	4,917	0	4,917
Including indirect equivalent emissions related to electricity consumption:	1,651,717	234,123	744,610	2,630,450
Direct eCO ₂ emissions from biomass:	2,984	31,064	0	34,048

Information on Scope 3 greenhouse gas emissions for 2021 for KGHM Polska Miedź S.A. and the entire KGHM Group will be published in the fourth quarter of 2022.



WORK ON THE CLIMATE POLICY OF KGHM POLSKA MIEDŹ S.A.

The Resolution on the acceptance for application of the Climate Policy of KGHM Polska Miedź S.A. was the culmination of work which, in accordance with the announcements contained, among others, in the 2019 Report on Non-Financial Information of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group, had already been underway for more than two years.

The multi-faceted regulatory and strategic analyses initiated at the time had shown that the European Community's climate ambitions would have a key impact not only on the environment, but also on the Company's competitiveness in international markets and on its production economics. At the same time, all information and data related to the Company's greenhouse gas emissions issues were collected, aggregated and processed. All these activities made it possible to estimate the scale of the project and to create a preliminary work plan for it. In the next phase of work, the Company obtained the support of a renowned project consultant. The cooperation with the advisor was inaugurated by a special workshop, during which senior managers were able to learn about the conditions of project implementation, the work schedule and the role of individual organisational units in the entire process. This phase was carried out in a project group format, consisting of an Operational Team and a Steering Committee that reviewed the work of the various project streams. The project structure and

personnel composition were set based on an Order of the President on the development and implementation of the Climate Policy of KGHM Polska Miedź S.A. Each project stream of the Operational Team consisted of a group comprising several to as many as several dozen persons, representing both management personnel and experts from specific areas of the Company's and the KGHM Group's operations. The streams were dedicated to issues related to different aspects of the project – from issues directly related to emissions, to topics in the areas of management and communication.

The work reviewed the Company's existing emissions calculation process and identified a target optimal emissions data reporting scheme. KGHM Polska Miedź S.A. has also set climate goals and selected initiatives and means for fulfilling these ambitions; it identified the key regulatory trends and made conclusions for the content of the document entitled Climate Policy of KGHM Polska Miedź S.A. During the later stage of work, it conducted a scenario analysis of climate risks and evaluated the sensitivity of the business model to climate change issues. It also reviewed its position in ESG ratings and planned measures to improve the current position of KGHM Polska Miedź S.A. in this area.

In order to correctly incorporate climate issues in the Company's operating activities, it developed a proposal for changes in processes and procedures (as recommended by TCFD) and designed the structure and the roadmap for the implementation of the Climate Policy by the Company.

ENERGY POLICY OF KGHM POLSKA MIEDŹ S.A.

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 was and it is implemented on the basis of best European and international standards, mainly on the basis of the ISO 50001 standard. The process of implementing the international standard of energy utility management in accordance with the ISO 50001 standard 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 our 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 42 MWe each and a Surface-based Central Air Conditioning Station located next to shaft R-XI in Grodowiec, which has natural gas powered engines with the total capacity of 8.8 MWe. The Company is in the process of advancing further investments to increase electricity generation, with nitrogen-rich natural gas used as fuel. In 2022, two more natural gas powered engines with a total capacity of 8.8 MWe will be commissioned at the Surface-based Central Air Conditioning Station at the GG-1 shaft in Kwielice, and by 2030 two more such Stations will be built (with a total capacity of 17.6 MWe).



Best practice

KGHM will build the first small modular reactors (SMR) in Poland.

In collaboration with NuScale Power, the supplier of the technology, KGHM plans to build the first power plant by 2029. In 2021 KGHM Polska Miedź S.A. established the Nuclear Energy Department and in February 2022 a contract was signed with NuScale to commence the work on implementing the technology in Poland.

As part of this contract KGHM and NuScale will implement SMR technology in Poland. The first power plant will be built by 2029. This will allow Poland to avoid some 8 million tonnes of CO₂ emissions a year. Clean energy will power the copper company's production divisions. This project is modular, and that means that the size of the project can be grown seamlessly.

Building small modular reactors by 2029 is directly associated with the KGHM Polska Miedź Climate Policy and the Company's new strategic direction – energy.

This signed commercial contract is an important milestone towards commercializing and developing clean, reliable and affordable energy.

The modular nuclear power plant designed by NuScale Power with a light-water reactor supplies energy to generate electrical energy and heat, for desalination, produce hydrogen and for other applications related to process heat. This landmark solution is the only technology among small modular reactors to be approved by the U.S. Nuclear Regulatory Commission. KGHM, the leader in copper and silver production will be the first entity to implement SMRs in Poland.

The Company is also developing renewable energy sources. Currently, projects of photovoltaic power plants are carried out in the areas owned by KGHM, i.e. at the Głogów Copper Smelter and Refinery, at the Cedynia Copper Wire Rod plant and 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 stipulates the most important principles of energy management in KGHM Polska Miedź S.A. By observing these principles, the Company's management undertakes to:

- ensure resources necessary to achieve the planned energy objectives and outcomes,
- operate in accordance with the law and other energy requirements relating to energy use,

- create desirable attitudes, build awareness and continually improve the skills of the Company's employees and partners performing tasks for KGHM Polska Miedź S.A.,
- prevent waste in the area of energy consumption,
- cooperate with partners and suppliers in the procurement of material goods and services having regard to energy efficiency as an important selection criterion.

Company pursues activities designed to manage the energy used by KGHM rationally and in compliance with the law, including:

- specification of procedures for the investment and procurement process,
- energy overhauls in KGHM Divisions and the Head Office, performed in accordance with the approved methodology,
- actions to achieve the approved energy objectives,
- implementation of the regulations: Legal and other requirements in the field of power generation and evaluation of their conformity for the purposes of the Energy Management System at KGHM Polska Miedź S.A.

The principles adopted in the Energy Policy of KGHM Polska Miedź S.A. are complied with by all employees of the Company, as well as other persons and entities performing tasks needed for its operation. As a result of the Energy Policy, the

GRI 302-1

ENERGY CONSUMPTION IN 2021 IN KGHM POLSKA MIEDŹ S.A. [GJ]

	2021
	KGHM Polska Miedź S.A.
Consumed non-renewable fuel	7,811,422
Consumed renewable fuel	0
Electricity, heating, cooling and steam purchased for consumption	10,403,786
Electricity produced in-house, heating, cooling and steam that are not consumed	3,883,984
Sales of electricity, heating, cooling and steam	2,952,244
Total energy consumption within the organization	19,146,948

ENERGY CONSUMPTION BY THE ORGANIZATION

	2021	
	KGHM S.A. Group	KGHM Polska Miedź S.A.
Electricity consumption [kWh]	3,584,717,074	3,014,585,000
Consumption of thermal, cooling energy and steam [GJ]	4,175,066	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 first Supervision Audit in KGHM Polska Miedź S.A. and in Energetyka Sp. z o.o. conducted in June 2021 confirmed that the system is undergoing continual improvement, as are the energy results. Based on the findings of the UDT CERT Certification Unit's auditor team, it was concluded that the Energy Management System in KGHM Polska Miedź S.A. and in Energetyka Sp. z o.o. is fit to achieve the planned objectives, and its certificate has been renewed.

As a result of the EMS implementation, the costs of energy audits are avoided, which must be performed pursuant to the Energy Efficiency Act if no certified Energy Management System is in place. Another result of the EMS operation is the possibility to implement a comprehensive improvement of the energy management process and improve KGHM's energy result, which in 2020 generated energy savings of 26.9 GWh.

The EMS also reduces the costs of purchase and consumption of power utilities, including the cost of CO₂ emission rights, 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. in respect to sustainable development, satisfaction of stakeholder expectations and accountability to future generations. The activities of KGHM Polska Miedź S.A., including exploration and mining, processing and metallurgy, are accompanied by technical and organizational activities based on best available techniques, which mitigate our impact on the environment and climate.

Compliance with high environmental standards is critically important for maintaining the Company's position on the competitive market of copper producers.

In its Strategy, KGHM 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 System based on the PN-EN ISO 14001 standard, the Company's management undertakes to:

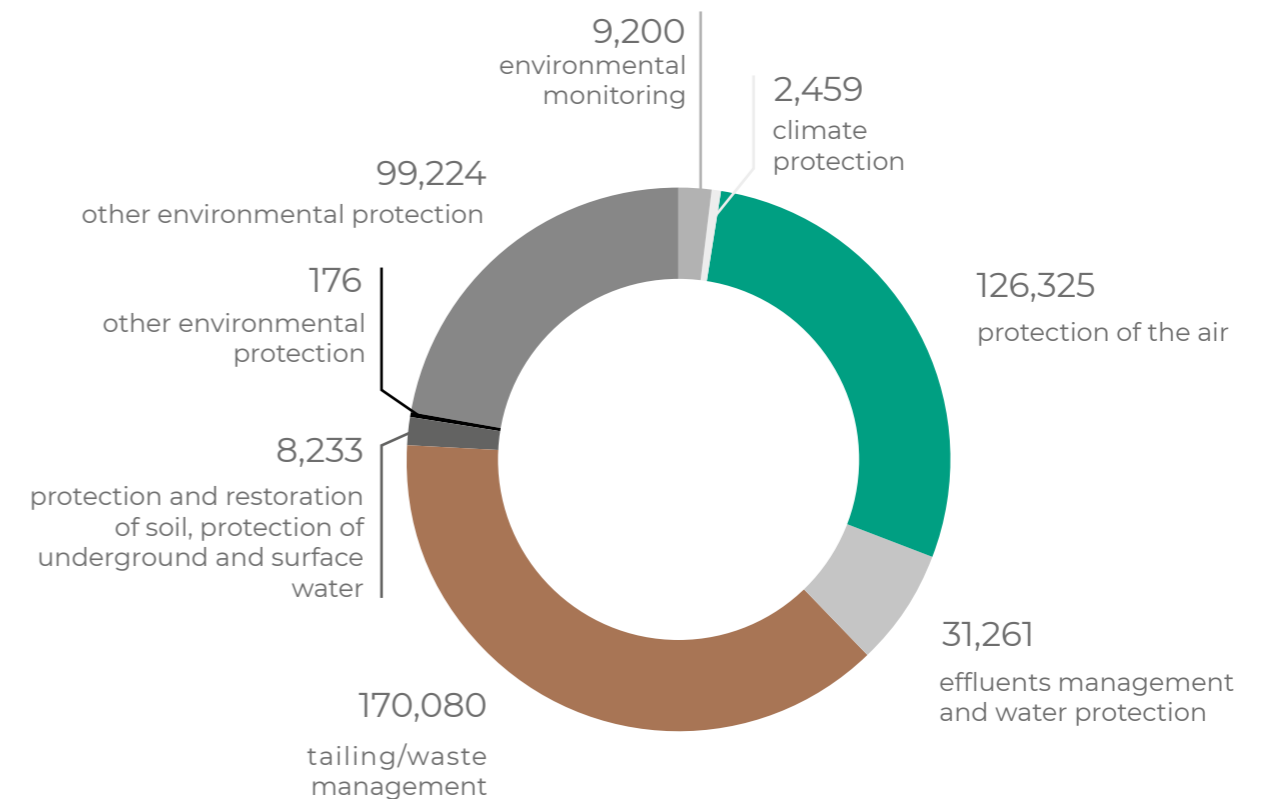
- ensure continuous prevention and mitigation of adverse impact on the environment and climate, through improvement and technological development of processes, modernization and replacement of machinery and prevention of pollution and breakdowns,
- ensure rational use of natural resources, such as land, 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 in respect to the environment and climate,
- foster environmentally-friendly attitudes among staff, contractors and the local community.

The Environmental Policy of KGHM Polska Miedź S.A. was approved for application by Resolution no. 200/XI/2021 adopted by the KGHM Polska Miedź S.A. Management Board on 6 October 2021.

ENVIRONMENTAL INVESTMENTS

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 2021, the Company spent more than PLN 446 million on environmentally-friendly investments, of which the largest expenditures, in the amount of over PLN 199 million, were incurred on developing the Żelazny Most Tailings Storage Facility.

VALUE OF CAPITAL EXPENDITURES FOR ENVIRONMENTAL PROTECTION IN 2021 [PLN THOUSAND]





Best practice

KGHM is opening the Southern Quarter - an innovative solution to care for safety and the environment.

The Southern Quarter, forming part of the Żelazny Most Tailings Storage Facility, is the largest investment of KGHM Polska Miedź S.A. since 2018. Despite the pandemic, the expansion of this facility was completed 7 months ahead of schedule. The Żelazny Most Facility is now the largest and best monitored facility of its type in Europe, and one of the largest in the world. It is a crucial element in the copper production process.

The Żelazny Most Tailings Storage Facility located in Lower Silesia is the best monitored tailings storage facility in Europe. It is the destination for mine tailings from the mines owned by KGHM Polska Miedź. Along with the Southern Quarter, which has been built onto the Main Facility, it occupies an area of more than 2,000 hectares. This facility is surrounded on all sides by earth embankments whose total perimeter exceeds 20 km and whose height ranges from 54 to 76 meters. Approximately 30 million tonnes of mine tailings a year are deposited in this facility.

Innovative technologies

Taking into consideration the substantially smaller surface area of the Southern Quarter compared to the Main Facility, innovative thickened waste technology was used. This is a revolutionary method from the vantage point of developing and continuing to operate the Żelazny Most Tailings Storage Facility. The main facility employs a technology in which the deposited material is silted from the centre. Flotation waste is delivered to the processing plants by water transport. The slurry transported to the TSF is directed into distribution pipelines situated at the embankment crest from which the slurry is spigotted towards the site's central area. The coarse fraction is used for the superstructure of the next levels of the Tailings Storage Facility. The fine material seals the bottom of the bowl of the TSF. This facility is raised solely by using flotation tailings without having to transport any additional materials.

The Southern Quarter's main embankment was built using the downstream method. The Southern Quarter's embankments were sealed and drainage layers were constructed to capture the runoff water from the tailings and return that water into the closed-cycle system. This new technology reduces water losses and infiltration into the bedrock.

A Tailings Segregation and Compacting Station to select waste was built next to the Quarter. The coarse fraction was used to build the body of the embankments, while the fine fraction, after thickening, will be used inside the Quarter. Using this technology makes it possible to utilize the facility's surface area effectively. It does not require a large body of water but merely a small storage facility to capture the runoff water from the tailings. Thickening the tailings and reducing the quantity of water in the basin as a result substantially enhances the safety of the facility.

Highest standards of safety

The facility is monitored constantly. The constant monitoring of the Żelazny Most Tailings Storage Facility spans multiple processes shaping the facility's operational safety and possible threats to adjacent areas and the environment. The scope of monitoring applicable to the facility and the environment in its immediate surroundings encompasses the following actions: tracking the quantity of precipitation, testing the substances and index parameters in surface, runoff and underground water, measuring the level of underground water in observation boreholes, checking how the surface of the Tailings Storage Facility settles using established survey benchmarks, measuring the density of runoff water, seismic monitoring, monitoring the air, soil and plants, monitoring animal health and monitoring noise. Geological exploration is also underway in the region of the Żelazny Most Tailings Storage Facility. This encompasses the following: field tests, taking samples for lab tests, geophysical tests based on exploration boreholes, static sampling, open well and standpipe piezometers, inclinometers, drainage and reduction wells, electrical resistivity profiles.

For nearly 30 years this facility has been supervised directly by an extensive group of experts and scientists who take part in regular meetings (Construction Boards) to discuss all of the issues related to designing, monitoring and expanding the Żelazny Most Tailings Storage Facility.

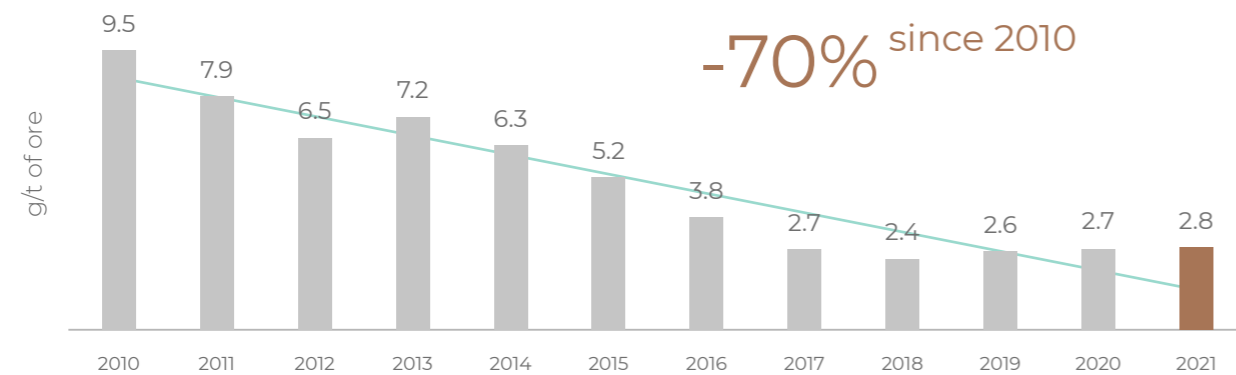
The Żelazny Most Tailings Storage Facility fully protects the natural environment from water collected in the facility. When expanding the facility to include the Southern Quarter, the safest scenario was followed to build and seal the embankments in hydroengineering and environmental terms. Budimex conducted this investment project. More than 100 machines worked on the construction and some of them were purchased especially for this investment. Work progress was laser scanned and updated in the BIM system in cooperation with the BIM Innovation Team in the Engineering Department.

PROTECTION OF THE AIR

KGHM Polska Miedź S.A. conducts its core business being aware of its responsibility for the environment, including for air quality.

Many years of investments in this area are reflected in the reduction of air emissions that are critical for the Company's operations, which is shown on the chart and descriptions below:

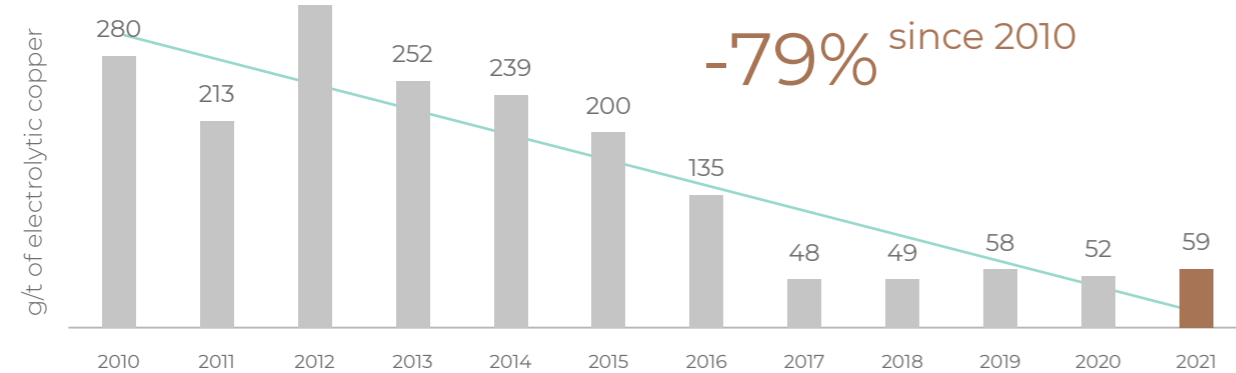
Dust emissions from mining production
[g/t of ore]



Dust emissions from mining production continue to decrease in KGHM Polska Miedź S.A. in spite of the growing output. The continuous reduction of emissions from underground mining production is made possible by a proper organization 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 1980s. The current projects are aimed at sealing the process even further and reducing fugitive emissions. All these efforts led to a 70% decrease of dust emissions from mining production in 2021 as compared to those in 2010.

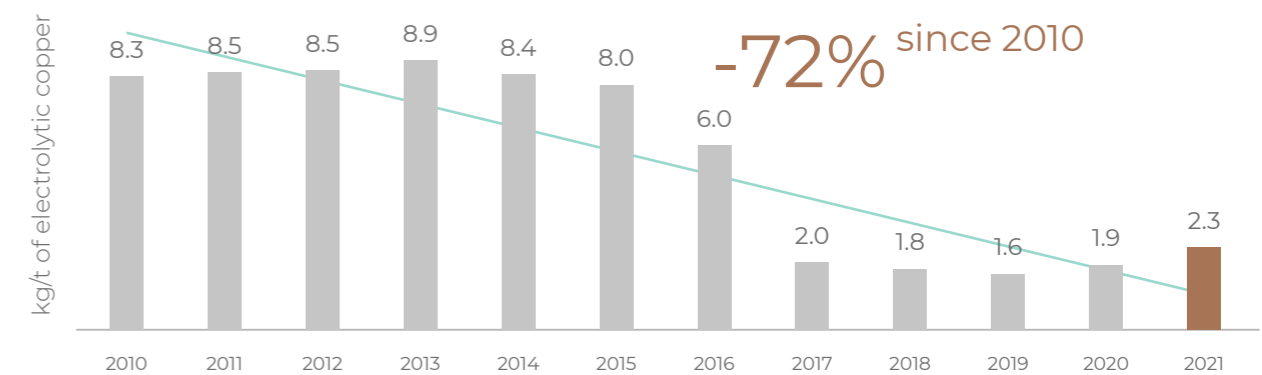
Dust emissions from metallurgical production
[g/t of electrolytic copper]



Dust emissions from metallurgical production of copper may contain metals and metal compounds. The consistent application of the Best Available Techniques (BAT) in KGHM Polska Miedź S.A. led to a 79% decrease of dust emissions from electrolytic copper production in 2021 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 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.

Emission of SO₂
[kg/t of electrolytic copper]



Besides copper, sulphur is one of the main ingredients of copper concentrates. The gaseous sulphur dioxide produced during the smelting of concentrates is converted to sulphuric acid in sulphuric acid installations. In international benchmarks, KGHM is

a pioneer in reduction of sulphur dioxide emissions: emission per tonne of copper produced has been reduced to approximately 2 grams per tonne of electrolytic copper, i.e. by about 72% vs. 2010.



BAT-As PROGRAM

Environmental activities of KGHM Polska Miedź S.A. are driven by three letters: BAT. This abbreviation stands for Best Available Technology. In late 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. Measures undertaken so far under the Program in 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 desulphurisation installation from the Kaldo furnace at the Precious Metals Unit at the Głogów Smelter 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,
- desulphurisation and dust removal installation for technological gases from converters at the Głogów II Smelter and Refinery was modernized.



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 remove arsenic from gases above the TM-16 casting machines were designed and executed and stage 1 of the installation for removal of arsenic and mercury from gases at the Solinox installation was launched.

Further work in this area is planned in 2022, including, among others:

- modernization of a desulphurisation and dust removal installation for technological gases from converters at the Głogów Copper Smelter and Refinery,

- P-31 Modernization of the installation reducing pollutants in air emissions of process gases from Dörschel furnaces – stage 2 at the Głogów Smelter and Refinery,
- building a desulphurisation and dust removal installation for gases from the granulation process at the Legnica Smelter and Refinery,
- continuation of work on the installation to remove arsenic and mercury from gases at the Solinox installation at the Legnica Smelter and Refinery.

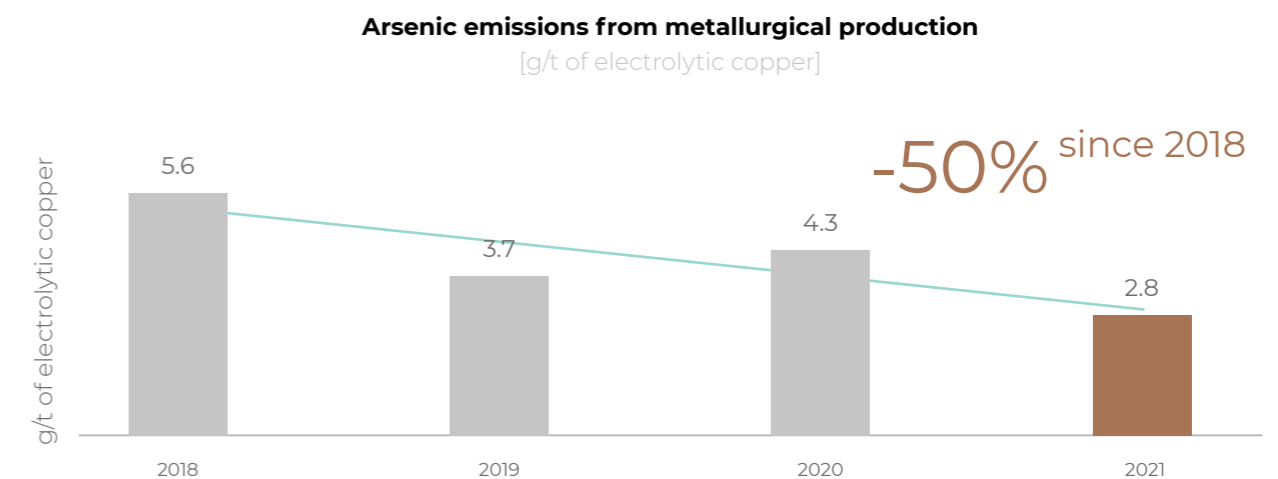
RESULTS OF INVESTMENT PROJECTS COMPLETED BY 2021 IN KGHM POLSKA MIEDŹ S.A. IN THE AREA OF UNIT ADAPTATION TO MEET THE REQUIREMENTS OF THE BAT CONCLUSIONS FOR THE NON-FERROUS METALS INDUSTRY ARE PRESENTED IN THE TABLE BELOW:

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
Modernisation of the Psz.1 bag filter dedusting system and PSZ2 and Psz3 cassette filters in the Shaft Furnaces	BAT 39: Dust - 2-5 (mg/Nm ³) As - 0,05 (mg/Nm ³)	December 2020 Dust - below 1 (mg/Nm ³), As – below 0.05 (mg/Nm ³), average 0.02 (mg/Nm ³)	Dust – decrease by 97% As – decrease by 84%
Construction of 2nd-stage wet dedusting system on the dryer dedusting units to reduce As and Hg emissions down to the BAT Conclusion levels	BAT 38: Dust - 3-5 (mg/Nm ³) As - 0,05 (mg/Nm ³) BAT 11: Hg - 0,01 – 0,05 (mg/Nm ³)	December 2020 Dust - below 1 (mg/Nm ³), As - below 0.02 (mg/Nm ³), average 0.01 (mg/Nm ³) Hg - below 0.004 (mg/Nm ³), average 0.002 (mg/Nm ³)	As – decrease by 84%
Design and construction of installation to eliminate arsenic from gases above the TM-16 casting machines	BAT 44: Dust - below 15 (mg/Nm ³)	December 2020 Dust - below 2 (mg/Nm ³), average 1.6 (mg/Nm ³)	Dust – decrease by 68% As – decrease by 75%

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
P-1 Sealing of conveyor belt tightening stations for carrying copper concentrate and ore blending warehouse	BAT 8 and BAT 25: Specify the required means of adaptation to prevent fugitive emissions from preliminary processing of natural, primary and secondary materials and their transport, or to reduce such emissions.	October 2019 Sealed conveyor systems were applied for transport and handling of dust generating concentrates, as well as fluxes and fine materials; mounting of roofs over conveyors for handling non-dust emitting solids (compliance with BAT8a, BAT8b, BAT25)	
PG Installation feeding milled de-leaded slag into the flash furnace	BAT54: Specifies methods to reduce the amount of copper production primary and secondary waste materials to be stored BAT90: Specifies the required means of adaptation to prevent fugitive emissions from preparation of natural, primary and secondary materials, or to reduce such emissions (for lead production).	December 2020 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).	
P-31 Building a warehouse and storage area for lead-bearing materials	BAT 90 Specifies the required means of adaptation to prevent fugitive emissions from preparation of natural, primary and secondary materials, or to reduce such emissions (for lead production).	March 2021 An enclosed feed preparation building was built and the Feed Preparation Yard was equipped with water showers and an enclosed leachate collection system to reduce dust from feed preparation operations for the Lead Production Facility.	

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
P-30 Building a gas desulphurisation installation from the Kaldo furnace at the Precious Metals Plant	BAT 140: Dust - 2-5 (mg/Nm ³) BAT 142: SO ₂ - 50-480 (mg/Nm ³),	May 2021 Dust – average of 0.6 (mg/Nm ³), SO ₂ – below 470 (mg/Nm ³),	
P-22 Building an installation for removing particulates from gases emitted from flash furnace slag and copper outlets at the Głogów II Smelter and Refinery	BAT 39: Dust - 2-5 (mg/Nm ³) As - 0,007 (kg/h)	December 2021 Dust – average of 0.054 (mg/Nm ³), As – average of 0.0019 (kg/h)	Dust – decrease by 88% As – decrease by 88%
P-23 Building an installation for removing dust from converter gases	BAT 39: Dust - 2-5 (mg/Nm ³) As - 0,002 (kg/h)	December 2021 Dust – average of 0.067 (mg/Nm ³) As – average of 0.00098 (kg/h)	Dust – decrease by 94% As – decrease by 92%

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 50% in 2021 vs. 2018.



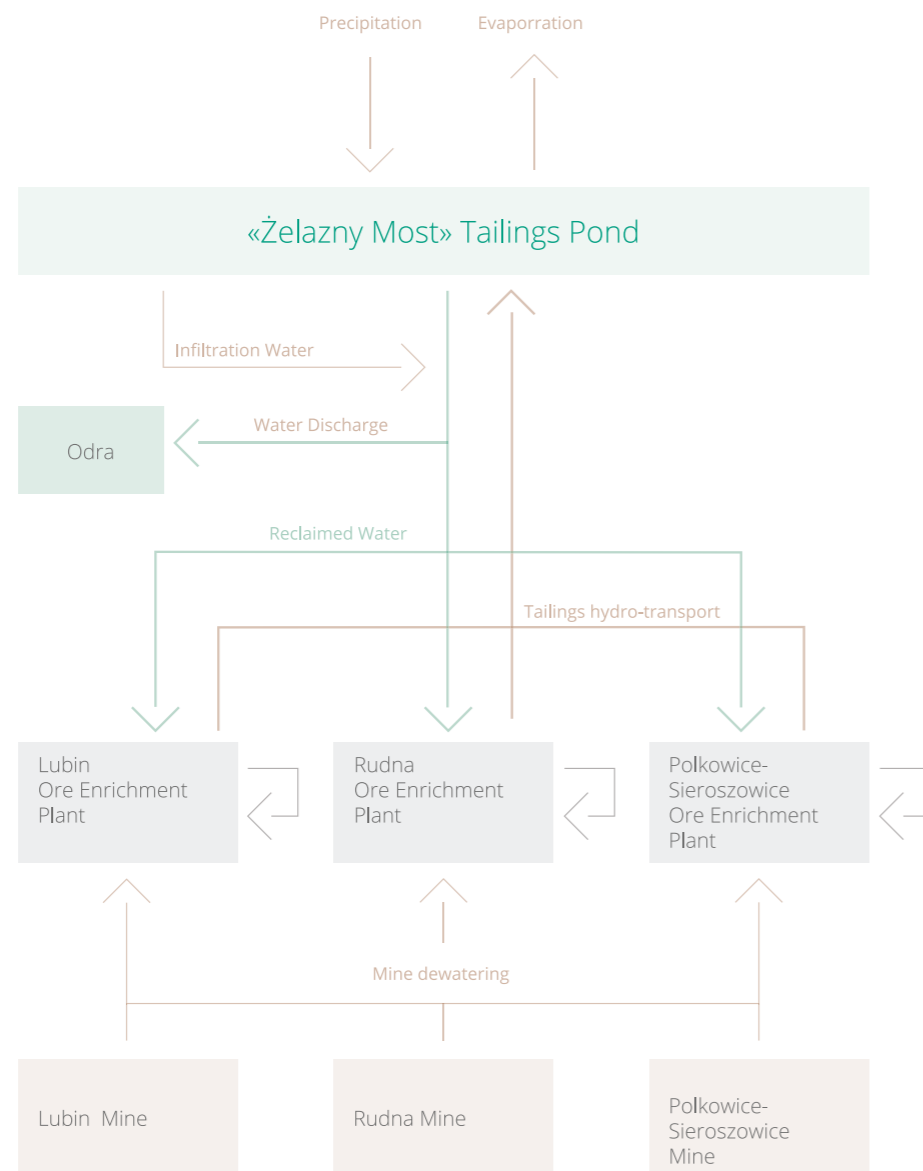
[GRI 303-1], [GRI 303-2]

WATER AND EFFLUENTS MANAGEMENT

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 chart below:

WATER IN THE ORE ENRICHMENT (FLOTATION) PROCESS



KGHM Polska Miedź S.A. has three operational underground copper mines, which mine the ore at depths of 400-1200 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, approximately 60,000 cubic meters of saline mine water is pumped to the surface. Depending on the depth of the ore deposit, water may contain from 0.2 to 140 g/l of Cl⁻ and about 2.8 g/l of SO₄²⁻. 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 are discharged directly into local rivers. At the ore enrichment plants, all water is stored in closed systems and used for hydrotransporting flotation tailings to the Żelazny Most Tailings Storage Facility, where suspended solid particles are sedimented. Water from the Żelazny Most Tailings Storage Facility returns, through a system of decantation towers, to the ore enrichment plants.

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 keep the concentration of the sum of Cl⁻ and SO₄²⁻ 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 m³/s and the flow of the discharged decanted water is less than 2 m³/s. The total level of suspended solids in the discharged water must be maintained under 35 mg/dm³. 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/dm³. 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.

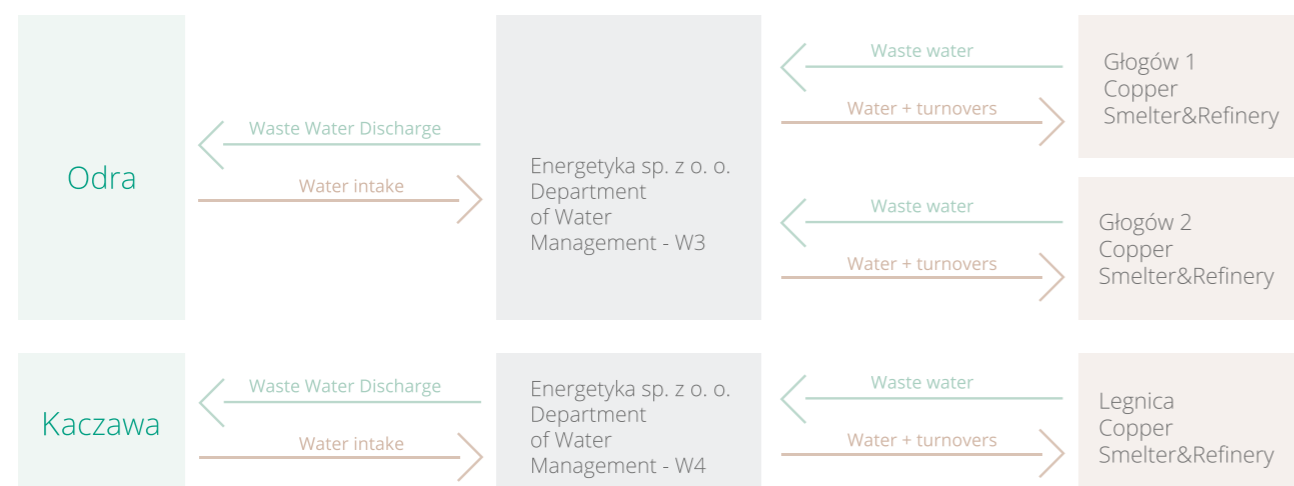
The Legnica Copper Smelter and Refinery and the Głogów Copper Smelter and Refinery consume significant amounts of water (approximately 11 million m³ per year), which is supplied by Energetyka Sp. z o.o. The company supplies water drawn from the Kaczawa river to the Legnica Copper Smelter and Refinery and from the Odra river to the Głogów Copper Smelter and Refinery.



The water used in production processes is routed back to Energetyka for treatment. Industrial effluents treatment plants operating for the smelters/refineries 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 smelters. Approximately 8 million m³ of the remaining treated effluents are 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 presents the measures linked to water management in KGHM Polska Miedź S.A. in 2021:

WATER IN THE ELECTROLYTIC COPPER PRODUCTION PROCESS



WATER MANAGEMENT BY KGHM POLSKA MIEDŹ S.A. IN 2021

		[m ³]
Water withdrawal by source	Surface water (total)	0
	Groundwater (total)	176,815
	Seawater (total)	0
	Water withdrawn as a result of operations, e.g. mine water (total)	29,599,160
	Fresh water (≤1,000 mg/l of total dissolved substances)	0
	Other water (>1,000 mg/l total dissolved substances)	29,599,160
	Water from third parties (total)	12,117,706
	Fresh water (≤1,000 mg/l of total dissolved substances)	12,117,706
	Other water (>1,000 mg/l total dissolved substances)	0
Total water withdrawal	Surface water (total) + groundwater (total) + seawater (total) + post-production water (total) + water from other sources (total)	41,893,681

WATER (EFFLUENTS) DISCHARGE

		[m ³]
Water (effluents) discharge by destination	Surface water	27,815,093
	Ground and soil	0
	Sea	0
	Water provided to third parties	9,530,140
Total water (effluents) discharge	Surface water + groundwater + seawater + third party water (total)	37,345,232
Water (effluents) discharge – fresh and other water	Fresh water (≤1,000 mg/l of total dissolved substances)	9,614,815
	Other water (>1,000 mg/l total dissolved substances)	27,730,418

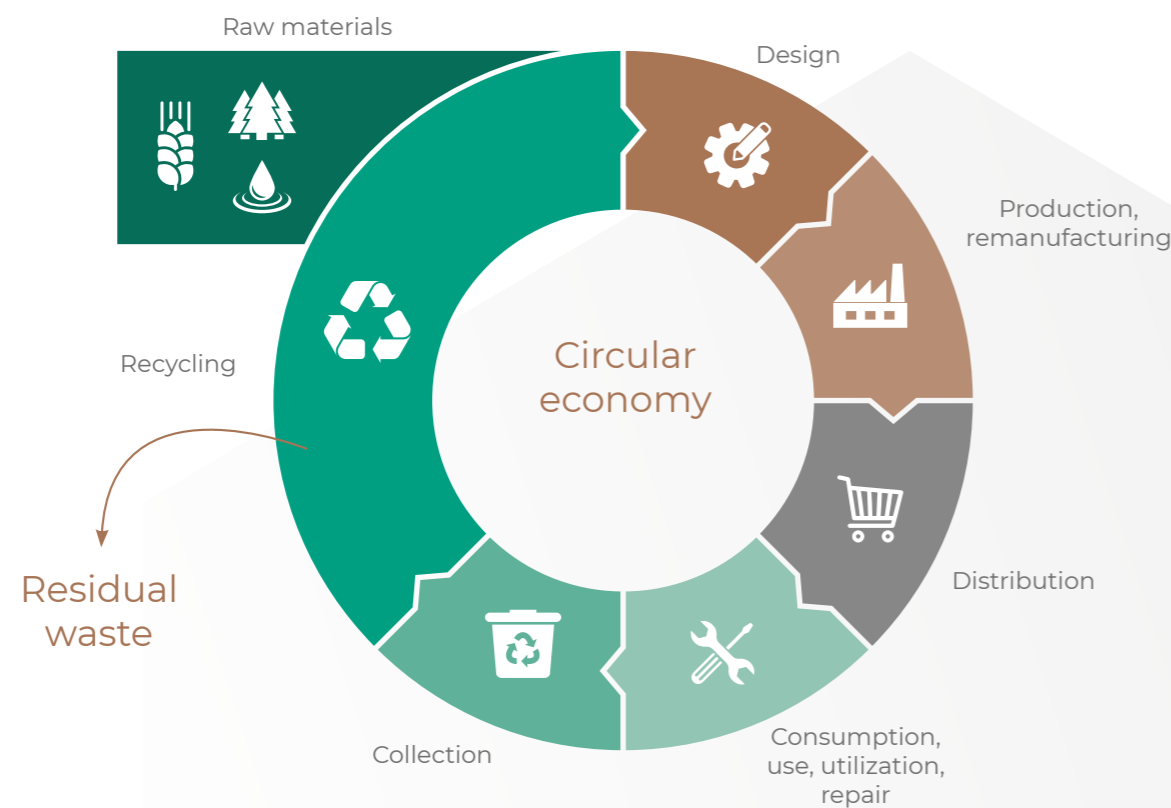
WATER CONSUMPTION

		[m ³]
Water consumption	Total water consumption	4,548,449

CIRCULAR ECONOMY INCLUDING WASTE MANAGEMENT

Striving towards a circular economy is one of the priorities of the KGHM Polska Miedź Group.

The Group implements the roadmap published on 24 September 2019 for the development of a circular economy in Poland, in the form as presented in the diagram below:



KEY ELEMENTS OF BUILDING A 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,
- minimizing the volume of post-production waste to residual waste levels,
- seeking and implementing solutions that allow utilization 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. sewage treatment plant: approx. 100,000 tonnes/year. Other large waste streams include dust and sludge from flue gas dust removal systems – up to 50,000 tonnes/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 organizational.

The waste produced in KGHM Polska Miedź S.A. is managed in accordance with the principles set out in the Act on Waste of 14 December 2012 (Journal of Laws of 2013, Item 21, as amended), according to which all activities should be planned, designed and carried out in a way that prevents the generation of waste or minimizes the amount of waste generated. Waste, whose generation cannot be avoided, is first subject to recovery and if it is impossible for technological, economic or environmental reasons, is disposed of. Waste is stored only if other means of disposal are not available.

The business of the Tailings Division in Rudna (existing within the KGHM Polska Miedź S.A. organizational structure) includes, in particular, the operation of the **Żelazny Most Tailings Storage Facility with the Southern Quarter**. The construction of the current Main Facility within the Żelazny Most Tailings Storage Facility began in 1974. It has been in continuous operation and simultaneous expansion since 1977.

LOCATION OF THE ŻELAZNY MOST TAILINGS STORAGE FACILITY WITH THE SOUTHERN QUARTER

Geographically, the Żelazny Most Tailings Storage Facility is situated in a valley surrounded from the north, south and by the natural boundary of the Dalkowskie Hills in the upper catchment area of the Rudna River. On its northern side, the Southern Quarter is adjacent to the Main Facility, with hills surrounding it on all other sides.

The Żelazny Most Tailings Storage Facility is located in Dolnośląskie Voivodeship, in an area falling into the administrative boundaries of three municipalities: Rudna, Polkowice and Grębobice. Together with the Southern Quarter, it covers an area of approximately 2,100 hectares.

KGHM Polska Miedź S.A. in Lubin holds **legal titles (mostly in the form of ownership and perpetual usufruct, but also leasehold)** to the land occupied by the Żelazny Most Tailings Storage Facility with the Southern Quarter and their technological installations.

A **support pillar** has been established for the Żelazny Most Tailings Storage Facility with the Southern Quarter, approved by a decision of the Director of the Regional Mining Authority in Wrocław. No mining operations are conducted on the copper ore deposit located underneath the facility or in its immediate vicinity. Both the current and projected impact of mining operations is classified as a **category 0 mining area**, signifying only a minor degree of impact of mining operations on building structures on the surface. This situation will not change if the operating front is relocated into the territory of Rudna municipality within the Lubin-Małomice mining area, where no mining operations have been conducted to date.

CLASSIFICATION OF THE FACILITY

Pursuant to Article 6(1)(l)(a) of the Mining Waste Act of 10 July 2008 (consolidated text: Journal of Laws of 2021, item 1972), the Żelazny Most Tailings Storage Facility with the Southern Quarter is classified as a **category A facility**, because its failed or improper operation may result in a major accident. Moreover, pursuant to §3(l) of the Regulation of the Minister of the Environment of 5 April 2011 on the Detailed Criteria for the Classification of Tailings Storage Facilities (Journal of Laws of 2011 No. 86, item 477), the facility in question fulfils one of the criteria listed in item 1, namely:

“The anticipated short-term or long-term consequences of an accident resulting from the loss of stability by a tailings storage facility, including any potential failure of mechanisms related to the design of such facility, or from the improper operation of such facility, may lead to any of the following:

- *significant risk of the loss of life,*
- *serious threat to human health,*
- *serious threat to the natural environment.”*

The Żelazny Most Tailings Storage Facility with the Southern Quarter is classified as suitable for the execution of **projects that may always exert a significant impact on the natural environment**, as enumerated in §2(1)(48) of the Regulation of the Council of Ministers of 10 September 2019 on Projects that May Exert a Significant Impact on the Natural Environment (Journal of Laws of 2019, item 1839), i.e. the category A tailings storage facilities referred to in the Mining Waste Act.

Pursuant to the Resolution of the Minister of the Environment of 20 April 2007 on the Technical Conditions to Be Fulfilled by Hydrotechnical Structures and Their Location (Journal of Laws No. 86 of 2007, item 579), the Żelazny Most Tailings Storage Facility with the Southern Quarter is classified as **class 1 hydrotechnical structure**. Its purpose is to dam up water continuously, it is situated on a non-rocky foundation, its damming height exceeds 20 m and its capacity is greater than 50 million m³.

The Żelazny Most Tailings Storage Facility with the Southern Quarter conducts waste management operations on tailings obtained as a result of the flotation enrichment of copper ores, code 01 03 81 Waste from flotation enrichment of non-ferrous

metal ores other than those mentioned in 01 03 80, generated in three regions of the Concentrators Division in Polkowice of KGHM Polska Miedź S.A. in Lubin. These tailings are used in the construction of dams on subsequent levels and to seal the bottom of the facility, with the remaining portion neutralized through the storage process.



In 2021, **28,197,740 tonnes of code 01 03 81 waste was collected** by the facility, of which:

- **18,046,553 tonnes** was recovered in the **R5 process** (construction of dams in the facility and sealing of its bottom)
- **10,151,187.00 tonnes** was neutralized through the **D5 storage process**.

The Żelazny Most Tailings Storage Facility is an upstream-downstream structure, comprising two parts: the existing Main Facility and the new Southern Quarter, surrounded by embankments (dams), where tailings are deposited inside the bowl using the “wet method”. The expansion of the Main Facility is conducted using the “upstream method” (i.e. without the need to encroach on any new areas), using tailings recovered from the flotation tailings stream to build up dams and seal the bottom of the basin. The Southern Quarter’s dams are built using the “downstream method”.

In 2021, the newly built Southern Quarter was commissioned (in the part covering the facility’s initial dams), and the Tailings Segregation and Compacting Station’s hydrocycloning technology was brought on-line as an element of the expansion and reconstruction of the Żelazny Most Tailings Storage Facility.

The Southern Quarter area is intended solely for the disposal of thickened waste, chiefly from the Tailings Segregation and Compacting Station, which is an element of the expansion and reconstruction of the Żelazny Most Tailings Storage Facility.

The crucial and indispensable components of the technical infrastructure located in the Żelazny Most Tailings Storage Facility with the Southern Quarter and the adjacent areas include:

- an installation for the distribution and disposal of flotation tailings, including central pumping stations located on the premises of individual Ore Enrichment Plants (Concentrators),
- auxiliary (supporting) pumping stations located, in succession, in the south-western part of the facility – pumping station H, in the northern part – two pumping stations: northern N and R, and in the south-eastern part – pumping station L,
- an installation for the collection of over-sediment water,
- draining installations:
 - primary dam,
 - annular,
 - vertical,
 - relieving,
- a drainage water removal system, including filtration water tanks,
- over-sediment water pumping stations,
- an over-sediment water treatment plant,
- technical monitoring system for the facility,
- a system preventing the occurrence of dust of beaches and dams, including an installation for the storage of preparations binding the top layer of tailings,
- an environmental monitoring system on the premises of the facility and in the areas adjacent to the facility,
- an electrical substation,
- a Tailings Segregation and Compacting Station located on a portion of the Main Facility,
- the technological water pumping station “Damówka” with installations – under construction,
- an influx line “E” in the Southern Quarter,
- silting pumps (planned) in the Main Facility.

The activities described above require the use of the following pipelines (also mentioned above):

- for the transport of water, through which technological water is sent for production purposes to the Concentrators Division and any excess is discharged into the Odra River in Głogów,
- for the transport of sludge, through which flotation tailings are removed from three regions (Polkowice, Rudna and Lubin) of the Concentrators Division.



The over-sediment water collected in the Żelazny Most Tailings Storage Facility is returned to the Ore Enrichment Plant and used in the flotation process, while the excess water is discharged **into the Odra River in compliance with Decision No. WR.RUZ.421.71.2019.ER of 5 May 2021 issued by the Wrocław District Director of the Water Management Board of the State Water Management Authority granting a water permit for a water service** involving the discharge of effluents into surface waters by applying an old filtering system, i.e. the discharge into the Odra River, using a discharging device comprising a new filtering system in the form of a $\varnothing 1420$ mm distribution pipe (laid in the bottom of the Odra River on plot no. 58/8, cadastral district 0003, Wyspa Katedralna, city of Głogów) with two river-bank chambers. **The decision came into force on 25 May 2021.**

The over-sediment water drainage system from the facility comprises, among other elements, intake towers located in the Main Facility (within the basin), from which the water is moved through inflow pipes to two pumping stations located on the eastern (Kalinówka Pumping Station) and western (Tarnówek Pumping Station) sides of the facility.

EXPANSION OF THE FACILITY

The design, build-up, expansion and operation of the Żelazny Most Tailings Storage Facility has been carried out in accordance with the principles of the so-called **observational method**, whereby a regular verification and updating of assumptions and design solutions is conducted based on observations, tests and measurements performed

during the operation of the facility. The use of the observational method may result in amending the processes of design, build-up, expansion and operation of the facility.

In accordance with the principles of the adopted observational method, the decision on the potential build-up of the facility's dam should be based on an interpretation of archival and current results of observations, measurements taken by control and measurement equipment and hydrogeological tests (updates of geological, engineering and geotechnical conditions). A verification and update of the design assumptions, based on the current interpretation of the said results of observations, tests and measurements, should be carried out for each 2.5 m of the superstructure of all sections of the facility's dam. The application of this approach in the design process enables ongoing assessment of the situation and, if any security risk is identified in respect of the dam, it also enables the taking of appropriate technical measures to ensure that the safety level specified in the applicable technical and construction regulations is complied with.

The use of the observational method translates into a better and more effective distribution of funds, thereby improving the facility's performance and significantly reducing the risk of making an error that would compromise the durability or perhaps even the safety of the structure.

Various types of control and measurement equipment are put to use for the purposes of making and recording current observations, including:

- geodetic measurement points,
- open piezometers,
- string piezometers,
- inclinometers,
- drainage and relief wells,
- horizontal drainage expenditure measurement points,
- flow measurement points in ditches,
- seismic positions,
- staff gauges.



Seismic monitoring is partly used from the network owned by the Mines. The Mines own some of the geodetic points, accelerometers or seismometers, and their tasks also include the taking of measurements and the maintenance of equipment.

The observational method requires the execution of various analyses and arrangements. The whole process involving the expansion of the facility is **supervised directly by an extensive group of experts and scientists who take part in regular meetings (Construction Boards)** to discuss all of the issues related to designing, monitoring and expanding the Żelazny Most Tailings Storage Facility.

Description of the existing situation – administrative decisions required by law

In connection with the requirements of Articles 28, 33(1) and 34(4) of the Construction Law of 7 July 1994 (consolidated text: Journal of Laws of 2021, item 2351, as amended), the construction/expansion of a hydrotechnical facility requires the investor to obtain a **building permit**.

Moreover, the construction of, for instance, new pipelines or new facilities, such as a pumping station and the Southern Quarter (built in stages), requires **notification of the completion of construction work or obtaining an operating permit**, pursuant to Article 54 or 55 of the Construction Law.

It should also be pointed out that the Main Facility, due to the specific nature of the continuous construction of an operating facility, **does not require an operating permit**.

Due to the requirements of Articles 71(2) and 72 of the Act on the Provision of Information on the Natural Environment and its Protection, Public Participation in Environmental Protection and Environmental Impact Assessments, before obtaining a decision on a building permit, a facility operating permit, a waste processing permit or a decision on a permit to operate a tailings storage facility, it is necessary to obtain an **environmental impact decision**. In the current factual and legal status, in compliance with Article 75(1)(4) of the Act on the Provision of Information on the Natural Environment and its Protection, Public Participation in Environmental Protection and Environmental Impact Assessments, **the authority competent to issue an environmental impact decision is the municipality head**. This requirement has been fulfilled.

Due to the classification of the facility as a tailings storage facility, its operation requires the following, in accordance with the Mining Waste Act:

- obtaining a **decision approving the mining waste management program** (Articles 8–11 of the Mining Waste Act),
- obtaining a **permit to operate a tailings storage facility** (Articles 14–17 and 19 of the Mining Waste Act),
- preparing a **risk assessment study for a tailings storage facility** (Article 10 of the Mining Waste Act),
- preparing an **external emergency plan** (Articles 19 and 37 of the Mining Waste Act),
- preparing an **internal emergency plan** (Article 36 of the Mining Waste Act),
- preparing a **major accident prevention policy** along with a **safety management system** implementing the policy (Article 36 of the Mining Waste Act),
- hiring a **safety officer** (Article 36(6) of the Mining Waste Act),
- hiring a **facility manager qualified in waste management** (Article 22 of the Mining Waste Act),
- in connection with the requirements of Article 32 of the Mining Waste Act, presenting a **financial guarantee or its equivalent** by the waste holder, on the terms specified in the Regulation of the Minister of the Environment of 11 February 2015 on the Financial Guarantee and its Equivalent for a Tailings Storage Facility (Journal of Laws, item 311),
- obtaining **consent for the extraction of waste** pursuant to the Waste Act (Article 18 of the Mining Waste Act)
- monitoring the facility (Article 27 of the Mining Waste Act).

The condition of the natural environment around the Żelazny Most Tailings Storage Facility is monitored on a regular basis. In 2021, the scope and type of measurements carried out within the Tailings Storage Facility's monitoring network was consistent with:

- *Decision No. PGOW 163/2018 of the Marshal of Dolnośląskie Voivodship approving the Mining Waste Management Program at KGHM Polska Miedź S.A., Tailings Division, in connection with the operation of the Żelazny Most Tailings Storage Facility with the Southern Quarter up to the elevation of the dams of 195 m above sea level,*
- *effective since 25 May 2021, Decision No. WR.RUZ.421.71.2019.ER of 5 May 2021 issued by the Wrocław District Director of the Water Management Board of the State Water Management Authority granting a water permit for a water service involving the discharge of sewage into surface waters by applying an old filtering system, i.e. the discharge into the Odra River, using a discharging device comprising a new filtering system in the form of a 1420 mm distribution pipe (laid in the bottom of the Odra River on plot no. 58/8, cadastral district 0003, Wyspa Katedralna, Głogów – town) with two river-bank chambers, approving effluents disposal through the existing installation until the new one is put into operation. By the power of this decision, Water Permit No. WR.RUZ.421.143.2019.ER of 11 February 2020 expired on the date when Decision No. WR.RUZ.421.71.2019.ER of 5 May 2021 became final.*
- *environmental decisions regarding the expansion of the Żelazny Most Tailings Storage Facility and the construction of the Southern Quarter, and the requirements of Article 27(1) of the Mining Waste Act of 10 July 2008 (consolidated text: Journal of Laws of 2021, item 1972) and the Regulation of the Minister of the Environment of 29 May 2014 on the Monitoring of a Tailings Storage Facility (Journal of Laws of 2014, item 875).*

In compliance with the applicable regulations stemming, in particular, from the Mining Waste Act, such **monitoring comprises:**

- measuring the volumes of precipitation in a weather monitoring station representative for the location of the Tailings Storage Facility,
- testing substances and measuring parameters in surface, runoff and ground waters from the list defined in the applicable water classification regulations,
- measuring ground water levels in observation wells,
- monitoring the subsidence of the Tailings Storage Facility's surface based on the established survey benchmarks,
- measuring the volume of runoff water

In compliance with the applicable regulations and the provisions of environmental decisions, the following items are also monitored for the Żelazny Most Tailings Storage Facility:

- atmospheric air,
- soils and plants,
- the health of livestock,
- the health of children (under the age of 18),
- seismic monitoring.

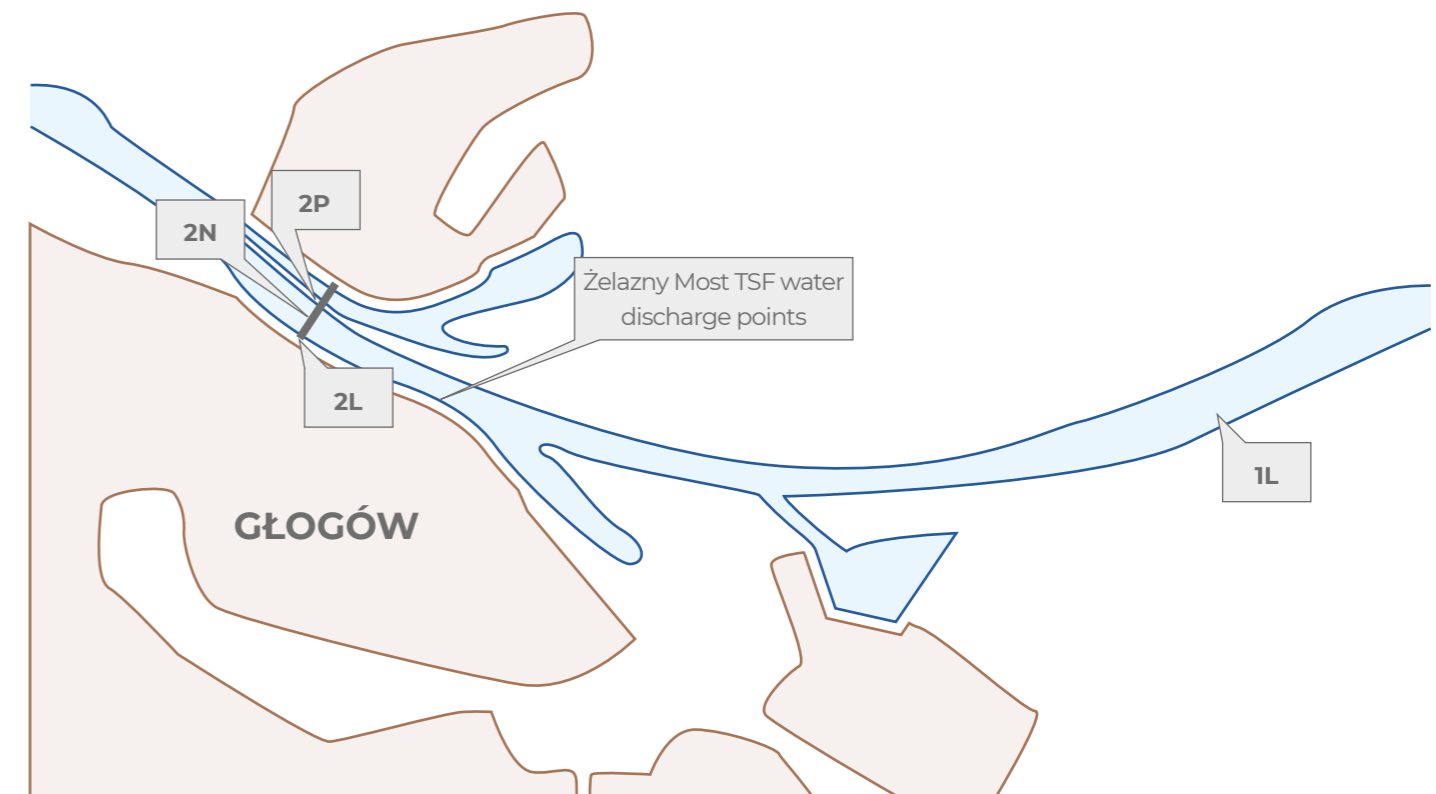
Due to the need to discharge effluents from the Żelazny Most Tailings Storage Facility into the Odra River, the **discharged water is monitored** in terms of the following aspects:

- quantity of discharged effluents
- quality of discharged effluents
- quality of water in the Odra River.

In 2021, 27,730,418 m³ of excess water from the Żelazny Most Tailings Storage Facility was discharged into the Odra River.

The measurements of the Odra River water parameters are performed at 4 measuring points:

- Above the discharge at point 1L
- below the discharge at points 2L, 2N and 2P.



Due to the use of non-mining waste in the recovery process (e.g. for the construction of drainages or the construction of the facility's side embankments), waste treatment in the Tailings Storage Facility requires a **waste treatment** permit. In compliance with **Decision No. O 138/2015 (as amended) of 21 December 2015 issued by the Marshal of Dolnośląskie Voivodeship**, ref. no. DOW-S-V.7244.59.2015.KB, journal entry no. 2520/12/2015 (as amended), granting a waste processing permit, **in 2021 waste with the following codes was recovered in the R5 process:**

- **521.16 tonnes of ex 10 01 01** Furnace slags
- **36,316.96 tonnes of ex 10 06 80** Granulated slags
- **160 tonnes of 17 01 01** Concrete waste and concrete debris from demolition and renovation work

In turn, during the construction of protective cover for the Southern Quarter's drainage layer in 2021, **90,867.60 tonnes of waste code ex 10 06 80 Granulated slags was generated.**

The required environmental fees (air emission fee) and water fees (fixed fee and variable fee for discharging effluents into the Odra River) have been paid in a timely manner.

The tasks and obligations arising from the applicable administrative decisions and regulations, including reporting duties, have been performed on an ongoing basis and in a timely manner.

WASTE RECOVERY

The possible directions and methods of recovery of waste generated by the Company's installations depend on its material properties and the 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 2021, 504.3 thousand tonnes of poured slag, 115.15 thousand tonnes of granulated slag for batching and 183.2 thousand tonnes of shaft slag were used for the production of aggregate.
- coarse-grained copper ore flotation tailings are used to build the embankments of the Żelazny Most Tailings Storage Facility and the Southern Quarter (6.77 million tonnes in 2021).
- fine-grained flotation tailings are used to seal the bottom of the Żelazny Most Tailings Storage Facility (11.28 million tonnes in 2021).
- granulated slag from the Głogów Copper Smelter and Refinery was used until 2021 to build the protective part of the drainage layer of the Southern Quarter at the Żelazny Most facility (in 2021 91,000 tonnes of granulated slag was used for this purpose); it is still used at the Main Facility for the construction of drainage layers in the waste massif and piers and embankments of the harbour (36.3 thousand tonnes in 2021).

In the mines of KGHM Polska Miedź S.A., hydraulic backfill is used to fill mined void (goafs). The main material used for this purpose is sand, but also granulated slag from the Głogów Copper Smelter and Refinery (in 2021 the Rudna Mine used nearly 6.5 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 2021, the Głogów Copper Smelter and Refinery supplied 94.8 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 main customers are the largest construction firms specialising in roadway 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. Utilization 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.

At the Legnica Copper Smelter and Refinery a high-quality copper scrap processing line was built, as the first step for the planned Hybrid Smelter and Refinery 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 in the Hybrid Smelter and Refinery in Legnica, copper scrap processing technology was employed using a Revolving-Casting-Refining (RCR) furnace. The RCR furnace enables the processing of copper scrap with average copper

content of 95% and the optimum capacity up to 90 thousand tonnes of anode copper per year. The total production of anode copper at the Legnica Copper Smelter and Refinery in 2021 amounted to 161.2 thousand tonnes, including 64.35 thousand tonnes from the RCR furnace. In 2021, in total 93 thousand tonnes of scrap were processed by the Legnica Copper Smelter and Refinery, which were thus returned to use in line with the idea of circular economy and did not become waste that would require disposal through 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 Cu 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,
- development of the technology of recycling copper smelting in 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, non-forced by legal regulations, aimed at the implementation of a circular economy.



[GRI 304-2], [GRI 304-3]

ACTIVITIES TO PRESERVE BIODIVERSITY

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:

- Kozioróg 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:

- Buczyna Jakubowska (within the licensed area of Polkowice-Sieroszowice Mine),
- Uroczysko Obiszów (within the licensed area of Polkowice-Sieroszowice Mine),
- Żukowskie Śnieżyce (within the licensed area of Rudna Mine),
- Skarpa Storczyków (approx. 1 km - Cedynia Wire Rod Plant),
- Dalkowskie Jary (6 km - Głogów Copper Smelter and Refinery).

NATURE AND LANDSCAPE CONSERVATION AREAS:

- Grodowiec (within the licensed area of Rudna Mine),
- Guzicki Potok (within the licensed area of Rudna Mine),
- Trzebcz (within the licensed area of 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).

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 2021, 29,800 trees were planted at the Legnica Copper Smelter and Refinery, including:

- European beech: 15,053 trees
- English oak: 7,002 trees
- European hornbeam: 3,600 trees
- Tilia cordata: 1,615 trees

In 2021, the following were planted at the Głogów Copper Smelter and Refinery:

- a total of 248 trees, 2,120 bushes were planted on industrial areas as replacement plants (replacing trees that had been removed, mainly cottonwood) and as part of the green areas revitalization project,
- 550 "old varieties" of fruit trees were planted in the forest area located within the boundaries of the ecological site near Wróblin Głogowski, and 700 creeping dogwood shrubs were planted on the embankment near the access road towards Gate 3.

At the TSF, in 2021 trees were planted on forest and non-forest land. The trees were planted on forest land in the following forest districts:

- Lubin Forest District: 70.09 ha (300,000 beech seedlings)
- Przemków Forest District: 39.8 ha (62,050 beech seedlings and 92,470 spruce seedlings)
- Wołów Forest District: 10.43 ha (52,150 beech seedlings)

The following were planted at the Żelazny Most Tailings Storage Facility:

- Tilia cordata: 115 trees
- European horse-chestnut: 3 trees
- Norway maple: 14 trees
- Silver birch: 12 trees
- Korean fir: 1 tree
- Common juniper: 1 tree

KGHM Polska Miedź S.A. additionally takes part 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 increase of CO₂ absorption by forest complexes.





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 2021, another four falcons hatched. One male and three female. Since the breeding box was mounted in the Głogów II Copper Smelter and Refinery, 40 falcons have successfully hatched, and 39 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 2021, 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 wooded structures, i.e. substitute habitats for insects nesting in clay, cleaning works – systematic removal of illegal waste by third parties.

MANAGEMENT OF CHEMICAL SUBSTANCES

KGHM Polska Miedź S.A., as one of Europe's leading non-ferrous metals producers, applies the principles of responsible management of chemicals introduced by the EU's REACH and CLP regulations.

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. As part of the REACH system, the Company has registered all of the substances it has introduced to trading with the European Chemicals Agency. Under the REACH implementation strategy, KGHM Polska Miedź S.A. became a member of several REACH consortia, which manage the process of registering substances and half-finished products included in the consortia. KGHM Polska Miedź S.A. is currently a member of six international REACH substances consortia:

- the REACH Copper Consortium,
- the European Precious Metals Federation,
- the Lead REACH Consortium,
- the Nickel REACH Consortium,
- the REACH Selenium & Tellurium Consortium,
- the REACH Copper Compounds Consortium.

In 2021, the consortia worked on updating the registration documentation for substances and half-finished products, reflecting the newest results of research and the newest guidelines of the European

Chemicals Agency. Under these consortia activities were carried out with respect to the harmonised classification of copper, lead and silver, procedures for granting lead permits, copper endocrine properties and permissible lead and copper concentrations in the workplace environment. As a result of the presentation in October 2020 of the „EU chemicals strategy for sustainability”, the European Commission commenced a review of the REACH and CLP regulations. The consortia, together with Eurometaux, are analysing the assumptions for the changes in the regulations and are actively participating in broad consultations in this regard. The goal of the new chemicals strategy is to increase safety and to achieve zero polluting emissions for a non-toxic environment, contained in the European Green Deal. The new strategy carries with it many challenges and is being broadly commented on throughout Europe.

In 2021, the Company's costs incurred from cooperation with the consortia amounted to EUR 154 thousand. The main item was a fee paid to the European Precious Metals Federation connected with research on metallic silver and the updating of registration documentation.

Due to changes in the REACH regulation's requirements, the Company updated its substances properties cards, which were then provided to customers.



ENVIRONMENTAL PROTECTION IN KGHM INTERNATIONAL LTD.

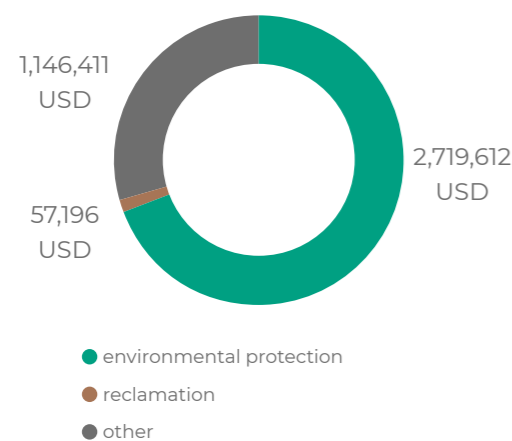
In 2021, the mines operating within KGHM INTERNATIONAL LTD. met all the legal requirements and cooperated with regulators in order to achieve the best possible outcomes for the environment as well as for their operations. No irregularities occurred in connection with the mining activity that would lead 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 more than USD 2.7 million on environmental protection: waste management, environmental fees and consultants. Additionally, approximately USD 1.1 million was allocated for mitigation measures, which accompanied plans to expand the flotation tailings storage facility and measures linked to the Liberty open pit. The work served the purpose of protecting the areas where the sharp-tailed eagle (*Centrocercus urophasianus*) and the golden eagle (*Aquila chrysaetos*) occur. An additional USD 57 thousand was allocated to ongoing reclamation activities.

Overall, RNMC spent about PLN 15 million for environmental protection measures, with the structure shown on the graph below:

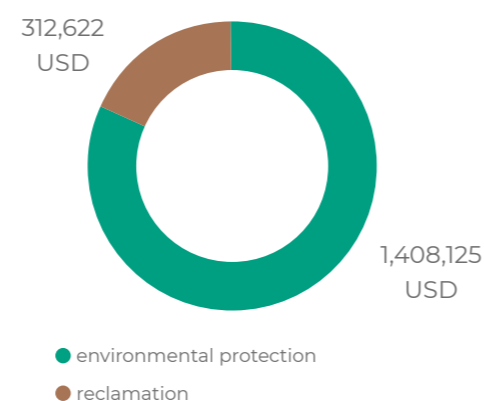
Environmental protection expenditures at Robinson Nevada Mining Company in 2021



In 2021, Carlota Copper Company (Carlota; Arizona, USA) allocated USD 1.6 million, or nearly PLN 7 million, for environmental protection. The actions

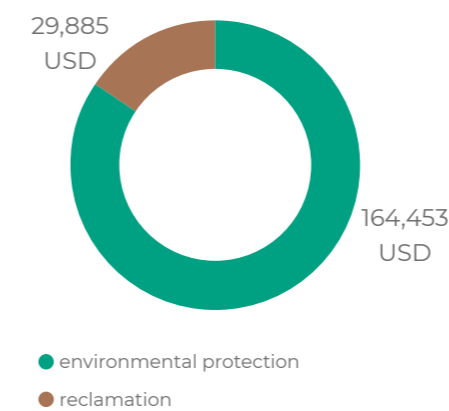
were focused on environmental monitoring and renewal of permits. Work was also conducted to prepare the restoration process, which included testing of evapotranspiration covers, collection of necessary data and cooperation with consultants. The allocation of funds is shown on the graph below:

Environmental protection expenditures at Carlota Copper Company 2021



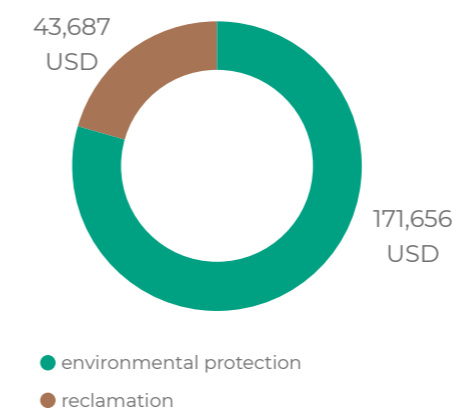
In the Sudbury Basin mines (Ontario, Canada) activities focused on environmental monitoring, water and waste management, and obtaining of permits. Nearly USD 195 thousand, or approx. PLN 750 thousand, was spent for these purposes, with the structure shown below:

Environmental protection expenditures at Sudbury Operations in 2021



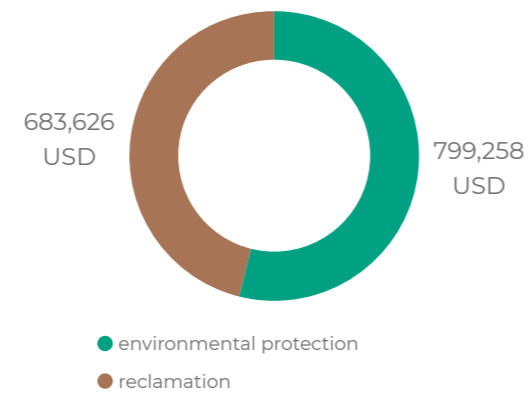
Environmental protection costs of the Victoria Project (Ontario, Canada) amounted to over USD 170 thousand, while USD 43 thousand was used for obtaining permits. Additionally over USD 4 million was allocated for work accompanying the development of the project. Overall, more than PLN 17 million was spent on environmental needs of the project, with the structure shown below:

Environmental protection expenditures in the Victoria Project in 2021



In 2021, the Franke mine allocated funds for environmental monitoring, water and waste management, obtaining permits as well as preliminary work on the analysis of environmental impact of expansion of the Carrizalillo project. Total expenditures for this purpose amounted to nearly PLN 6 million, with the structure as shown below:

Environmental protection expenditures at SCM Franke in 2021

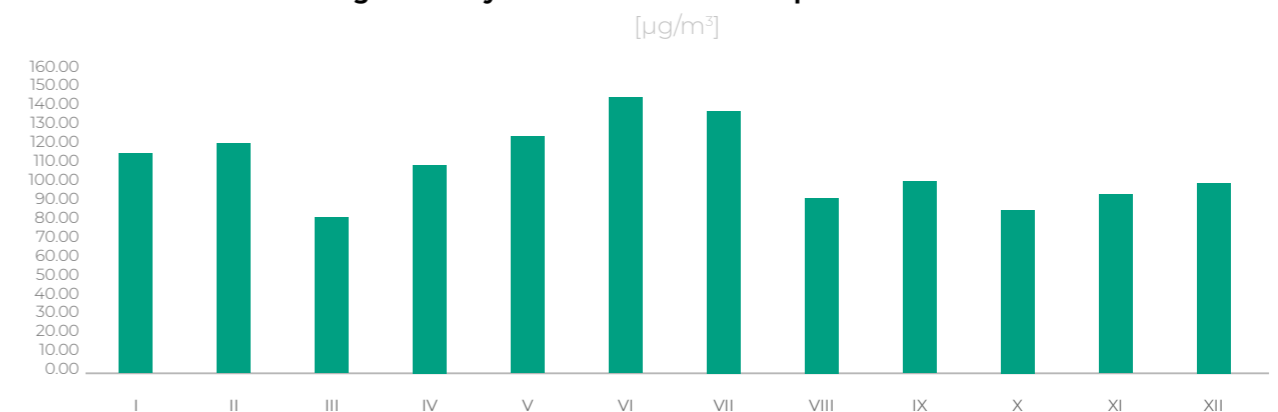


EXAMPLES OF ENVIRONMENTAL MEASURES TAKEN BY KGHM INTERNATIONAL LTD.

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. The average monthly concentration of PM10 particles for the individual months of 2021 are shown on the graph below:

Average monthly concentration of PM10 particles PM10 in 2021



In 2021, the average monthly concentration of PM10 never exceeded the level of 150 µg/m³, 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 area of Arizona, which has not recorded a single exceedance of PM10 or H₂SO₄ concentrations since the beginning of the plant's 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.

Also, Carlota is equipped with an advanced air quality monitoring network with six weather stations operating 24/7/365 and featuring beta attenuation monitoring for 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 is treated through reverse osmosis and treated water is used to control road dust emissions. Moreover, in 2021 Franke launched preliminary work to shift from a land-based water source to ocean-based water.

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 to be commissioned in the spring of 2022. 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 where annual tests are conducted and improvements are made as 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 currently they overgrow the buttress wall of the pit. The care provided to the plants has ensured their survival rate comparable to the natural one.

The Victoria Project, as required by the Canadian Endangered Species Act, protects the whooping cottontail (*Antrostomus vociferus*) habitat, among other things by limiting plant development activities outside its existing boundaries during the nesting season and by providing endangered species training to all new employees. The Victoria Project also protects turtles based on its Turtle Protection and Mitigation Plan.

Another example of support for biodiversity is the fact that the Sudbury mines have joined the "Grow with Kivi" initiative. In this campaign, KGHM employees and their families planted 500 trees in the Kivi Park.

ENVIRONMENTAL PROTECTION – DOMESTIC COMPANIES OF THE KGHM GROUP

The Polish companies of the KGHM Polska Miedź S.A. Group operate in compliance with environmental laws. Companies which are required to do so hold valid environmental permits.

Amongst the Polish companies of the Group, the largest environmental impact comes from the activities of the company Energetyka Sp. z o.o. In 2021, this company incurred the highest environmental fees. These amounted to PLN 2.8 million and mainly comprised payments for water intake and effluents discharge (PLN 2.5 million) and for emission of contaminants to the atmosphere (PLN 0.3 million).

In 2021, investments made in Energetyka Sp. z o.o. were aimed at the following:

- adapting existing equipment and installations of the Polkowice heat and power plant to the emissions requirements of the IED Directive and BAT Conclusions (completion of investments commenced in prior years),
- modernisation of two steam boilers at the Głogów Unit – adaptation to new conditions and technological processes related to a halt in the incineration of throat gases (the modernisation involves adapting equipment to changes in incineration fuel in the boilers from throat gas to nitrogen-rich natural gas to the extent necessary for reserving steam for the Głogów Copper Smelter and Refinery and supplying heat to the town of Głogów (completion of investments commenced in prior years),
- modernisation of the industrial effluents separation chamber at the Legnica Unit – ensuring uninterrupted production by the Legnica Copper Smelter and Refinery and increasing the efficiency of the industrial effluents treatment plant (completion of investments commenced in prior years),

- construction of a photovoltaic installation on the grounds of the Głogów heat and power plant – a photovoltaic generator with installed capacity of 1,400 kW, connected with the distribution network of KGHM Polska Miedź S.A. – decrease in CO₂ emissions (investment commenced).

The second-highest environmental fees paid in 2021 were incurred by the company KGHM ZANAM S.A., i.e. PLN 1.3 million, including PLN 1.2 million due to waste management – an increase of 44% compared to 2020, due to the advancement of maintenance and modernisation work and the cleaning of company facilities and services facilities. The company launching a photovoltaic power plant at the Legnica site helps reduce contaminants such as: dust, sulphur oxides, nitrogen, carbon monoxide and dioxide. Moreover, in 2021, at the Casting Unit in Legnica, advancement of an investment commenced involving the exchange of gas furnace powering technology with an electric chamber furnace.

NITROERG S.A. is an entity in the Group whose environmental fees are not large (in 2021 they amounted to PLN 0.2 million), but is one whose activities could have a significant impact on the environment due to the risk of industrial breakdowns. Its activities comprise the production of explosives, fuel additives and initiation materials. The plant meets all requirements as regards the conduct of operations by plants involved in hazardous activities.

SELECTED GRI STANDARDS INDICATORS ILLUSTRATING ACTIVITIES IN THE AREA OF ENVIRONMENTAL PROTECTION IN THE KGHM POLSKA MIEDŹ S.A. GROUP AND KGHM POLSKA MIEDŹ S.A. IN 2021

GRI 303-3

WATER WITHDRAWAL BY THE ORGANISATION

WATER IN THE KGHM POLSKA MIEDŹ S.A. GROUP

GRI 303-3

Water withdrawal		2021 ¹	2020
Water withdrawal by source [m ³]	Surface water (total)	10,421,313	9,273,960
	Groundwater (total)	25,987,286	31,055,637
	Seawater (total)	0 *	30,714,866
	Water withdrawn as a result of operations, e.g. mine water (total)	30,851,894	31,034,027
	Fresh water (≤1,000 mg/l of total dissolved substances)	170,262	2,465
	Other water (>1,000 mg/l total dissolved substances)	30,681,632	31,031,562
	Water from third parties (total)	462,936	304,596
	Fresh water (≤1,000 mg/l of total dissolved substances)	456,485	98,145
	Other water (>1,000 mg/l total dissolved substances)	6,451	207,329
Total water withdrawal [m³]	Surface water (total) + groundwater (total) + seawater (total) + post-production water (total) + water from other sources (total)	67,721,429	102,383,087

GRI 303-4

Wastewater (water) discharge		2021	2020
Water (effluents) discharge by destination [m ³]	Surface water	45,241,415	41,473,468
	Ground and soil	15,341	61,222
	Sea	0	0
	Water provided to third parties	494,864	84,836
Total water (effluents) discharge [m³]	Surface water + groundwater + seawater + third party water (total)	45,751,620	41,619,526
Water (effluents) discharge – fresh and other water [m ³]	Fresh water (≤1,000 mg/l of total dissolved substances)	18,021,202	16,817,279
	Other water (>1,000 mg/l total dissolved substances)	27,730,418	24,799,629

GRI 303-5

Water consumption		2021	2020
Total water consumption [m³]	Total water consumption	21,971,809	60,040,901

WATER IN KGHM POLSKA MIEDŹ S.A.

GRI 303-3

Water withdrawal		2021	2020
Water withdrawal by source [m ³]	Surface water (total)	0	0
	Groundwater (total)	176,815	158,149
	Seawater (total)	0	0
	Water withdrawn as a result of operations, e.g. mine water (total)	29,599,160	31,031,562
	Fresh water (≤1,000 mg/l of total dissolved substances)	0	0
	Other water (>1,000 mg/l total dissolved substances)	29,599,160	31,031,562
	Water from third parties (total)	12,117,706	11,049,080
	Fresh water (≤1,000 mg/l of total dissolved substances)	12,117,706	11,049,080
	Other water (>1,000 mg/l total dissolved substances)	0	0
Total water withdrawal [m³]	Surface water (total) + groundwater (total) + seawater (total) + post-production water (total) + water from other sources (total)	41,893,681	42,238,791

¹2021 data do not include the activities of the Sierra Gorda mine

GRI 303-4

Water (effluents) discharge		2021	2020
Water (effluents) discharge by destination [m³]	Surface water	27,815,093	24,829,044
	Ground and soil	0	0
	Sea	0	0
	Water provided to third parties	9,530,140	8,856,278
Total water (effluents) discharge [m³]	Surface water + groundwater + seawater + third party water (total)	37,345,232	33,685,322
Water (effluents) discharge – fresh and other water [m³]	Fresh water (≤1,000 mg/l of total dissolved substances)	9,614,815	8,913,666
	Other water (>1,000 mg/l total dissolved substances)	27,730,418	24,771,656

GRI 303-5

Water consumption		2021	2020
Total water consumption [m³]	Total water consumption	4,548,449	8,553,469

GRI 304-1

OPERATIONAL SITES ADJACENT TO PROTECTED AREAS AND AREAS OF HIGH BIODIVERSITY VALUE

	2021	2020
KGHM Polska Miedź S.A.		
Operational sites adjacent to protected areas and areas of high biodiversity value	15	15

GRI 305-1 GRI 305-2

GREENHOUSE GAS EMISSIONS BY KGHM POLSKA MIEDŹ S.A. [tonnes of eCO₂]

	2020,	2021,	y/y	y/y,%
Scope 1	1,413,129	1,457,899	+44,770	+3.17%
Scope 2	1,617,217	1,651,717	+34,500	+2.17%
Total emissions (Scope 1 + 2)	3,030,346	3,109,616	+79,270	+2.62%

GRI 305-1 GRI 305-2

GREENHOUSE GAS EMISSIONS BY THE KGHM POLSKA MIEDŹ S.A. GROUP IN 2021 [tonnes of eCO₂]

	KGHM Polska Miedź S.A.	Companies in Poland	Companies ex-Poland	Group
TOTAL EMISSIONS (Scope 1 + 2)	3,109,616	851,264	1,222,799	5,183,679
SCOPE 1 – direct emissions	1,457,899	612,224	478,189	2,548,312
SCOPE 2 - indirect emissions	1,651,717	239,040	744,610	2,635,367
Including indirect equivalent emissions related to heat consumption:	0	4,917	0	4,917
Including indirect equivalent emissions related to electricity consumption:	1,651,717	234,123	744,610	2,630,450
Direct eCO ₂ emissions from biomass:	2,984	31,064	0	34,048

GRI 306-2

TOTAL WEIGHT OF WASTE BY TYPE AND DISPOSAL METHOD

	2021			2020		
Waste storage by group, in metric tonnes (t)	KGHM Polska Miedź S.A.					
	Generated waste	Waste for recovery	Waste for disposal	Generated waste	Waste for recovery	Waste for disposal
Group "01" – waste resulting from exploration, mining, physical and chemical processing of ores and other minerals	28,197,740	18,046,553	10,151,187	27,948,802	17,887,232	10,061,570
Group "10" – waste from thermal processes	1,269,166	1,213,693	27,504	1,230,983	1,175,548	55,435
other waste	140,730	182,380	60,192	142,253	108,272	33,981
Total	29,607,636	19,442,626	10,238,883	29,322,038	19,171,052	10,150,986

	2021		2020	
Waste for recovery by recovery process, in metric tonnes (t)	KGHM Polska Miedź S.A.			
	Hazardous waste (all forms of recovery)	Waste other than hazardous waste (all forms of recovery)	Hazardous waste (all forms of recovery)	Waste other than hazardous waste (all forms of recovery)
On site	93,582	18,198,142	18,646	18,834,517
Out of site	71,379	1,079,523	35,259	282,630
Total	164,961	19,277,665	53,905	19,117,147

	2021		2020	
Waste for disposal by disposal process, in metric tonnes (t)	KGHM Polska Miedź S.A.			
	Hazardous waste (landfill)	Waste other than hazardous waste (landfill)	Hazardous waste (landfill)	Waste other than hazardous waste (landfill)
On site	28,119	10,166,132	82,756	10,052,545
Out of site	40,580	4,052	15,218	467
Total	68,699	10,170,184	97,974	10,053,012

GRI 307-1

SIGNIFICANT FINES AND NON-MONETARY SANCTIONS FOR NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND/OR REGULATIONS

The evidence confirming the effectiveness of environmental initiatives and the reduced environmental impact of our activities is that there were no non-financial sanctions imposed on the KGHM Polska Miedź S.A. Group and on the Parent Entity in 2021.

	2021		2020	
Information on administrative and court sanctions imposed on the organisation for non-compliance with environment protection regulations	KGHM Polska Miedź S.A. Group	KGHM Polska Miedź S.A.	KGHM Polska Miedź S.A. Group	KGHM Polska Miedź S.A.
Total monetary value of significant fines for non-compliance with environmental laws and regulations [PLN]	0	0	448,117.00	0.00
Number of non-financial, administrative and judicial sanctions imposed on the organisation for non-compliance with environmental legislation, including international declarations / conventions / treaties and national, regional and local laws, as well as voluntary arrangements with regulatory bodies that are considered binding.	0	0	2	0



[GRI103-1] [GRI103-2] [GRI103-3] [GRI201-1]

Chapter 6

Business and financial results

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Best practice

The KGHM Group's record-breaking annual results in 2021

The KGHM Group closed last year with a high adjusted EBITDA of PLN 10.3 billion. Net assets increased by PLN 6.1 billion versus 2020 reaching the level of PLN 27.1 billion at the end of 2021. Top line growth due to more favourable metal prices, cutting the cost of sales, selling costs and administrative expenses and effective management were among the factors contributing to these results.

The KGHM Group wrapped up last year with its second highest net consolidated result that shot up 242.5% versus last year to PLN 6.2 billion. KGHM's net standalone result climbed 190.6% to PLN 5.2 billion.

In 2021, the KGHM Group posted copper production growth of 6.3%, up 44.6 thousand tonnes from 2020. Growth was recorded in all of the Group's segments, in particular Sierra Gorda SCM (+22.6 thousand tonnes on a 55% basis) and KGHM Polska Miedź S.A. (+17.2 thousand tonnes). The growth in production and sales volume coupled with attractive copper market conditions translated into an increase in Group revenues of more than 26% to PLN 29.8 billion.

Overseas projects in the black

In Sierra Gorda, the production of payable copper rose (+28%) as did its operating result of PLN 3.2 billion (nearly 2.4 times higher for the 55% stake held by KGHM Polska Miedź). The financial standing of KGHM's Chilean mine has allowed us to reverse the financial flows to the parent company for the first time in history.

FINANCING MODEL

The KGHM Polska Miedź S.A. Group manages its financial resources based on the approved Financial Liquidity Management Policy in the Group. Its primary goal is to ensure continuous operations by securing the availability of funds required to achieve the Group's business goals, while optimising incurred costs. Moreover, the Policy regulates the Group's borrowing principles, the principles of managing debt and monitoring the level of the Group's debt. Financial liquidity management involves securing an appropriate amount of cash and available lines of credit in the short, medium and long term.



NET DEBT IN THE GROUP

Liabilities due to borrowings of the Group at the end of 2021 amounted to PLN 5,949 million and decreased as compared to the end of 2020, with the structure based on diversified and long-term financing sources ensuring financial stability in the long run.

The Group's free cash and cash equivalents, which at 31 December 2021 amounted to PLN 1,880 million, are of a short term nature.

NET DEBT STRUCTURE OF THE GROUP (IN PLN MILLION)

	31.12.2021	31.12.2020	Change (%)	30.09.2021	30.06.2021	31.03.2021
Liabilities due to:	5,949	7,335	(18.9)	6,019	5,937	6,547
Bank loans	735	1,994	(63.1)	725	689	1,114
Other loans	2,568	2,685	(4.4)	2,643	2,607	2,768
Debt securities	2,001	2,000	0.1	2,009	2,000	2,009
Leases	645	656	(1.7)	642	641	656
Free cash and cash equivalents	1,880	2,501	(24.8)	541	1,246	1,547
Net debt	4,069	4,834	(15.8)	5,478	4,691	5,000

NET DEBT STRUCTURE OF THE PARENT ENTITY (IN PLN MILLION)

	31.12.2021	31.12.2020	Change (%)	30.09.2021	30.06.2021	31.03.2021
Liabilities due to:	5,922	7,115	(16.8)	5,911	5,790	6,249
Bank loans	593	1,860	(68.1)	582	553	974
Other loans	2,387	2,461	(3.0)	2,416	2,366	2,537
Debt securities	2,001	2,000	0.1	2,009	2,000	2,009
Cash pooling	360	284	26.8	409	372	220
Leases	581	510	13.9	495	499	509
Free cash and cash equivalents	1,318	2,120	(37.8)	373	696	1,141
Net debt	4,604	4,995	(7.8)	5,538	5,094	5,108

SOURCES OF FINANCING IN THE GROUP

As at 31 December 2021, the Group held open lines of credit, loans and debt securities with a total available amount of PLN 14,505 million, out of which PLN 5,304 million had been drawn.

UNSECURED, REVOLVING SYNDICATED CREDIT FACILITY IN THE AMOUNT OF USD 1.5 BILLION

A credit facility in the amount of USD 1,500 million (PLN 6,090 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 2021, the Parent Entity received a consent of the Syndicate Members to extend the term of the agreement by another year, that is to 20 December 2026. The amount of available financing during the extension period will amount to USD 1,438 million (PLN 5,838 million). Interest is based on LIBOR plus a margin, which depends on the net debt/EBITDA ratio.

The funds acquired under this credit facility are used to finance general corporate purposes.

INVESTMENT LOANS, INCLUDING FROM THE EUROPEAN INVESTMENT BANK IN THE TOTAL AMOUNT OF PLN 3.3 BILLION WITH FINANCING PERIODS OF UP TO 12 YEARS

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

- 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,
- 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, by which amount the available financing was increased in June 2021, falls in April 2023. The funds acquired through this loan were used to finance the Parent Entity's development and replacement projects at various stages of the production line.

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

DEBT SECURITIES IN THE AMOUNT OF PLN 2.0 BILLION

The program to issue bonds on the Polish market was established under an issue agreement dated 27 May 2019. 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.

The funds obtained from the bond issue were used to finance general corporate goals.

BILATERAL BANK LOANS IN THE AMOUNT OF UP TO PLN 2.9 BILLION

The Group holds lines of credit in the form of short-term and long-term bilateral agreements in the total amount of PLN 2,877 million. Interest is based on a fixed interest rate or on the variable interest rates WIBOR, LIBOR, EURIBOR plus a margin.

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.

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

Another source supporting the Group's liquidity is reverse factoring. The main goal 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 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 to finance debt 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.

DEBT POSITION AS AT 31 DECEMBER 2021

The following table presents the Group's borrowing structure and the extent to which borrowing was utilised.

AMOUNT AVAILABLE AND DRAWN BY THE GROUP (IN PLN MILLION)

	Amount drawn as at 31.12.21	Amount drawn as at 31.12.20	Change (%)	Amount available as at 31.12.21	Amount drawn (%) 31.12.21
Unsecured, revolving syndicated credit facility	(14)	(17)	(17.6)	6,090	(0.2)
Loans	2,568	2,685	(4.4)	3,538	72.6
Bilateral bank loans	749	2,011	(62.8)	2,877	26.0
Debt securities	2 001	2 000	(0.1)	2 000	100.1
Total	5,304	6,679	(20.6)	14,505	36.6

As at 31 December 2021, 56% of the Group's debt came from loans drawn in USD, 42% in PLN, and 1% in EUR and CAD, each.



EVALUATION OF FINANCIAL RESOURCES MANAGEMENT

In 2021 the KGHM Polska Miedź S.A. Group was fully capable of meeting its financial obligations. 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 2021, the Group held PLN 1,880 million of free cash and cash equivalents and had open credit lines for total available financing in the amount of PLN 14,505 million, out of which PLN 5,304 million had been drawn.

In 2021, the Group continued activities aimed at ensuring long-term financial stability and optimising short-term sources of financing.

In December 2021, the Parent Entity used the option to extend for a second time the maturity

of an unsecured revolving syndicated credit facility agreement in the amount of USD 1,500 million (PLN 6,090 million) entered into in 2019. As a result of the Syndicate Members' decision, the amount of credit available under this facility during the extension period, i.e. to 20 December 2026, amounts to USD 1,438 million (PLN 5,838 million).

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 at 30 June 2021 and 31 December 2021, met the amounts specified in agreements.

NET DEBT / EBITDA OF THE GROUP

	31.12.21	31.12.20	Change (%)	30.09.21	30.06.21	31.03.21
Net debt / EBITDA ¹	0.6	0.9	(33.3)	0.8	0.7	0.8

¹ 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.

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.



BUSINESS SUMMARY

MACROECONOMIC ENVIRONMENT ¹⁾

+51%

Copper price

-1.0%

Weaker USD vs the PLN

+22%

Silver price

PRODUCTION AND C1 COST

+6.3%

Copper production

+1%

Silver production

+23%

C1 cost

FINANCIAL RESULTS

+26%

increase in revenues to

PLN 29 803 mn

+56%

increase in EBITDA²⁾ to

PLN 10 327 mn



¹⁾ Macroeconomic data – average for the period

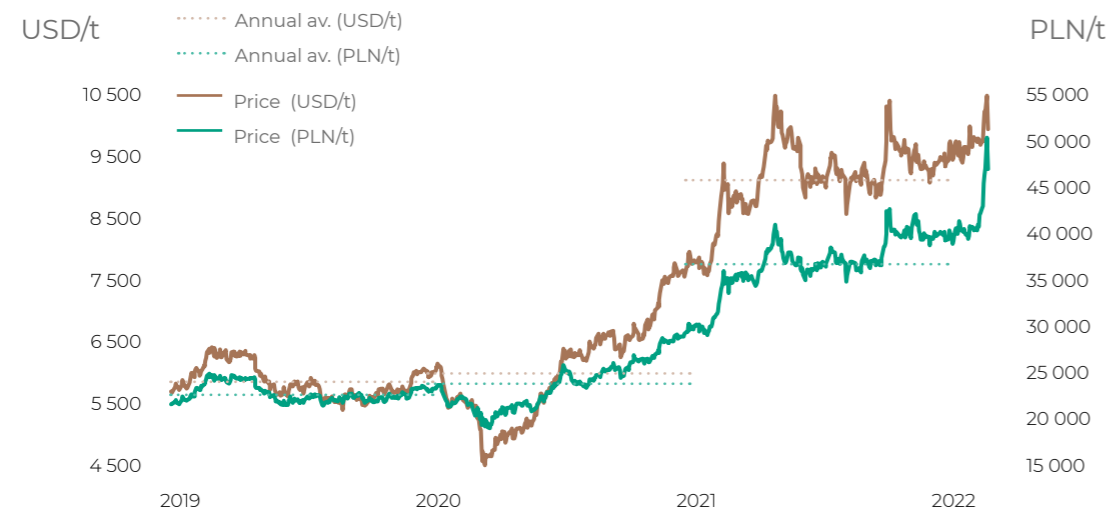
²⁾ Adjusted EBITDA

MACROECONOMIC ENVIRONMENT

Commodities and currencies prices

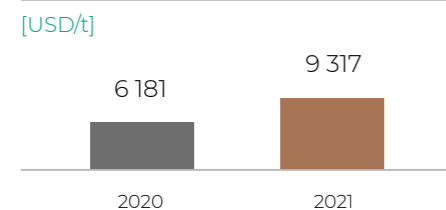
Copper prices in 2021 recorded a historic record of 10 724 USD/t, with an average price of 9 317 USD/t in 2021. Remaining at the center of attention were the pandemic, the condition of the Chinese economy and the green transformation.

- The average price of copper in 2021 was 51% higher than in the corresponding period of 2020, while the average silver price in 2021 rose by 22% in the same corresponding period.
- The average annual price of molybdenum in 2021 was 82% higher compared to the average recorded in the prior year.
- The average price of copper in PLN was the highest in history and amounted to over PLN 36 thousand, or 50% higher than in 2020, with a slight strengthening of the PLN to the USD (by approx. 1%).

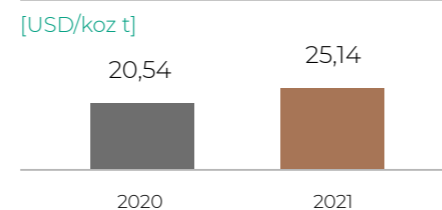


Source: Thomson Reuters, KGHM Polska Miedź S.A.

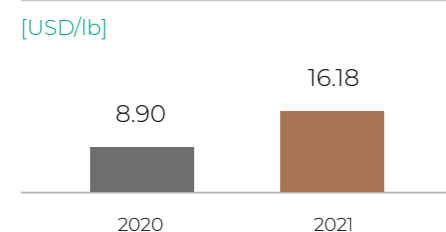
COPPER PRICE ¹⁾



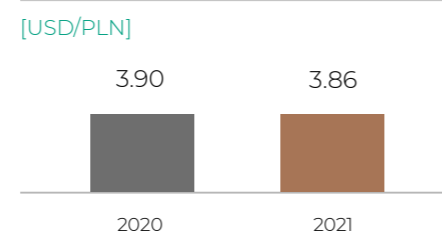
SILVER PRICE



MOLYBDENUM PRICE



EXCHANGE RATE



Source: Thomson Reuters, KGHM Polska Miedź S.A.

PRECIOUS METALS PRICES IN 2021

In 2021 after an unsuccessful attempt on the level of 30 USD/oz, the price of silver fell and remained below 25 USD/oz.

IN 2021 THE AVERAGE SILVER PRICE EXCEEDED 25 USD/OZ, WHILE GOLD REMAINED AROUND 1800 USD/OZ



Source: Bloomberg, KGHM Polska Miedź

THE GOLD-TO-SILVER RATIO RETURNED TO ITS MULTI-YEAR AVERAGE OF 79



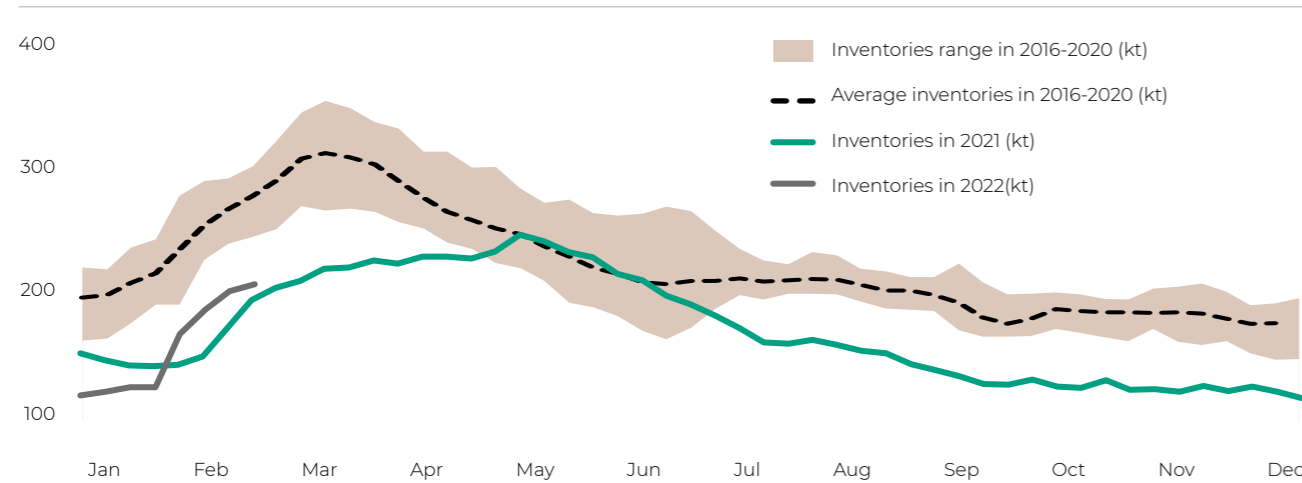
Source: Bloomberg, KGHM Polska Miedź

- The average gold price amounted to 1 799 USD/oz and was more than 1.6% higher than the average price in the prior year.
- Contrary to historic relationships, the price of silver (and gold as well) did not react significantly to the increase in expectations and to the global inflationary dynamics. Instead, the impact of fears about the sustainability of growth and a change in the monetary policy regime was evident. The continuation or record-low real interest rates globally and strengthening of the USD reduced investor interest in precious metals.
- Following a turbulent 2020, the relationship between gold and silver prices returned to a long-term balance.

In official Shanghai warehouses, copper inventories were at historically-low levels for most of 2021

In 2021 the Energy commodities index rose by 53%, and industrial metals by 28%

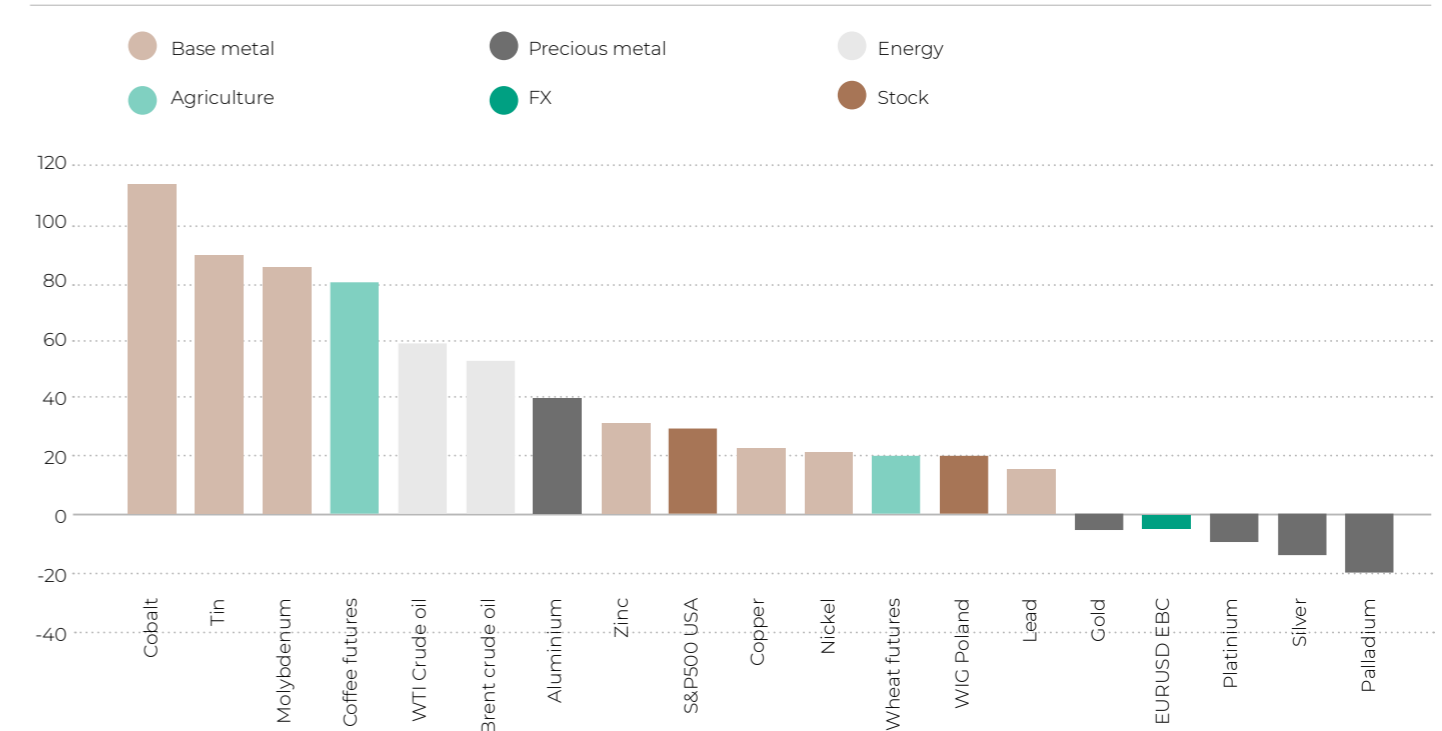
IN 2021 MOVEMENTS ON THE SHANGHAI EXCHANGES VARIED CONSIDERABLY FROM SEASONAL MODELS OF PRIOR YEARS



Source: Bloomberg, KGHM Polska Miedź

- Low copper inventories on the Chinese market indicate stronger demand for physical metal than the model of the last 5 years would suggest.
- The Chinese State Reserve Bureau (SRB) decided to intervene to keep prices from rising by releasing stored material, which had previously only occurred very infrequently.
- In Chile and Peru there were political changes which could be consequential for copper mining (taxes) and the investment climate.

2021 BROUGHT A SIGNIFICANT INCREASE IN THE PRICES OF MOST COMMODITIES, WITH THE UPWARD TREND BROKEN ONLY BY PRECIOUS METALS



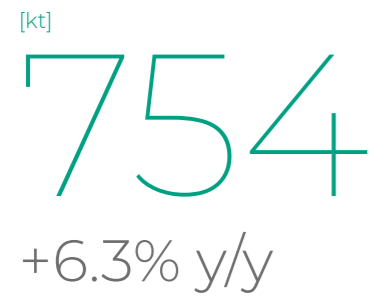
Source: Bloomberg, KGHM Polska Miedź

- The Bloomberg commodities index reached its highest level in 6 years.
- The rise in commodities prices was driven by the post-pandemic economic recovery.
- In Q4 2021 a crisis emerged involving energy commodities. The increase in their prices indicates further price rises in the economy and increases in the Consumer Price Index (CPI) and the Producer Price Index.



KEY PRODUCTION INDICATORS OF THE KGHM GROUP

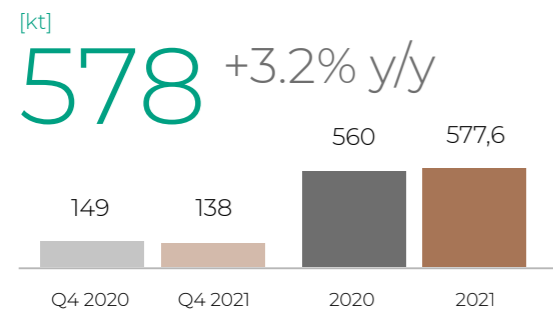
PAYABLE COPPER PRODUCTION BY THE KGHM GROUP HIGHER BY 6.3% (Y/Y)



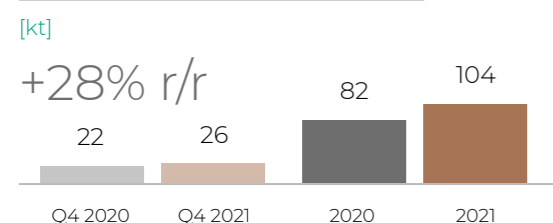
- KGHM Polska Miedź: higher production from purchased copper-bearing materials
- Sierra Gorda: higher recovery, higher copper content in ore and higher ore throughput
- KGHM INTERNATIONAL: higher production by the Robinson mine



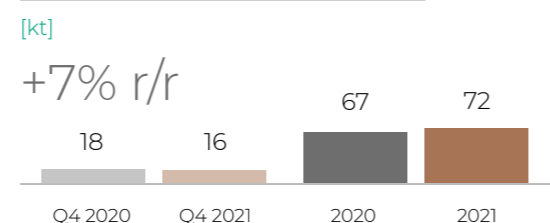
PAYABLE COPPER PRODUCTION KGHM POLSKA MIEDŹ



PAYABLE COPPER PRODUCTION SIERRA GORDA¹⁾

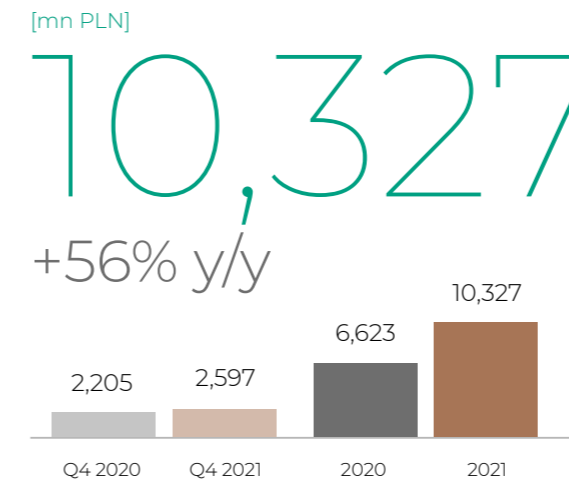


PAYABLE COPPER PRODUCTION KGHM INTERNATIONAL



KEY FINANCIAL INDICATORS OF THE KGHM GROUP

GROUP ADJUSTED EBITDA²⁾



Substantially higher adjusted EBITDA for the KGHM Group compared to 2020

Higher adjusted EBITDA compared to 2020 (+PLN 3 704 mn; +56%), of which by segment:

- KGHM Polska Miedź +PLN 1 016 mn – higher copper prices
- Sierra Gorda¹ +1 821 mn PLN – mainly higher revenues from copper sales due to higher prices and a higher sales volume
- KGHM INTERNATIONAL +PLN 732 mn – higher copper prices

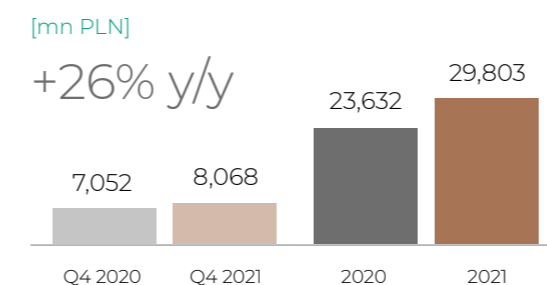
Higher Group revenues

- Impact of higher metals prices

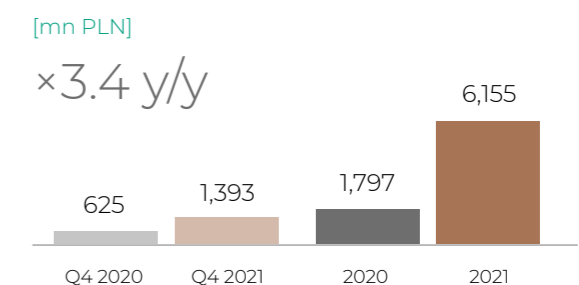
Higher Group profit for the period

- Improvement in EBITDA and reversal of impairment on loans aided in achieving a profit higher by PLN 4 358 mn (a more than 3.4-times increase) than in 2020.

GROUP REVENUES



GROUP PROFIT



¹⁾ On a 55% basis

²⁾ Sum of segments; adjusted EBITDA = profit/loss on sales + depreciation/amortisation adjusted by impairment losses/reversals of impairment losses on non-current assets

THE FINANCIAL SITUATION OF THE KGHM GROUP REMAINS STABLE AND SAFE

TOTAL UNIT PRODUCTION COST

of electrolytic copper from own concentrate
KGHM Polska Miedź S.A.¹⁾

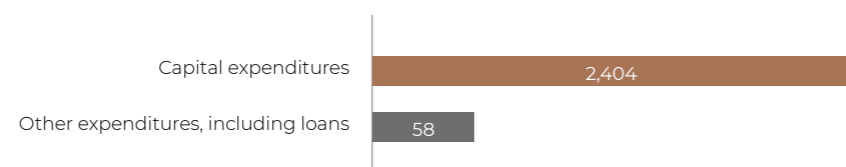
[k PLN/t]



INVESTMENTS

of KGHM Polska Miedź S.A.²⁾

[mln PLN]



LIQUIDITY OF THE KGHM GROUP

[net debt / adjusted EBITDA]³⁾



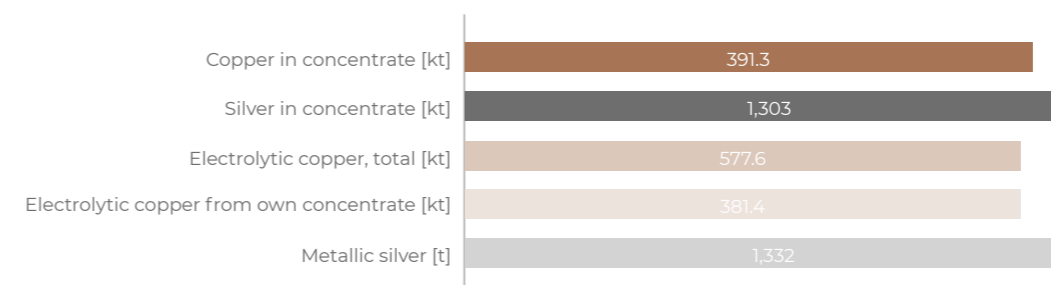
¹⁾ Sum of costs of extraction, floatation and metallurgical processing per cathode, together with support functions and cathode selling costs, adjusted by the value of inventories of half-finished products and work in progress, less the value of anode slimes and divided by the volume of electrolytic copper production from own concentrates

²⁾ Capital expenditures – excluding costs of borrowing, leasing per IFRS 16 unrelated with an investment project and development work – uncompleted; Other expenditures – acquisition of shares and investment certificates of subsidiaries and associates and loans granted

³⁾ Adjusted EBITDA for 12 months, to the end of the reporting period, excluding EBITDA of the joint venture Sierra Gorda S.C.M.

PRODUCTION

KGHM Polska Miedź S.A.



SALES

KGHM Polska Miedź S.A.



PRODUCTION

KGHM INTERNATIONAL LTD.



PRODUCTION

Sierra Gorda (on a 55% basis)



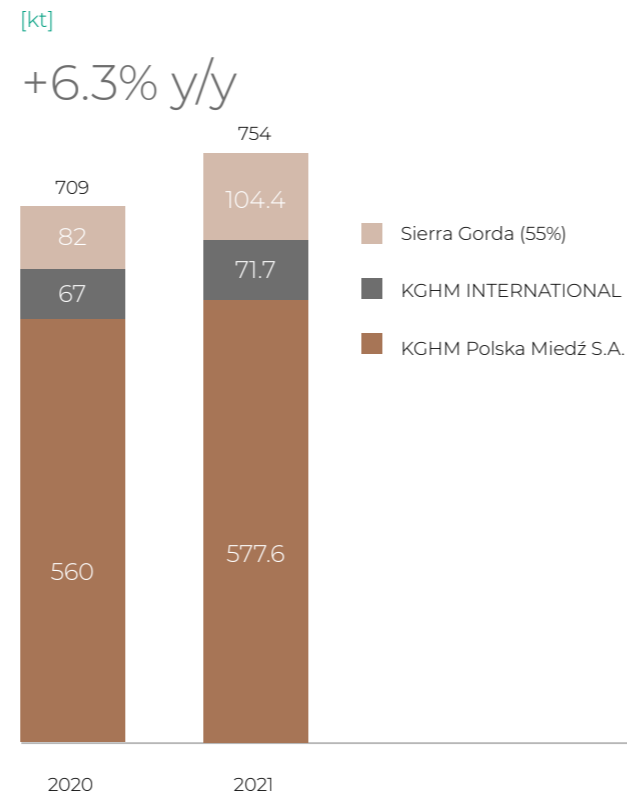
⁴⁾ Level of net debt/EBITDA ≤ 2 related to the Financial Liquidity Policy adopted by the Company and is not part of the budget assumptions of KGHM for 2021

METALS PRODUCTION

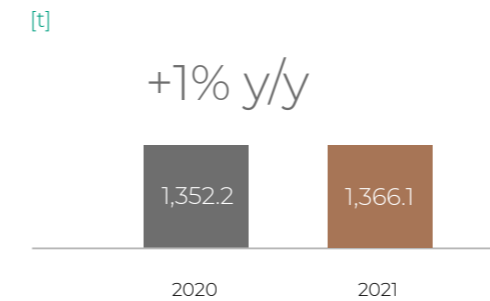
KGHM Group

- Higher payable copper production:
 - » by KGHM Polska Miedź due to higher production from purchased copper-bearing materials
 - » by KGHM INTERNATIONAL due mainly to higher production by the Robinson mine
 - » by the Sierra Gorda mine due to higher recovery, higher copper content in ore and higher ore throughput
- Lower production of TPM by KGHM Polska Miedź, the Sudbury Basin and Sierra Gorda
- Lower molybdenum production – by Sierra Gorda and Robinson
- In the International Assets, TPM was lower by 2% compared to the target for 2021.

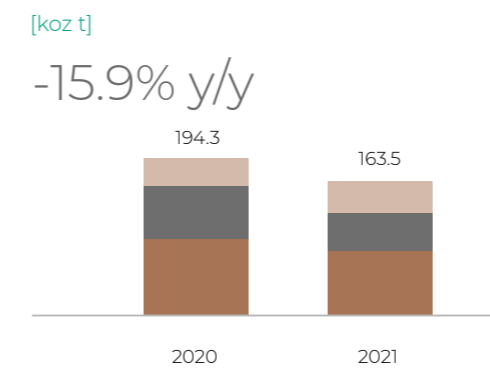
PAYABLE COPPER PRODUCTION



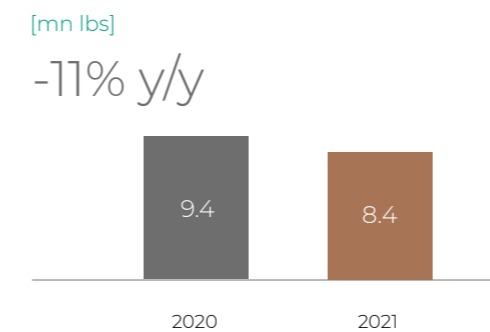
SILVER PRODUCTION



TPM PRODUCTION ¹⁾



MOLYBDENUM PRODUCTION



¹⁾TPM – Total Precious Metals, comprising gold, platinum and palladium



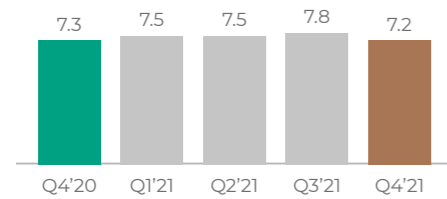
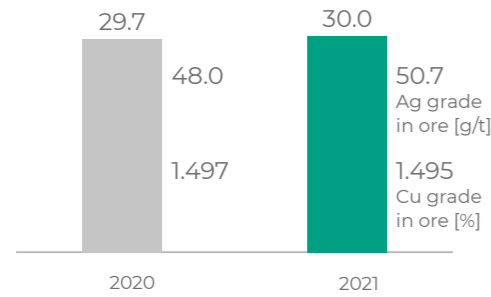
¹⁾TPM – Total Precious Metals, comprising gold, platinum and palladium

PRODUCTION RESULTS - KGHM POLSKA MIEDŹ S.A.

Ore extraction

[mn t dry weight]

+1.0% y/y

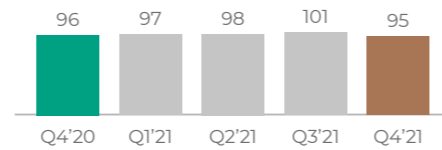
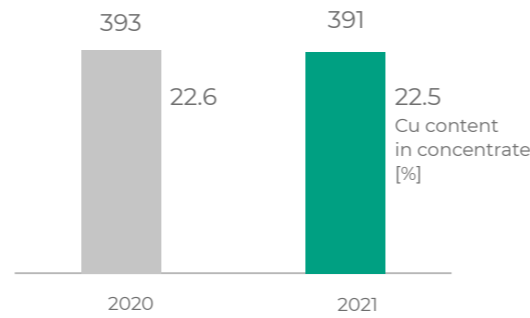


Ore extraction results from areas selected for mining

Production of copper

in concentrate [kt]

-0.5% y/y

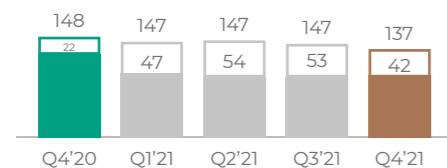
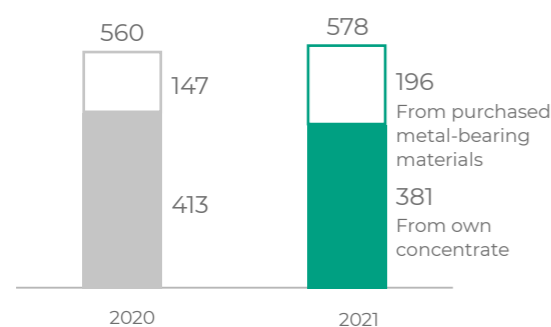


Production of copper in concentrate resulting from volume of production and copper content

Electrolytic copper

production [kt]

+3.2% y/y

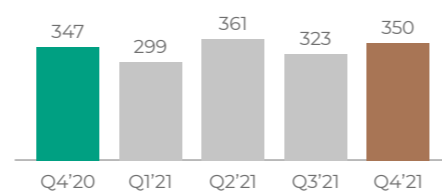
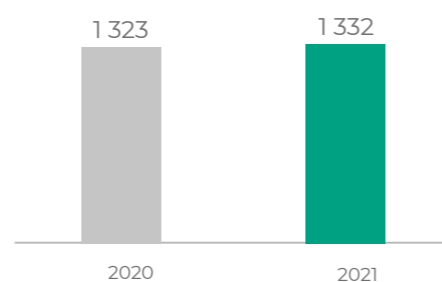


Higher production of electrolytic copper due to higher availability of production lines

Metallic silver

production [t]

+0.7% y/y



Higher production due to the higher ore quality

PRODUCTION RESULTS - SIERRA GORDA¹

PAYABLE COPPER PRODUCTION

[kt]

+28% y/y

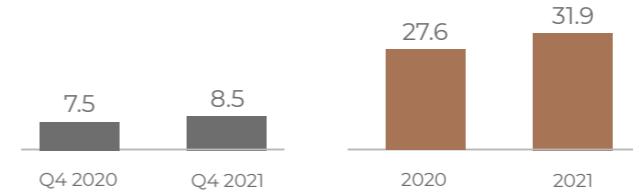


Higher copper production in 2021 compared to 2020 due to a higher volume of ore processed, higher recovery and higher copper content in mined ore

SILVER PRODUCTION

[t]

+16% y/y



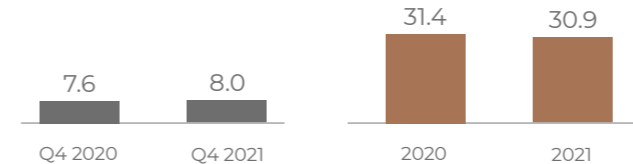
The volume of precious metals production derived from the content of these metals in mined ore

The decrease in molybdenum production was due to extraction from areas with lower molybdenum content compared to ore mined in the prior year, partially offset by higher metal recovery and the higher volume of ore processed

TPM PRODUCTION

[koz t]

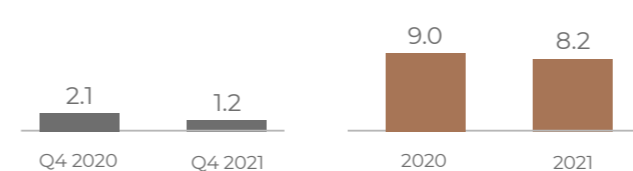
-2% y/y



MOLYBDENUM PRODUCTION

[mn lbs]

-9% y/y



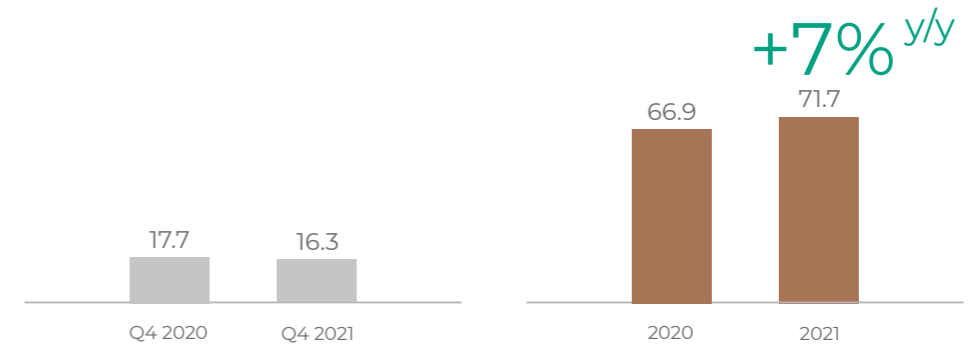
¹On a 55% basis



PRODUCTION RESULTS - KGHM INTERNATIONAL LTD.

PAYABLE COPPER PRODUCTION

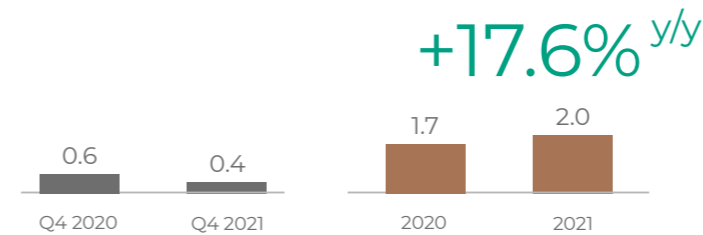
[kt]



Higher production due to an increase by the Robinson mine (mining of higher-grade ore and higher recovery)

SILVER PRODUCTION

[t]



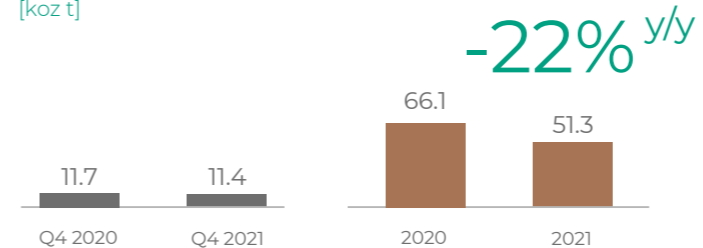
Higher silver production by the Sudbury Basin due to higher silver content in ore

Higher gold production by the Robinson mine (higher recovery) did not offset lower TPM production by the Sudbury Basin (lower extraction, lower TPM content in ore)

Lower molybdenum production by the Robinson mine due to lower metal content and consequently lower recovery

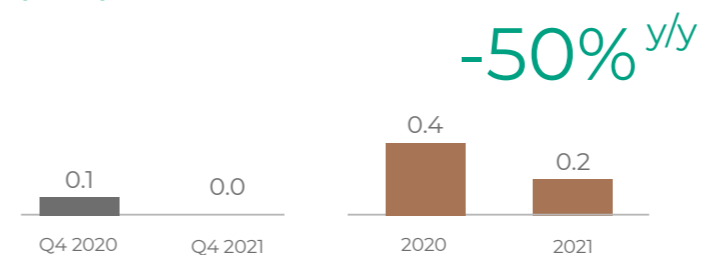
TPM PRODUCTION

[koz t]

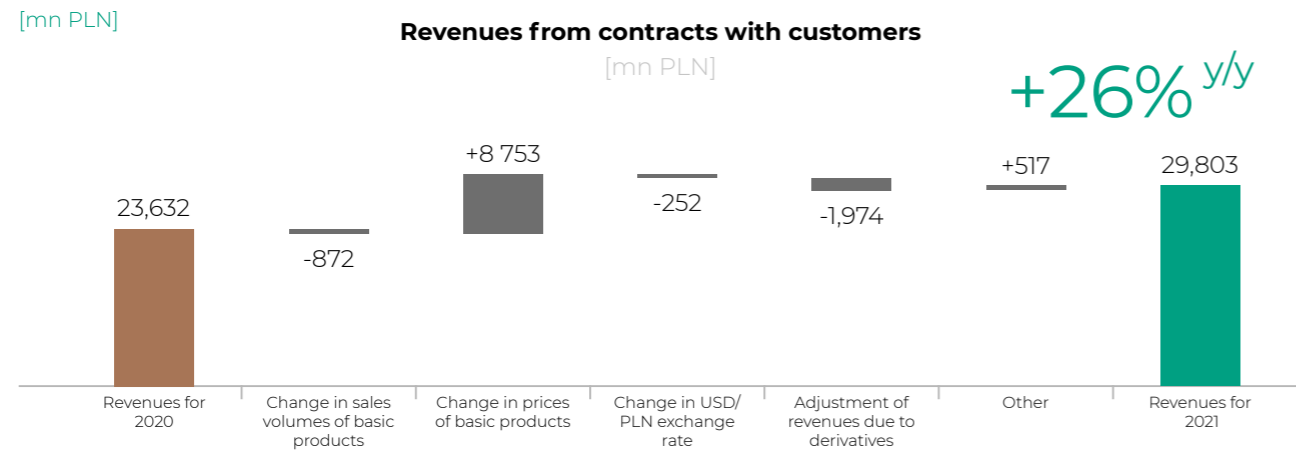


MOLYBDENUM PRODUCTION

[mn lbs]



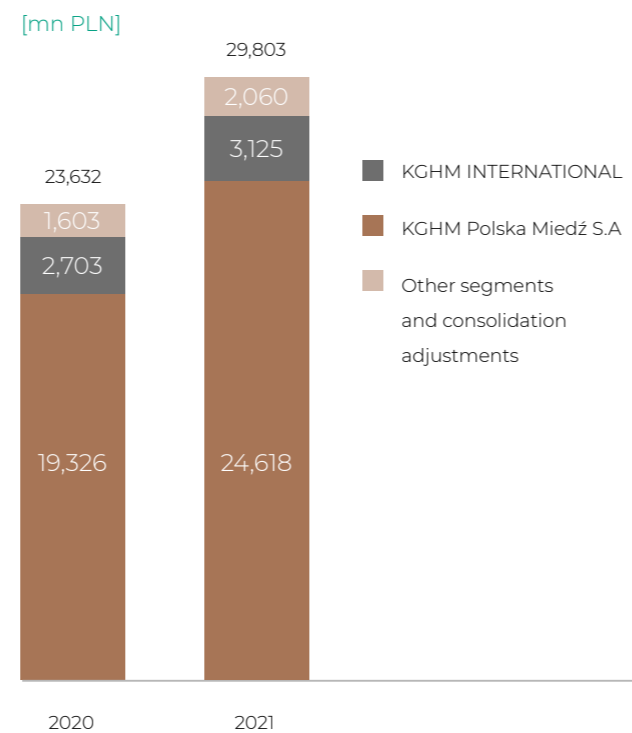
GROUP SALES REVENUE



Higher revenues by PLN 6 171 million (+26%) versus 2020 due to higher prices for basic products, partially offset by an adjustment of revenues due to derivatives and a less favourable USD/PLN exchange rate

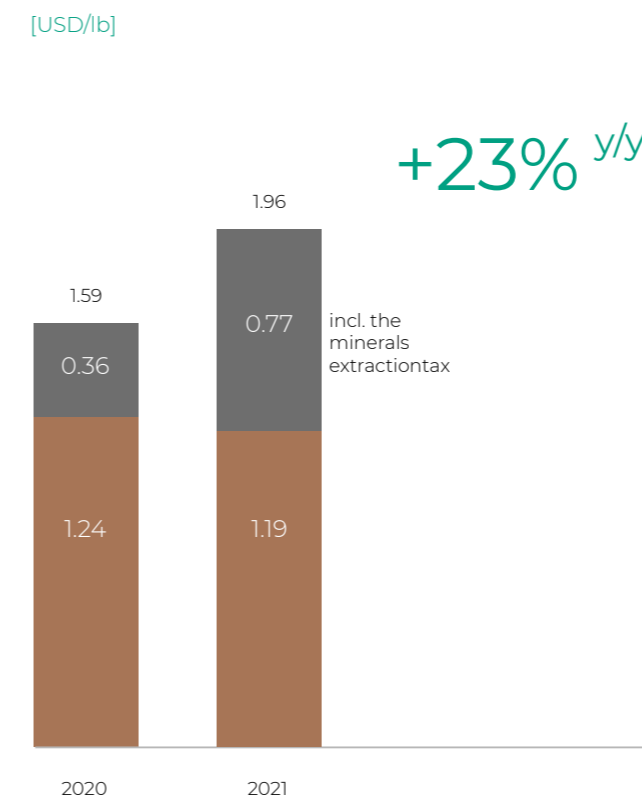


REVENUES FROM CONTRACTS WITH CUSTOMERS

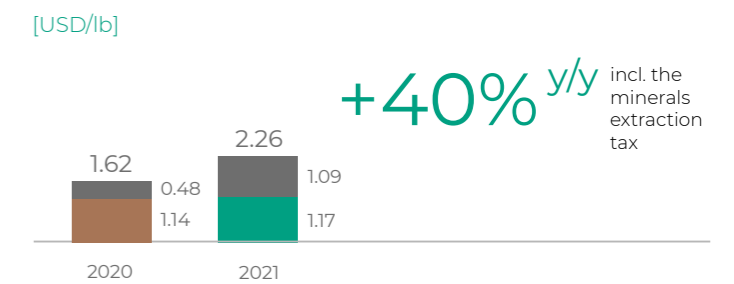


C1 UNIT COST¹

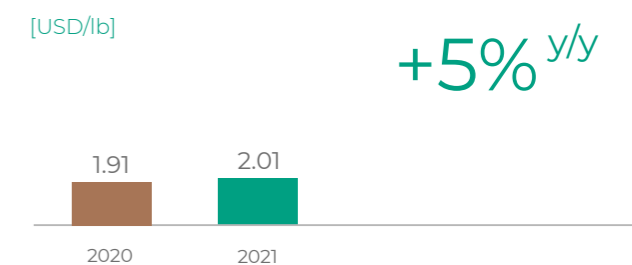
C1 – GROUP



C1 – KGHM POLSKA MIEDŹ S.A.



C1 – KGHM INTERNATIONAL



C1 – SIERRA GORDA



The increase in C1 cost in KGHM Polska Miedź by 40% versus 2020 was mainly due to an increase in the minerals extraction tax charge (C1 excluding this tax was higher by only 3%)

The increase in C1 by 5% in KGHM INTERNATIONAL versus 2020 was due to a lower copper sales volume and lower revenues from sales of associated metals

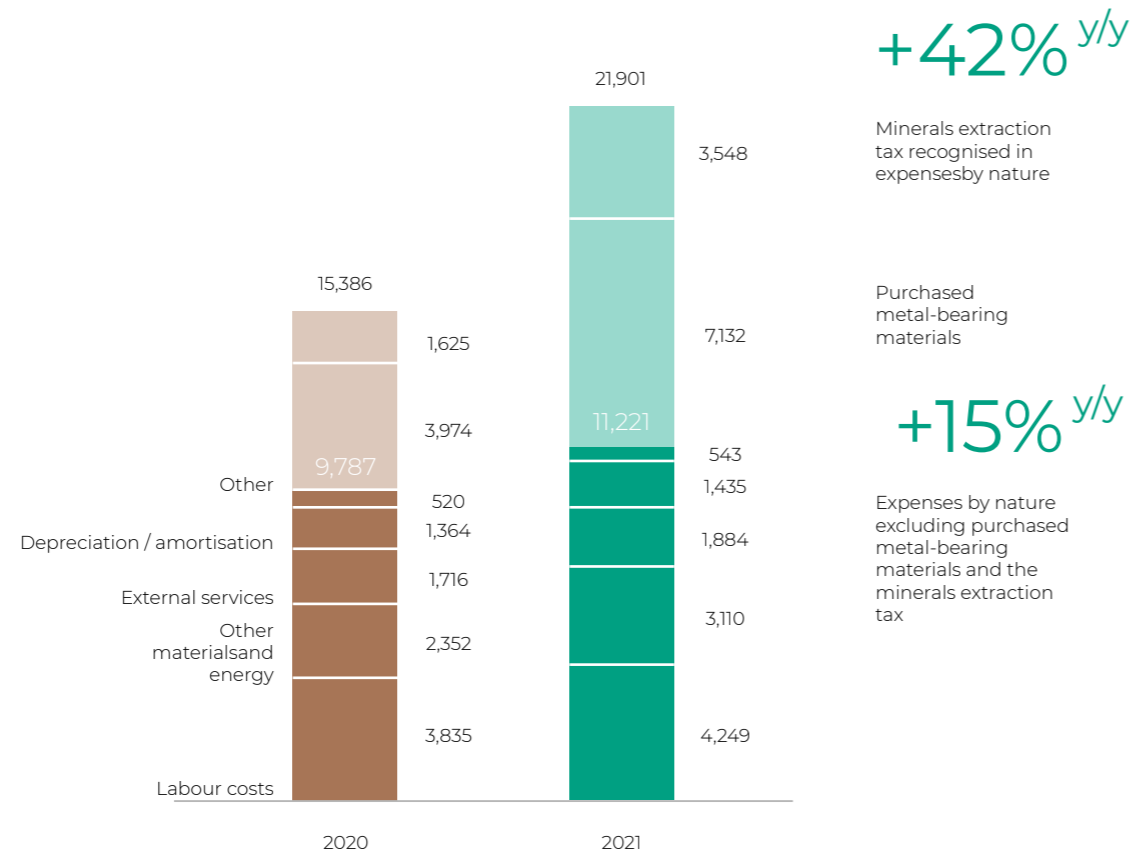
The decrease in C1 cost in Sierra Gorda by 35% compared to the prior year was due to a higher copper sales volume and higher revenues from sales of associated metals

¹C1 cost - cash cost of concentrate production reflecting the minerals extraction tax, plus administrative expenses and smelter treatment and refining charges (TC/RC), less depreciation/amortisation and the value of by-product premiums, calculated for payable copper in concentrate

EXPENSES BY NATURE - KGHM MIEDŹ S.A.

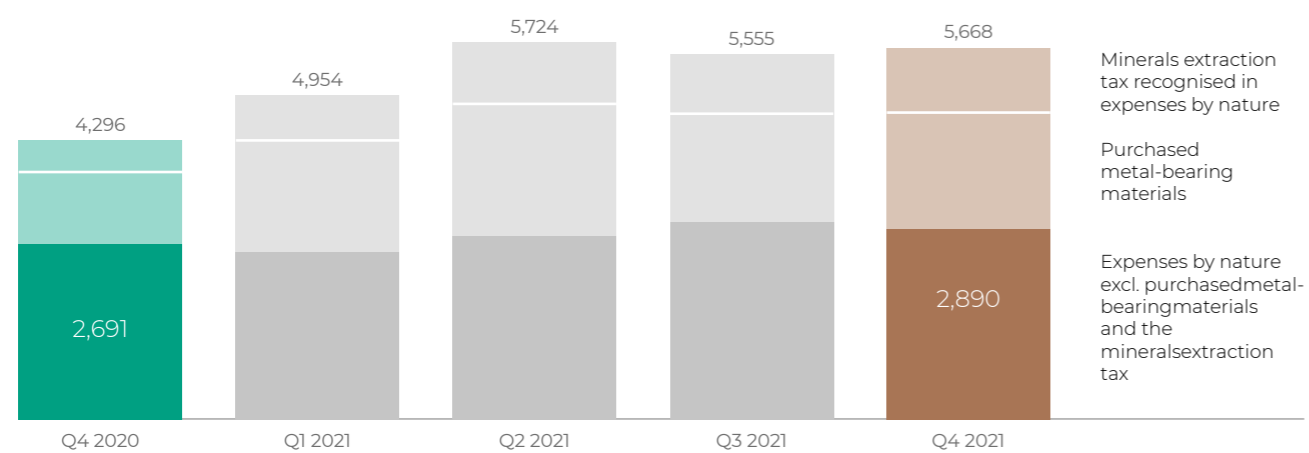
EXPENSES BY NATURE

[mn PLN]



EXPENSES BY NATURE HIGHER BY PLN 6 515 MILLION VERSUS 2020

(of which PLN 5 081 mn due to purchased metal-bearing materials and the minerals extraction tax)



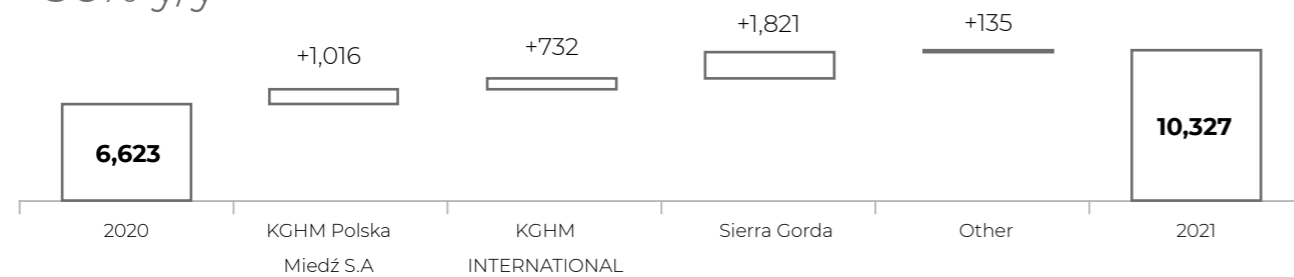
OPERATING RESULTS

KGHM Group

CHANGE IN ADJUSTED EBITDA¹⁾

[mn PLN]

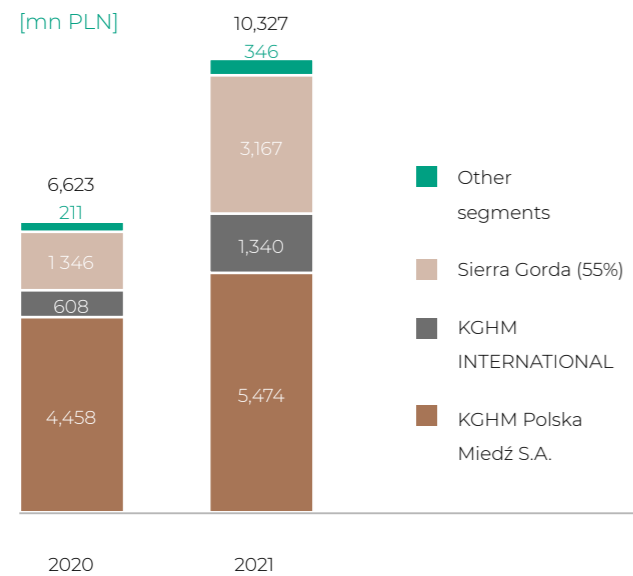
+56% y/y



Higher adjusted EBITDA versus 2020 by PLN 3,704 million mainly due to higher metals prices and a higher copper sales volume by Sierra Gorda.

ADJUSTED EBITDA

[mn PLN]



¹⁾ Sum of segments; adjusted EBITDA = EBITDA (profit/(loss) on sales + depreciation/amortisation) adjusted by impairment losses on non-current assets



FINANCIAL RESULTS

KGHM Group

PROFIT FOR THE PERIOD

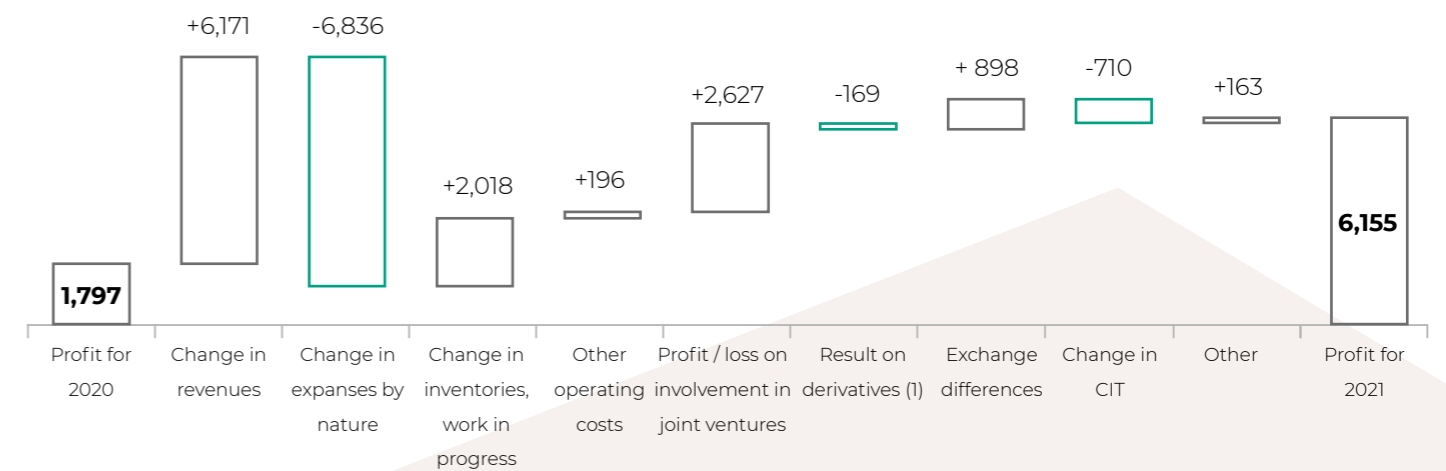
[mn PLN]

×3.4 y/y

+4,358

Higher KGHM Group profit by PLN 4 358 million (3.4-times) mainly due to a higher net result on sales as well as a higher result on the involvement in joint ventures and in the result on exchange differences, with a higher CIT

CHANGE IN PROFIT/LOSS FOR 2021 (IN PLN MILLION)



¹⁾ Excluding adjustments to revenues due to derivatives

Investments

CAPITAL EXPENDITURES OF KGHM POLSKA MIEDŹ S.A.

In 2021, capital expenditures on property, plant and equipment amounted to PLN 2,523 million. Together with expenditures incurred on uncompleted development work, capital expenditures amounted to PLN 2,586 million and were higher than in the prior year by 4%.

STRUCTURE OF EXPENDITURES ON PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS OF KGHM POLSKA MIEDŹ S.A. (IN PLN MILLION)

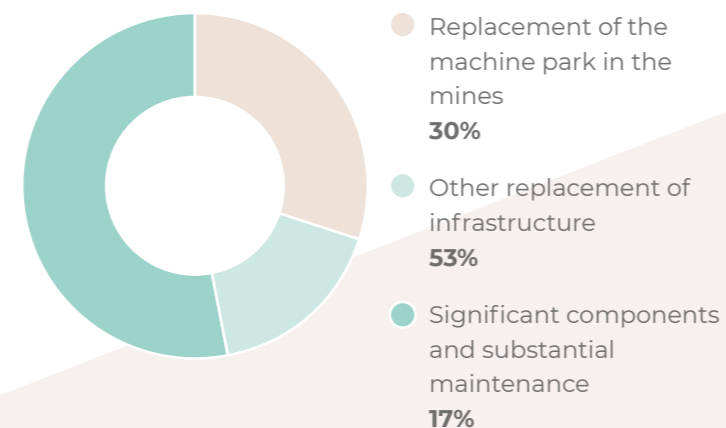
	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Mining	1,747	1,649	+5.9	642	379	399	327
Metallurgy	664	732	(9.3)	345	102	132	85
Other activities	91	32	×2.8	44	15	17	15
Development work - uncompleted	7	4	+75.0	6			1
Leases per IFRS 16 ¹⁾	77	63	+22.2	9	8	41	19
Total	2,586	2,480	+4.3	1,046	504	589	447
including costs of external financing	119	116	+2.6	29	28	31	31

¹⁾ reflects PLN 21 million incurred in 2021 due to leases of property, plant and equipment

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

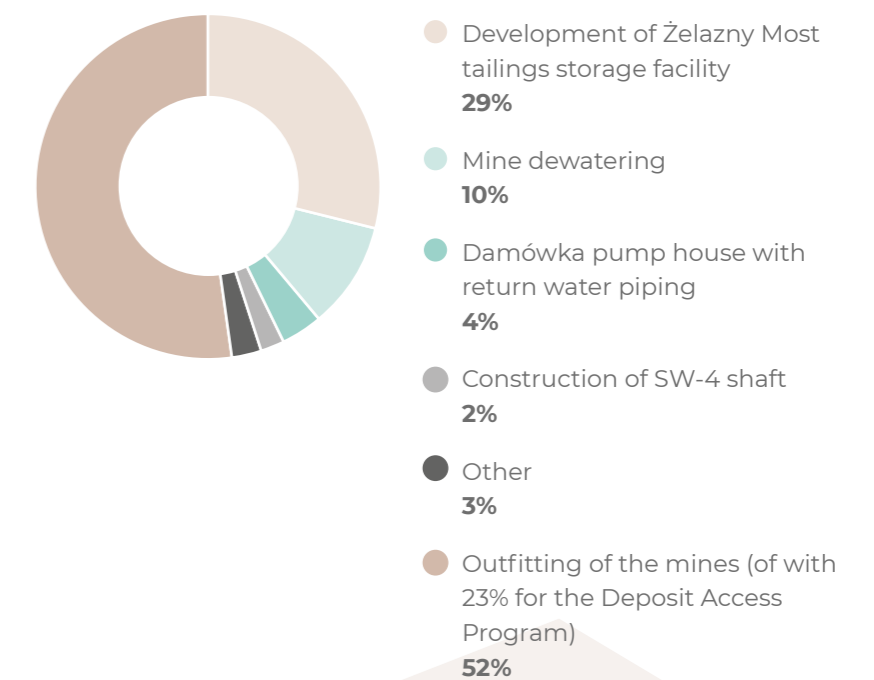
Projects related to the replacement of equipment aimed at maintaining production equipment in an undeteriorated condition, represent 33% of total expenditures incurred.

STRUCTURE OF EXPENDITURES ON THE REPLACEMENT OF EQUIPMENT



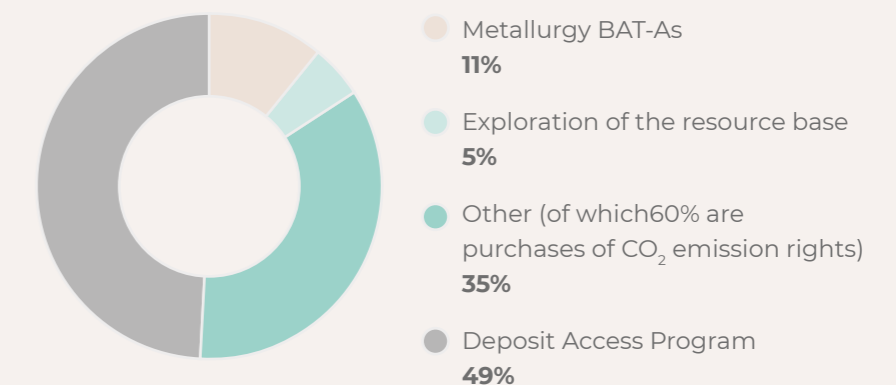
Projects related to maintaining mine production aimed at maintaining mine production on the level set in approved Production Plan (development of infrastructure to match mine advancement) represent 29% of total expenditures incurred.

STRUCTURE OF EXPENDITURES ON MAINTAINING MINE PRODUCTION



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 38% of total expenditures incurred.

STRUCTURE OF EXPENDITURES ON DEVELOPMENT



CASH EXPENDITURES OF KGHM INTERNATIONAL LTD.

	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Victoria project	38	7	x5.4	16	11	7	4
Sierra Gorda Oxide project	1	1	-	-	-	1	-
Stripping and other	223	145	+53.8	74	52	55	42
Total	262	153	+71.2	90	63	64	45
Financing for Sierra Gorda S.C.M. – increase in the share capital	-	52	(100.0)	-	-	-	-

CASH EXPENDITURES OF KGHM INTERNATIONAL LTD. (IN PLN MILLION)

	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Victoria project	147	27	x5.4	63	42	27	15
Sierra Gorda Oxide project	4	4	-	-	-	4	-
Stripping and other	863	566	+52.5	295	203	207	158
Total	1,014	597	+69.8	358	245	238	173
Financing for Sierra Gorda S.C.M. – increase in the share capital	-	204	(100.0)	-	-	-	-

Cash expenditures by the segment KGHM INTERNATIONAL LTD. in 2021 amounted to USD 262 million, and were higher by USD 109 million (+71%) compared to 2020. The increase was mainly in respect of the Robinson mine and was mainly due to a higher scope of stripping work to gain access to further areas of the deposit. In 2021, the share of the Robinson mine in total investments by KGHM INTERNATIONAL LTD. amounted to nearly 80%.

Expenditures on the Victoria project amounted to USD 38 million, mainly constructing surface-based infrastructure (such as preparing the foundations of the shaft's headframe, the waste rock containment pad, preparing a parking area and building a water treatment plant).

In 2021, there was no financing provided to the Sierra Gorda mine (in 2020: USD 52 million).



CAPITAL EXPENDITURES OF SIERRA GORDA S.C.M.

In 2021, 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 284 million, of which the majority, or USD 169 million (60%) 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.

CASH EXPENDITURES OF SIERRA GORDA S.C.M.

	Unit	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Cash expenditures on property, plant and equipment	USD mn	284	253	+12.3	73	66	75	70
Cash expenditures on property, plant and equipment – segment (55% interest)	PLN mn	605	544	+11.2	163	141	154	147

The increase in cash expenditures by 12% compared to 2020 was mainly due to the tailings storage facility and replacement of the machine park.

The funds used for these investments came mainly from operating activities, which in 2021 were several-times higher than cash expenditures. The Company did not utilise financing in the form of increases in share capital, however in 2021 a portion of the interest (USD 560 million) on an owner loan granted by the shareholders to build the mine was repaid. Moreover, in June 2021 Sierra Gorda S.C.M. repaid the final instalment on the loan granted by Japanese banks.



Best practice

KGHM consistently pursues the tenets laid down in its strategy on financial stability and continues to take actions for the Group's financing mix to be based on long-term instruments. The flexibility of its financing mix translates into KGHM's robust results. We track global trends and on that basis we prepare forecasts for our ongoing development. This enables us to achieve our investment targets, such as optimizing production processes," says Andrzej Kensbok, CFO of KGHM. - Andrzej Kensbok, Wiceprezes KGHM ds. Finansowych.

In June of 2021, KGHM Polska Miedź S.A. entered into an agreement (annex) with the European Investment Bank (EBI) concerning an option to grant an additional loan of PLN 440 million to underwrite the modernization plan for its mines and production processes. This annex is a supplement to the current loan of PLN 900 million signed at the end of 2017, whereby the potential financing under the concluded contract totals PLN 1.34 billion.

The term of availability of the additional loan amount is 22 months. Financial support may be potentially used in 4 instalments at most, with each one of them being at least the equivalent of PLN 110 million. For each of the loan instalments the Company has the option to select the currency: PLN, USD or EUR and fixed or floating interest rate. The other terms of the Agreement will not undergo substantial change and will be consistent with the standard terms and conditions for these types of transactions.

Economic performance of the KGHM Polska Miedź Group

COPPER PRODUCTION

754

kt

REVENUES

29,797

mn PLN

CI COST

1.96

USD/lb

ADJUSTED EBITDA

10,327

mn PLN



Production

In 2021, copper production by the Group was higher by 6%, or by 44.6 thousand tonnes compared to 2020. The increase was in respect of all the Group's segments, in particular Sierra Gorda SCM (+22.6 thousand tonnes on a 55% basis) and KGHM Polska Miedź S.A. (+17.2 thousand tonnes).

The increase in copper production by Sierra Gorda SCM was due to higher copper content in ore, higher recovery and higher ore processing.

The higher production of copper by KGHM Polska Miedź S.A. in 2021 was due to an increase in production from purchased copper-bearing materials as a result of higher availability of the production line.

The increase in copper production by 4.8 thousand tonnes in the segment KGHM INTERNATIONAL LTD. was due to higher production by the Robinson mine by 6.2 thousand tonnes. Lower production was recorded by the Sudbury Basin and by the Franke mine.

Detailed information on production results may be found in the sections dedicated to individual segments. The Group's production is shown below.

PRODUCTION IN THE GROUP

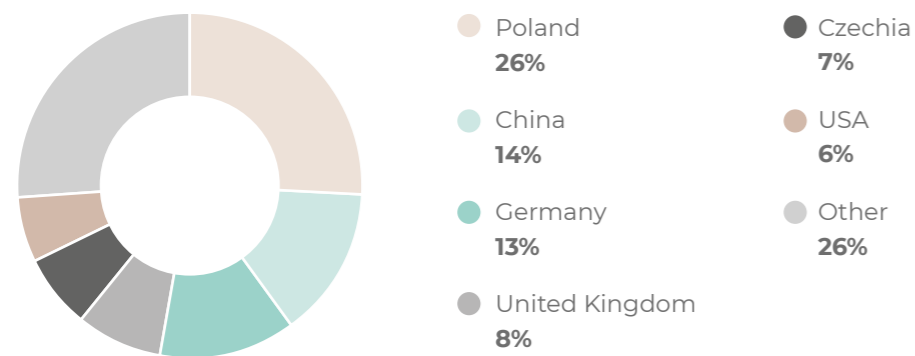
	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Payable copper (kt) Group	753.7	709.1	6.3%	179.8	193.2	195.2	185.5
KGHM Polska Miedź S.A.	577.6	560.4	3.1%	137.5	146.9	146.8	146.4
KGHM INTERNATIONAL LTD.	71.7	66.9	7.2%	16.3	19.1	20.1	16.2
Sierra Gorda S.C.M. ⁽¹⁾	104.4	81.8	27.6%	26.0	27.2	28.3	22.9
TPM (koz t) Group	163.5	194.3	-15.9%	39.3	45.5	43.3	35.4
KGHM Polska Miedź S.A.	81.3	96.8	-16.0%	19.9	23.3	21.5	16.6
KGHM INTERNATIONAL LTD.	51.3	66.1	-22.4%	11.4	13.6	14.1	12.2
Sierra Gorda S.C.M. ⁽¹⁾	30.9	31.4	-1.6%	8.0	8.6	7.7	6.6
Silver (t) Group	1,366.1	1,352.2	1.0%	358.5	331.4	369.2	307.0
KGHM Polska Miedź S.A.	1,332.2	1,322.9	0.7%	349.6	323.2	360.8	298.6
KGHM INTERNATIONAL LTD.	2.0	1.7	17.6%	0.4	0.4	0.6	0.6
Sierra Gorda S.C.M. ⁽¹⁾	31.9	27.6	15.6%	8.5	7.8	7.8	7.8
Molybdenum (mn lbs) Group	8.4	9.4	-10.6%	1.2	2.5	2.7	2.0
KGHM Polska Miedź S.A.	-	-	-	-	-	-	-
KGHM INTERNATIONAL LTD.	0.2	0.4	-50.0%	0.0	0.1	0.0	0.1
Sierra Gorda S.C.M. ⁽¹⁾	8.2	9.0	-8.9%	1.2	2.4	2.7	1.9

¹ 55% share of the Group

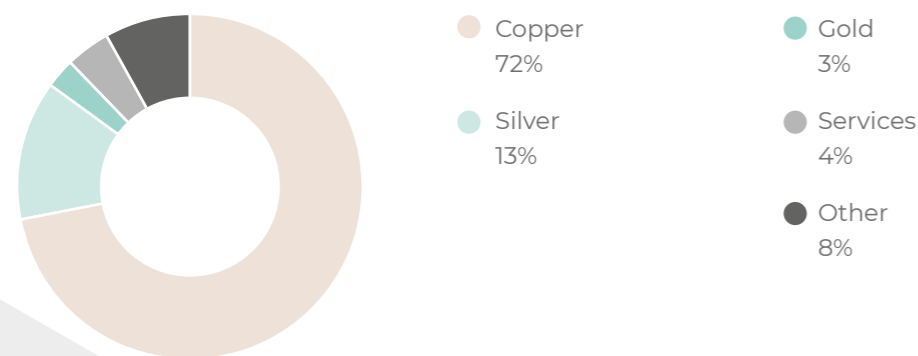
STRUCTURE OF CONSOLIDATED SALES REVENUE

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.

GEOGRAPHIC STRUCTURE OF GROUP SALES



PRODUCT STRUCTURE OF GROUP SALES



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.

C1 COST OF PRODUCING PAYABLE COPPER IN THE GROUP (USD/LB)

	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Group	1.96	1.59	+23.3	2.00	2.03	1.96	1.82
KGHM Polska Miedź S.A.	2.26	1.62	+39.5	2.32	2.48	2.30	1.93
KGHM INTERNATIONAL LTD.	2.01	1.91	+5.2	2.27	1.67	1.83	2.32
Sierra Gorda S.C.M.	0.78	1.19	(34.5)	0.69	0.71	0.81	0.93



FINANCIAL RESULTS

STATEMENT OF PROFIT OR LOSS

FINANCIAL RESULTS OF THE GROUP (IN PLN MILLION)

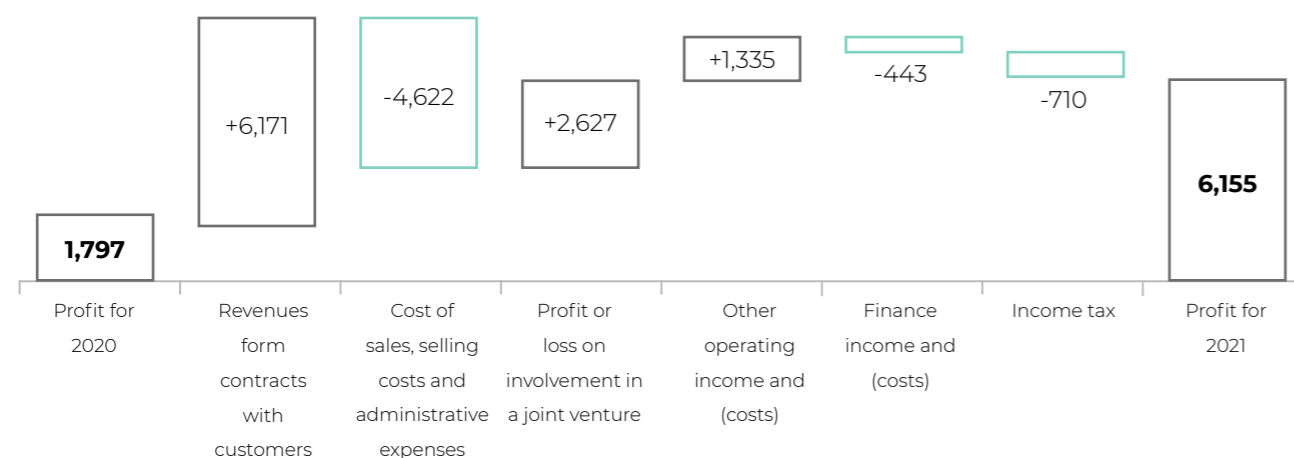
	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Revenues from contracts with customers	29,803	23,632	+26.1	8,068	7,229	7,761	6,745
Cost of sales, selling costs and administrative expenses	(25,093)	(20,471)	+22.6	(7,229)	(6,164)	(6,397)	(5,303)
Profit on sales	4,710	3,161	+49.0	839	1,065	1,364	1,442
Profit or loss on involvement in a joint venture	2,874	247	×11.6	897	128	1,752	97
Other operating income and (costs)	711	(624)	×	80	448	(442)	625
Finance income / (costs)	(471)	(28)	×16.8	(97)	(165)	93	(302)
Profit before income tax	7,824	2,756	×2.8	1,719	1,476	2,767	1,862
Income tax	(1,669)	(959)	+74.0	(326)	(437)	(409)	(497)
Profit for the period	6,155	1,797	×3.4	1,393	1,039	2,358	1,365
Adjusted EBITDA¹⁾	10,327	6,623	+55.9	2,597	2,417	2,705	2,608

¹⁾ 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.

MAIN FACTORS IMPACTING THE CHANGE IN PROFIT OR LOSS OF THE GROUP

Item	Impact on change of profit or loss (in PLN million)	Description
Revenues from contracts with customers	+6,171	An increase in revenues mainly due to revenues from sales of copper +PLN 5,519 million, silver +PLN 524 million, with lower revenues from sales of gold, -PLN 202 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.
Cost of sales, selling costs and administrative expenses	(4,622)	An increase in cost of sales, selling costs and administrative expenses due to:- <ul style="list-style-type: none"> an increase in expenses by nature by PLN 6,836 million, mainly due to an increase in costs of materials and energy by PLN 4,048 million, including a higher volume of purchased metal-bearing materials used in the production, alongside a higher purchase price in KGHM Polska Miedź S.A. (+PLN 3,158 million), the minerals extraction tax charge by PLN 1,923 million and employee benefits costs by PLN 559 million, an increase in inventories by PLN 2,018 million (change in 2021: -PLN 1,544 million; in 2020: +PLN 474 million), an adjustment in costs of producing products for internal use by PLN 314 million (PLN 1,690 million in 2021; -PLN 1,376 million in 2020), an increase in the value of goods and materials sold by PLN 118 million.
Profit or loss on involvement in a joint venture	+2,627	An increase in the result on involvement in a joint venture, from PLN 247 million to PLN 2,874 million, comprised of: <ul style="list-style-type: none"> an increase in gains due to the reversal of allowances for impairment of loans granted to a joint venture, PLN 2,306 million, lack of share in the losses of a joint venture accounted for using the equity method (in 2020: -PLN 204 million), an increase in interest income on loans granted by PLN 117 million.
Other operating income and (costs)	+1,335	An increase in the result on other operating activities, from -PLN 624 million to PLN 711 million, mainly comprised of: <ul style="list-style-type: none"> an increase by PLN 1,385 million in the result on exchange differences on assets and liabilities other than borrowings, a decrease by PLN 166 million in the result from the measurement and realisation of derivatives.
Finance income / (costs)	(443)	A decrease in the result on finance income and costs, from -PLN 28 million to PLN 471 million, mainly comprised of: <ul style="list-style-type: none"> a decrease by PLN 487 million in the result on exchange differences on measurement and realisation of liabilities due to borrowings, a decrease by PLN 37 million on interest costs on borrowings.
Income tax	(710)	An increase in income tax mainly due to: <ul style="list-style-type: none"> higher current income tax by PLN 794 million, a lower deferred income tax by PLN 67 million.

CHANGE IN PROFIT/LOSS FOR 2021 (IN PLN MILLION)



CASH FLOWS

CASH FLOW OF THE GROUP (IN PLN MILLION)

	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Profit before income tax	7,824	2,756	×2.8	1,719	1,476	2,767	1,862
Exclusions of income and costs, total	(51)	2,395	×	(50)	211	(537)	325
Income tax paid	(740)	(667)	+10.9	(171)	(179)	(190)	(200)
Changes in working capital	(2,767)	1,172	×	102	(1,159)	(650)	(1,060)
Net cash generated from operating activities	4,266	5,656	(24.6)	1,600	349	1,390	927
Expenditures on property, plant and equipment and intangible assets	(3,890)	(3,457)	+12.5	(1,287)	(940)	(849)	(814)
Repayment of loans granted to a joint venture	1,259	-	×	1,259	-	-	-
Acquisition of newly-issued shares of a joint venture	-	(207)	×	-	-	-	-
Other cash flow from investing activities	105	3	×35.0	8	1	(4)	100
Net cash generated from investing activities	(2,526)	(3,661)	(31.0)	(20)	(939)	(853)	(714)
Proceeds from / repayments of borrowings	(1,720)	(266)	×6.5	(120)	(74)	(447)	(1,079)
Interest paid	(94)	(177)	(46.9)	(14)	(16)	(23)	(41)
Dividends paid to shareholders of the Parent Entity	(300)	-	×	-	-	(300)	-
Other cash flow from financing activities	(86)	(105)	(18.1)	(20)	(1)	(56)	(9)
Net cash used in financing activities	(2,200)	(548)	×4.0	(154)	(91)	(826)	(1,129)
NET CASH FLOW	(460)	1,447	×	1,426	(681)	(289)	(916)
Exchange differences	(158)	59	×	(90)	(19)	(9)	(40)
Cash and cash equivalents at beginning of the period	2,522	1,016	×2.5	568	1,268	1,566	2,522
Cash and cash equivalents at end of the period	1,904	2,522	(24.5)	1,904	568	1,268	1,566

Net cash generated from operating activities in 2021 amounted to +PLN 4,266 million and was comprised of profit before income tax of +PLN 7,824 million, increased mainly by adjusted depreciation/amortisation in the amount of PLN 2,123 million, the reclassification of other comprehensive income to profit or loss due to the realisation of hedging derivatives in the amount of +PLN 2,030 million and a change in other receivables and liabilities other than working capital of +PLN 610 million.

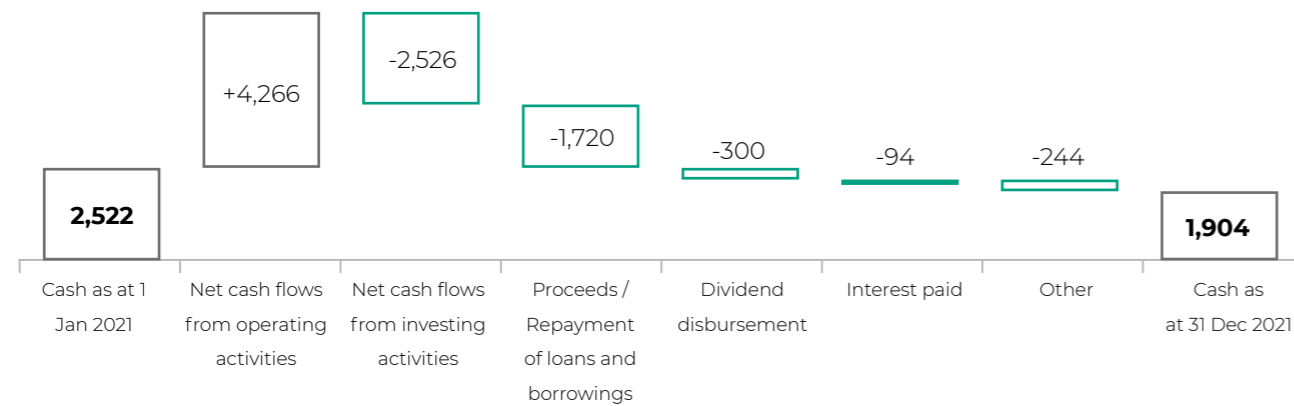
The decrease in cash generated from operating activities in 2021 was mainly due to the change in working capital of PLN 2,767 million, an adjustment of gains due to the reversal of allowances for impairment of loans granted to a joint venture of -PLN 2,380 million, a change in assets and liabilities due to derivatives of -PLN 1,921 million, an adjustment of interest on loans granted to a joint venture of -PLN 494 million, income tax paid of PLN 740 million and exchange differences of -PLN 446 million.

Net cash used in investing activities in 2021 amounted to -PLN 2,526 million and mainly comprised expenditures on property, plant and equipment and intangible assets in the amount of PLN 3,890 million and income from repayment of loans granted to a joint venture, PLN 1,259 million.

Net cash used in financing activities in 2021 amounted to -PLN 2,200 million and mainly comprised the balance of proceeds from and repayments of borrowings, -PLN 1,720 million, the dividends paid to shareholders of the Parent Entity in the amount of PLN 300 million and interest paid in the amount of PLN 94 million.

After reflecting exchange differences on cash and cash equivalents, cash and cash equivalents decreased by PLN 618 million and at the end of 2021 amounted to PLN 1,904 million.

CASH FLOW IN 2021 (IN PLN MILLION)



ASSETS

CONSOLIDATED ASSETS (IN PLN MILLION)

	31.12.2021	31.12.2020	Change (%)	30.09.2021	30.06.2021	31.03.2021
Property, plant and equipment and intangible assets	26,723	25,598	+4.4	26,322	25,766	25,812
Joint ventures – loans granted	7,867	6,069	+29.6	8,521	7,992	6,508
Financial instruments	1,728	2,026	(14.7)	1,835	1,830	1,845
Deferred tax assets	185	193	(4.1)	218	216	332
Other non-financial assets	161	161	-	167	165	144
Non-current assets	36,664	34,047	+7.7	37,063	35,969	34,641
Inventories	6,337	4,459	+42.1	6,106	5,794	5,485
Trade receivables	1,009	834	+21.0	1,115	881	958
Tax assets	364	295	+23.4	254	235	404
Derivatives	254	210	+21.0	333	294	216
Joint ventures – loans granted	447	-	x	-	-	-
Other financial assets	172	210	(18.1)	148	96	320
Other non-financial assets	162	142	+14.1	227	251	222
Cash and cash equivalents	1,884	2,522	(25.3)	457	1,189	1,566
Assets held for sale (disposal group)	734	61	x12.0	443	346	-
Current assets	11,363	8,733	+30.1	9,083	9,086	9,171
TOTAL ASSETS	48,027	42,780	+12.3	46,146	45,055	43,812

At the end of 2021, total assets in the consolidated statement of financial position amounted to PLN 48,027 million and were higher as compared to 31 December 2020 by PLN 5,247 million.

Non-current assets as at 31 December 2021 amounted to PLN 36,664 million and were higher by PLN 2,617 million compared to the end of 2020. The increase in non-current assets was mainly with respect to loans granted to joint ventures by PLN 1,798 million and property, plant and equipment and intangible assets by PLN 1,125 million. Compared to 2020 mainly financial instruments were lower by PLN 298 million.

Current assets increased by PLN 2,630 million, mainly due to inventories by PLN 1,878 million, assets held for sale by PLN 673 million and loans granted to a joint venture by PLN 447 million alongside a decrease in cash and cash equivalents by PLN 638 million.

CHANGE IN ASSETS IN 2021 (IN PLN MILLION)



EQUITY AND LIABILITIES

CONSOLIDATED EQUITY AND LIABILITIES (IN PLN MILLION)

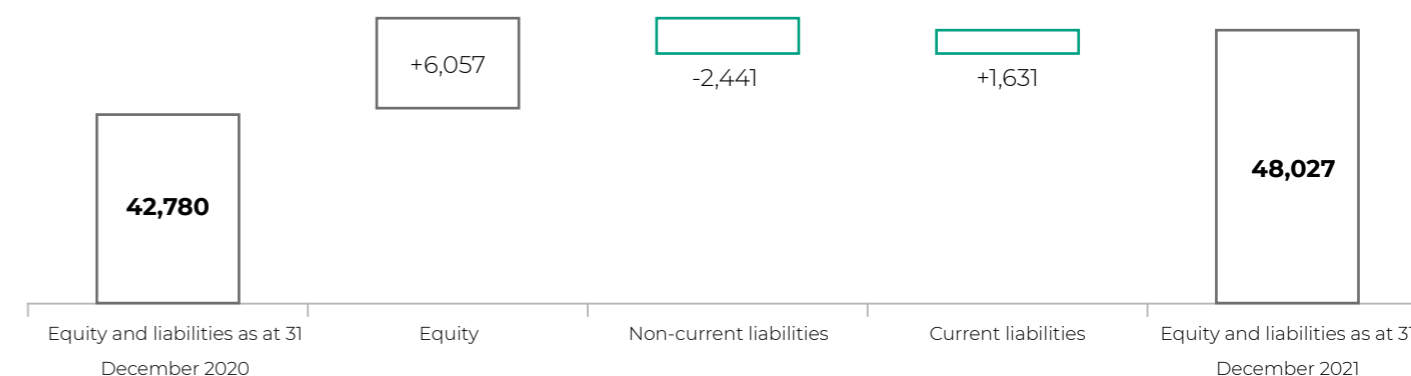
	31.12.2021	31.12.2020	Change (%)	30.09.2021	30.06.2021	31.03.2021
Share capital	2,000	2,000	-	2,000	2,000	2,000
Other reserves from measurement of financial instruments	(1,705)	(1,430)	+19.2	(1,452)	(2,076)	(2,189)
Accumulated other comprehensive income other than from measurement of financial instruments	2,219	1,728	+28.4	1,817	1,755	1,550
Retained earnings	24,532	18,694	+31.2	23,138	22,101	20,042
Equity attributable to shareholders of the Parent Entity	27,046	20,992	+28.8	25,503	23,780	21,403
Equity attributable to non-controlling interest	92	89	+3.4	90	87	88
Equity	27,138	21,081	+28.7	25,593	23,867	21,491
Borrowings, leases and debt securities	5,409	6,928	(21.9)	5,554	5,505	6,106
Derivatives	1,134	1,006	+12.7	975	1,156	1,253
Employee benefits liabilities	2,306	3,016	(23.5)	2,884	2,942	3,048
Provisions for decommissioning costs of mines and other facilities	1,242	1,849	(32.8)	1,601	1,566	1,838
Deferred tax liabilities	643	442	+45.5	595	374	381
Other liabilities	617	551	+12.0	635	605	558
Non-current liabilities	11,351	13,792	(17.7)	12,244	12,148	13,184
Borrowings, leases and debt securities	455	407	+11.8	462	428	441
Derivatives	889	688	+29.2	787	1,163	1,265
Trade and similar payables	2,974	3,593	(17.2)	2,414	3,023	3,379
Employee benefits liabilities	1,437	1,313	+9.4	1,303	1,397	1,384
Tax liabilities	1,453	537	+2.7	1,285	1,135	1,086
Provisions for liabilities and other charges	207	162	+27.8	189	179	189
Other liabilities	1,661	1,202	+38.2	1,445	1,304	1,393
Liabilities associated with disposal group	462	5	+92.4	424	411	-
Current liabilities	9,538	7,907	+20.6	8,309	9,040	9,137
Non-current and current liabilities	20,889	21,699	(3.7)	20,553	21,188	22,321
TOTAL EQUITY AND LIABILITIES	48,027	42,780	+12.3	46,146	45,055	43,812

Equity as at the end of 2021 amounted to PLN 27,138 million and was higher by PLN 6,057 million than at the end of 2020, mainly due to an increase in retained earnings by PLN 5,838 million.

Non-current liabilities of the KGHM Polska Miedź S.A. Group as at 31 December 2021 amounted to PLN 11,351 million and were lower by PLN 2,441 million compared to the end of 2020, mainly due to a decrease in the value of borrowings, leases and debt securities by PLN 1,519 million, employee benefits liabilities by PLN 710 million and provisions for decommissioning costs of mines and other facilities by PLN 607 million.

Current liabilities of the KGHM Polska Miedź S.A. Group as at 31 December 2021 amounted to PLN 9,538 million and were higher by PLN 1,631 million compared to the end of 2020, mainly due to an increase in tax liabilities by PLN 916 million, liabilities associated with disposal group by PLN 457 million and other liabilities by PLN 459 million. The main decrease in current liabilities was in respect of trade and similar payables by PLN 619 million.

CHANGE IN EQUITY AND LIABILITIES IN 2021 (IN PLN MILLION)



CONTINGENT ASSETS AND LIABILITIES DUE TO GUARANTEES GRANTED

As at 31 December 2021, the Group held contingent assets in the amount of PLN 508 million, which mainly related to the securities of proper execution of agreements in the amount of PLN 325 million and promissory notes receivables in the amount of PLN 134 million.

As at 31 December 2021, the Group held liabilities due to guarantees and letters of credit granted in the amount of PLN 849 million and promissory notes payables in the amount of PLN 173 million.

The most important items are liabilities of the Parent Entity aimed at securing liabilities:

- Sierra Gorda S.C.M. – a corporate guarantee in the amount of PLN 670 million securing the repayment of a long-term bank loan,
- other entities, including the Parent Entity:
 - » a guarantee in the amount of PLN 124 million securing the proper execution of future environmental obligations of the Parent Entity to restore terrain, following the conclusion of operations of the Żelazny Most tailings storage facility,
 - » guarantees and letters of credit in the total amount of PLN 39 million securing the proper execution of agreements entered into by the Parent Entity and companies in the Group.

2021 TARGETS VERSUS ACHIEVEMENTS AND TARGETS FOR 2022

KGHM Polska Miedź S.A. does not publish forecasts of financial results. However, in regulatory filings dated 28 January 2021 and 14 January 2022 the Company published its main Budget assumptions respectively for 2021 and 2022, which are presented in the table below.

2021 TARGETS VERSUS ACHIEVEMENTS AND TARGETS FOR 2022

		Execution 2021	Budget 2021	Execution (%)	Budget 2022	Change (%)
KGHM Polska Miedź S.A.						
Production of copper in concentrate	kt	391.3	390.0	100.3	392.0	+0.2
Production of silver in concentrate	t	1,303	1,200	108.6	1,280	(1.8)
Electrolytic copper production, including:	kt	577.6	573.0	100.8	585.0	+1.3
- from own concentrate	kt	381.4	385.0	99.1	394.0	+3.3
Metallic silver production	t	1,332	1,197	111.3	1,222	(8.3)
Copper products sales volume	kt	561.5	566.3	99.2	583.0	+3.8
Silver products sales volume	t	1,249	1,165	107.2	1,278	+2.3
Total unit cost of electrolytic copper production from own concentrate	PLN/t	22,210	20,248	109.7	26,455	+19.1
Capital expenditures on property, plant and equipment ⁽¹⁾	PLN mn	2,404	2,853	84.3	2,835	+17.9
Other expenditures, including loans ⁽²⁾	PLN mn	58	306	19.0	202	×3.5
KGHM INTERNATIONAL LTD.						
Payable copper production	kt	71.7	73.9	97.0	54.1	(24.5)
TPM production	koz t	51.3	53.7	95.5	53.1	+3.5
Sierra Gorda (55%)						
Payable copper production	kt	104.4	98.9	105.6	90.8	(13.0)
Molybdenum production	mn lbs	8.2	6.7	122.4	2.9	(64.6)

¹⁾ excluding costs of borrowing, leases per IFRS 16 unrelated to an investment project as well as expenditures on development work - uncompleted, the budget for 2021 contains a reserve of PLN 100 million

²⁾ acquisition of shares and investment certificates of subsidiaries and loans granted to them

ACHIEVEMENT OF TARGETS IN 2021

In 2021, production of electrolytic copper by the Company was 4.6 thousand tonnes of copper (+1%) higher than the target in the 2021 Budget, with lower production from own concentrate by 3.6 thousand tonnes and higher production from purchased metal-bearing materials by 8.2 thousand tonnes. Silver production was higher by 135 t (+11%). As a result, sales of silver were higher than planned (+84 t, or 7%). Copper sales were however lower than the target in the Budget by 4.8 thousand tonnes (-1%) due to a change in the schedule of deliveries.

Production of payable copper and precious metals by KGHM INTERNATIONAL LTD. was lower than assumed in the Budget respectively by 2.2 thousand tonnes (-3%) and 2.4 thousand troy ounces (-4%) mainly due to lower quality ore.

Sierra Gorda ended 2021 with payable copper production which was 5.5 thousand tonnes (+6%) higher than planned in the Budget, due to higher copper content in ore and higher recovery.

The total unit cost of electrolytic copper production from own concentrate in KGHM Polska Miedź S.A. was higher than planned by 10%, mainly due to a higher minerals extraction tax charge. The unit cost of copper production excluding this tax was lower than planned, despite lower copper production from own concentrate and higher prices of materials and technological fuels.

Capital expenditures on property, plant and equipment by KGHM Polska Miedź S.A. in 2021 (excluding costs of borrowing, leases per IFRS 16 unrelated to an investment project and expenditures on uncompleted development work) were PLN 449 million (-16%) lower than planned, including PLN 100 million of unutilised reserves.

Other expenditures were also lower by PLN 248 million, mainly due to the lack of a loan granted to finance the international projects (Victoria and SG Oxide) advanced using the resources of KGHM INTERNATIONAL LTD. and to the lack of an increase in share capital for PMT LK and Pol-Miedź Trans, due to postponements in the schedule.

TARGETS FOR 2022

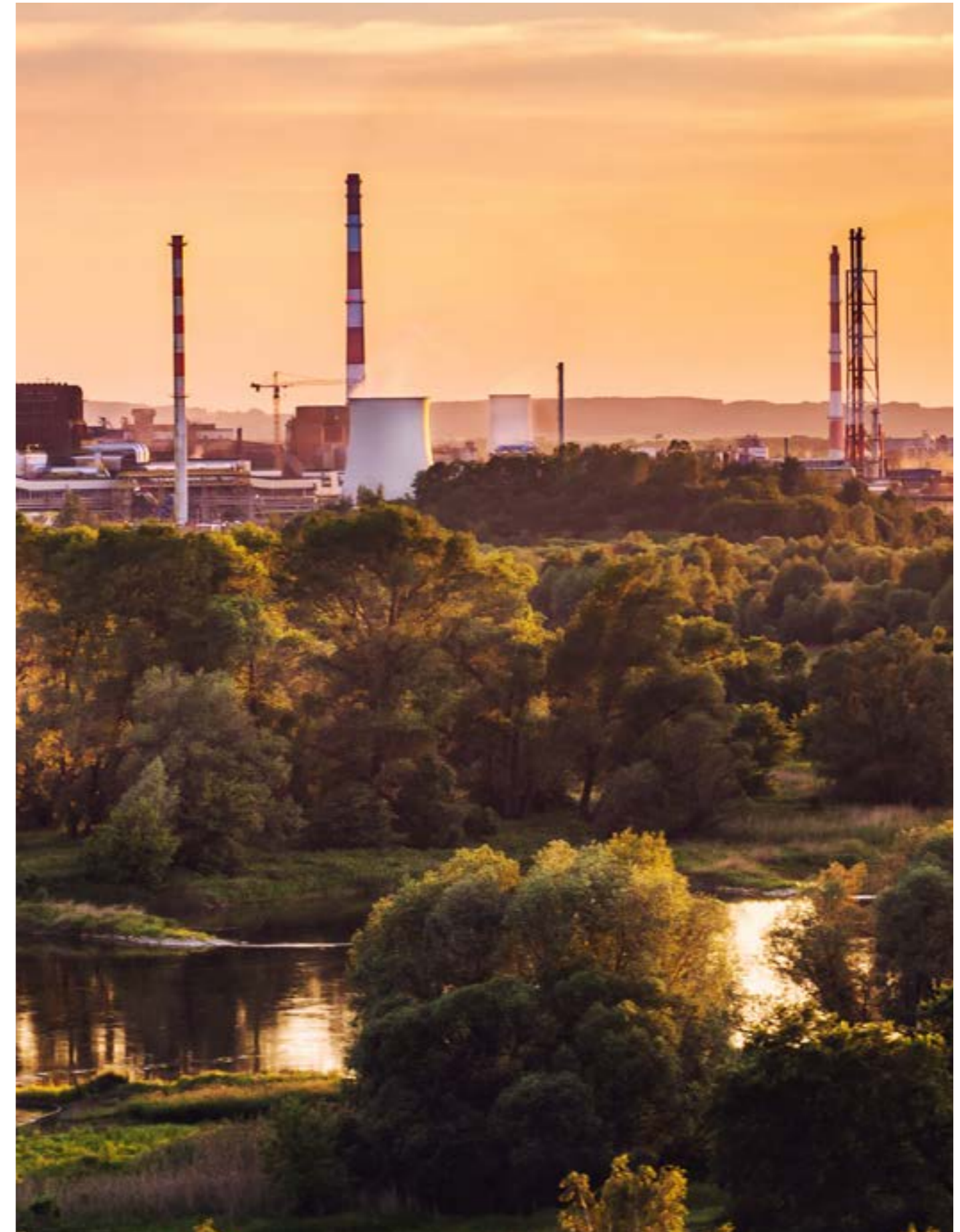
Production - lower copper production by the Group in 2022 by 24.0 thousand tonnes (-3%) compared to the amount recorded in 2021, of which from:

- KGHM Polska Miedź S.A. +7.4 thousand tonnes (+1%), with higher production from own concentrate by 12.6 thousand tonnes,
- KGHM INTERNATIONAL LTD. -17.6 thousand tonnes (-25%) – mainly lower copper production by Robinson (lower copper content in ore and lower recovery) and the sale of the assets of Franke,
- Sierra Gorda -13.6 thousand tonnes (-13%) – the main reason for the lower production is operating in regions with lower metal content. At the same time an increase in the amount of ore processed by 2% is expected.

Sales of KGHM Polska Miedź S.A. – as a result of higher production and lower inventories of finished products, it is expected that copper sales will be higher by 21.5 thousand tonnes (+4%).

Total unit cost of electrolytic copper production from own concentrate (KGHM Polska Miedź S.A.) will increase by 19% due to the adopted assumptions regarding higher prices of materials and technological fuels as well as energy-related factors.

Investments (excluding costs of borrowing, leases per IFRS 16 unrelated to an investment project and expenditures on uncompleted development work) - an increase in capital expenditures on property, plant and equipment in KGHM Polska Miedź S.A. by PLN 431 million (+18%) due to an increase in the scope of mining machinery purchases compared to 2021, higher prices and reflecting in the investment portfolio the development of underground dewatering systems in the mining divisions securing the increased inflow of water in the mines, as well as deliveries/work and services expected to be advanced during the technological shutdown of the main production line of the Głogów II Copper Smelter and Refinery.



Economic results of KGHM Polska Miedź S.A.

COPPER PRODUCTION

578

kt

SILVER PRODUCTION

1,332

t

CI COST

2.26

USD/lb

REVENUES

24,618

PLN mn

ADJUSTED EBITDA

5,474

PLN mn



PRODUCTION

The main goals set by the Management Board in terms of production and occupational health and safety for 2021 were:

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

The goals set required advancement of the following actions:

in mining

- expanding mining operations within the Deep Głogów (Głogów Głęboki-Przemysłowy) area,
- improvement of the ore extraction technology, greater mining efficiency and improved occupational health and safety, by:
 - » adapting the geometry of mining systems to local geological and mining conditions,
 - » improving the efficiency of technological and active methods of limiting the threat of rock bursts and of other associated natural threats, and
 - » proper barren rock management in mining areas (selective extraction, siting of rock, mechanical ore mining),
- a greater scope of work with respect to identifying gas-related threats and the use of new technical solutions and means of prevention to counteract this threat,
- maintaining the efficiency of mining vehicles in an assortment required to execute production tasks,
- realisation of the planned scope of mine development and access work using the commissioning system at the level of 59.1 thousand meters.

in ore processing

- maintaining the production capacity of individual Concentrators Division Areas to process the amount and quality of ore supplied,
- maintaining the production of concentrates in an amount and quality necessary for optimal use of the production capacity of the furnace sections of the smelters and refineries,
- improving flotation enrichment technology,
- the replacement of hydrocyclone batteries in the Lubin Concentrator was completed, under the strategic task „Modernisation of classification systems”,
- the continuity of deliveries of concentrate in the Rudna Concentrator was maintained, despite the simultaneous advancement of investments and breakdowns of a technical-construction nature (a limited amount of thickeners, modernisation of press filters, driers, modernisation of concentrate loading and haulage),

in metallurgy

- increased share of imported concentrates to achieve a high level of electrolytic copper production alongside a decrease in the production of own concentrate,
- planned 2-week maintenance of the flash furnace at the Głogów II Copper Smelter and Refinery in April,
- minimising of environmental impact by actions aimed at improving the efficiency of dedusting and hermetic sealing processes and optimisation of water-effluents management,
- optimum utilisation of infrastructure enabled production targets to be fully met with respect to basic products,
- increasing the share of recycling in copper production due to an increase in scrap processing in the furnaces of the Głogów Copper Smelter and Refinery as well as maximising the processing of scrap at all firing stages at the Legnica Copper Smelter and Refinery,

in occupational health and safety

- consistent application of developed solutions and the successive implementation of tools to effectively mitigate the threat of the SARS-CoV-2 virus pandemic, including the campaign to vaccinate Company employees,
- implementation of the agreed elements of a Program to negate the most common safety hazards by using innovative technology,
- constant monitoring of occupational hazards and execution of organisational and technical goals aimed at limiting occupational risks and accidents,
- commencing additional organisational and technical initiatives aimed at improving occupational health and safety, in particular in the Company's mines.

MINE PRODUCTION

In 2021 extraction of ore (dry weight) amounted to 30.0 million tonnes and was higher by 0.3 million tonnes than in 2020.

Average copper content in extracted ore amounted to 1.48% and was lower than the level achieved in 2020. In the case of silver in ore, content was substantially higher and amounted to 50.72 g/t.

As a result the amount of copper in extracted ore was higher than in 2020 by 0.6 thousand tonnes of copper and amounted to 442.6 thousand tonnes. The volume of silver in ore increased by 99 tonnes and amounted to 1,522 tonnes.

In 2021, 29.9 million tonnes of ore (dry weight) were processed (or 251 thousand tonnes more compared to 2020). The higher amount of ore extracted by the Mining Divisions, of a lower copper content, directly affected the obtained lower amount of copper in concentrate, which amounted to 391.3 thousand tonnes.

The production of concentrate (dry weight) increased slightly as compared to 2021.

The amount of silver in concentrate was higher than in 2020 by 7%.

MINE PRODUCTION OF KGHM POLSKA MIEDŹ S.A.

	Unit	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Mined ore (wet weight)	mn t	31.6	31.2	+1.3	7.6	8.2	7.9	7.9
Mined ore (dry weight)	mn t	30.0	29.7	+1.0	7.2	7.8	7.5	7.5
Copper grade	%	1.48	1.49	(0.7)	1.48	1.47	1.47	1.48
Copper in ore	kt	442.6	442.0	+0.1	106.7	114.9	110.6	110.4
Silver grade	g/t	50.7	48.0	+5.6	52.2	50.7	50.8	49.3
Silver in ore	t	1,522	1,423	+7.0	378	395	381	368
Production of concentrate (dry weight)	kt	1,741	1,740	+0.1	425	451	437	429
Copper in concentrate	kt	391.3	392.7	(0.4)	95.2	100.9	98.2	96.9
Silver in concentrate	t	1,303	1,218	+7.0	326	337	327	313

METALLURGICAL PRODUCTION

The production of electrolytic copper as compared to 2020 increased by 17.2 thousand tonnes, or by 3.1%. 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 2020, the production of metallic gold decreased by 481 kg, or 16.0%, while metallic silver production was higher by 9.3 tonnes, closing the year at 1,332 t.

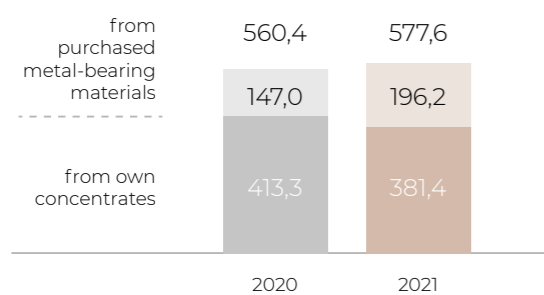
METALLURGICAL PRODUCTION OF KGHM POLSKA MIEDŹ S.A.

	Unit	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Electrolytic copper, including:	kt	577.6	560.4	+3.1	137.4	146.9	146.8	146.4
production from own concentrates	kt	381.4	413.3	(7.7)	95.3	93.9	92.6	99.6
production from purchased metal-bearing materials	kt	196.2	147.0	+33.5	42.1	53.1	54.2	46.8
Wire rod, OFE and CuAg rod	kt	281.9	259.5	+8.6	61.2	77.2	71.9	71.6
Metallic silver	t	1,332	1,323	+0.7	350	323	361	299
Metallic gold	koz t	81.3	96.8	(16.0)	19.9	23.3	21.5	16.6
Refined lead	kt	30.1	30.2	(0.3)	8.0	6.4	7.9	7.8

PRODUCTION OF ELECTROLYTIC COPPER (THOUSAND TONNES) AND METALLIC SILVER (T)

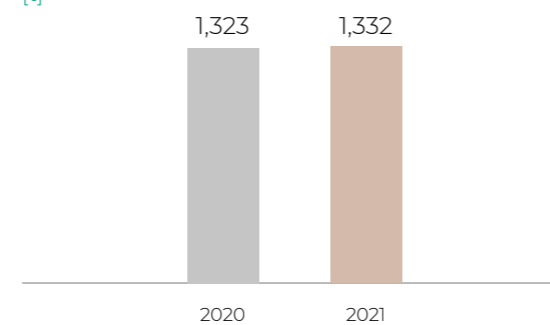
Electrolytic copper production

[kt]



Metallic silver production

[t]



MAIN PRODUCTION GOALS

The main goals set by the Management Board in terms of production and occupational health and safety for 2022 are a continuation of actions taken in 2021, 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 2022:

in mining

- access and development work to intersect the deposit in the Deep Głogów (Głogów Głęboki-Przemysłowy) and Gaworzyce mining areas,
- 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,
- continuation of work related to utilising the capacity of the input and output ventilation shafts in the interconnected mine ventilation system,
- maintaining the efficiency of mining vehicles in an assortment required to execute production tasks,
- realisation of the planned scope of mine development and access work using the commissioning system in 2022,

in ore processing

- optimising control of visual product parameters during the production process,
- maintaining the availability of the machine park and the production capacity of individual Concentrators Division Areas to the amount of ore supplied,
- maintaining the production of concentrates in an amount and quality necessary for optimal use of the production capacity of the smelters and refineries,
- searching for ways to utilise alternative and renewable energy sources in the Concentrators Division,
- monitoring and assessing the impact of technological water to the technological parameters and state of technical infrastructure,

in metallurgy

- the planned execution of a maintenance shutdown of the flash furnace complex at the Głogów II Copper Smelter and Refinery with the full scope of maintenance,
- increasing the share of recycling in copper production as a result of an increase in the processing of scrap in the furnaces of Głogów Copper Smelter and Refinery and maximisation of scrap processing in all fire phases in Legnica Copper Smelter and Refinery,
- maintaining the high level of electrolytic copper production by the Legnica Copper Smelter and Refinery and Głogów Copper Smelter and Refinery.
- further minimisation of environmental impact by actions directed towards improving the effectiveness of the dedusting and hermetic sealing processes to decrease fugitive emissions as well as optimisation of water-effluents management,
- optimum management of half-finished products between the metallurgical facilities,

in occupational health and safety

- advancing a package of actions which further effectively mitigate the external threat of the SARS-Cov-2 pandemic,
- improvement of the occupational safety and hygiene management system implemented by the Company in 2020 pursuant to the OHS ISO 45001:2018 standard,
- introduction of further technical and organisational solutions decreasing the risk of workplace accidents in the Company's divisions,
- 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,
- implementation of IT solutions in the area of workplace safety, in particular workplace data and information analytics.

SALES

W 2021 In 2021, the level of sales of copper products by the Company did not differ significantly from that achieved in 2020 and amounted to 561.5 thousand tonnes, versus 561.0 thousand tonnes in the prior year. In 2021, sales of copper cathodes amounted to 279.3 thousand tonnes, meaning a 7% decrease compared to 2020. Sales of copper wire rod and OFE rod increased however by 8%, amounting to 278 thousand tonnes in 2021. The change in the structure of sales of copper products results from the year-long high demand of higher-margin products compared to processed copper cathodes.

Sales of metallic silver in 2021 amounted to 1,249 t, meaning a 9% decrease compared to 2020, alongside a slight increase in production. Silver inventory at the end of 2021 was designated to meet the sales schedule in 2022. Sales of gold in 2021 amounted to 78 thousand troy ounces, which means a decrease compared to data for the previous year (-22%).

SALES VOLUME OF BASIC PRODUCTS OF KGHM POLSKA MIEDŹ S.A.

	Unit	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Cathodes and cathodes parts	kt	279.3	300.7	(7.1)	77.5	62.0	74.5	65.3
Copper wire rod and OFE rod ¹	kt	278.0	256.4	+8.4	66.0	69.4	72.6	70.0
Other copper products ¹	kt	4.2	3.9	+7.7	0.9	0.7	1.3	1.3
Total copper and copper products	kt	561.5	561.0	+0.1	144.4	132.1	148.4	136.6
Metallic silver	t	1,249	1,369	(8.8)	298	331	340	279
Metallic gold	koz t	78.0	100.1	(22.1)	19.5	20.5	19.4	18.6
Refined lead	kt	30.7	29.0	+5.9	7.8	6.3	8.2	8.3

¹ the volume of sales of ETP/OFE grains was moved from the item „Copper wire rod and OFE rod” to the item „Other copper products” (the change of 2.2 kt refers to 2020)

Total revenues from sales by KGHM Polska Miedź S.A. in 2021 amounted to PLN 24,618 million, representing an increase by 27% versus 2020, when revenues reached PLN 19,326 million.

Revenues from sales of copper products in 2021 increased by 34% and amounted to PLN 19,079 million (compared to revenues in 2020 of PLN 14,258 million).

Revenues from metallic silver sales in 2021 also increased (+16%) to PLN 3,990 million compared to PLN 3,453 million in 2020. Revenues from sales of metallic gold in 2021 decreased to PLN 548 million, versus PLN 690 million in 2020 (21%).

The increase in revenues from contracts with customers compared to the previous year by PLN 5,292 million was mainly due to higher prices of copper, silver and gold (+PLN 7,807 million), with lower revenues connected with:

- a change in the adjustment of revenues due to hedging transactions (-PLN 1,974 million),
- lower volumes of sales of silver and gold, respectively by 9% and 22% with higher sales of copper by 0.1% (PLN 443 million), and
- a less favourable USD/PLN exchange rate (-PLN 173 million).

REVENUES FROM CONTRACTS WITH CUSTOMERS OF KGHM POLSKA MIEDŹ S.A. (IN PLN MILLION)

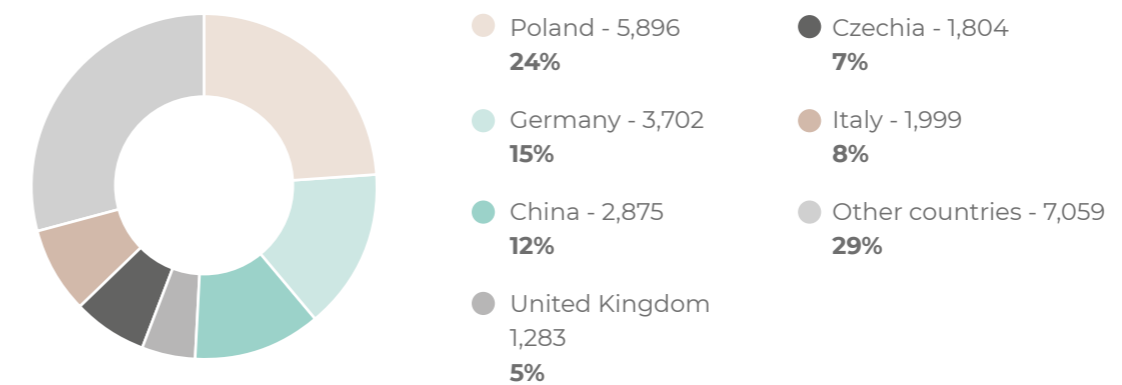
	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Cathodes and cathodes parts	9,462	7,593	+24.6	2,848	2,016	2,562	2,038
Copper wire rod and OFE rod ¹	9,461	6,567	+44.1	2,383	2,360	2,499	2,219
Other copper products ¹	156	98	+59.2	38	27	48	44
Total copper and copper products	19,079	14,258	+33.8	5,269	4,403	5,108	4,300
Metallic silver	3,990	3,453	+15.6	942	1,052	1,096	900
Metallic gold	548	690	(20.6)	145	142	133	129
Refined lead	271	220	+23.2	76	59	68	68
Other goods and services	452	336	+34.5	127	106	112	107
Goods and materials	278	369	(24.7)	89	65	59	65
Total sales revenue	24,618	19,326	+27.4	6,648	5,826	6,575	5,569

¹ the volume of sales of ETP/OFE grains was moved from the item „Copper wire rod and OFE rod” to the item „Other copper products” (the change of PLN 56 million refers to 2020)

GEOGRAPHICAL BREAKDOWN OF SALES

In 2021, KGHM Polska Miedź S.A. earned most of its revenues from domestic sales, which amounted to 24% of total revenues. The remaining major customers of KGHM came from Germany (15%), China (12%), Italy (8%), Czechia (7%), and the United Kingdom (5%).

The following chart shows the geographic structure of revenues in 2021. Sales revenue includes the result from the settlement of hedging instruments.

SALES REVENUE OF KGHM POLSKA MIEDŹ S.A. BY MARKET (IN PLN MILLION)


COSTS

The Company's cost of sales, selling costs and administrative expenses (cost of products, merchandise and materials sold plus selling costs and administrative expenses) in 2021 amounted to PLN 20,514 million and was 27% higher as compared to the corresponding period of 2020. The Company's cost of sales, selling costs and administrative expenses was substantially affected by the utilisation of inventories, which led to a higher sales volume.

Total expenses by nature in 2021 as compared to 2020 were higher by 42% mainly due to higher consumption of purchased metal-bearing materials by PLN 3,158 million (a higher amount by 45 thousand tonnes and a higher price by 40%) as well as a higher minerals extraction tax charge (+PLN 1,923 million).

EXPENSES BY NATURE OF KGHM POLSKA MIEDŹ S.A. (IN PLN MILLION)

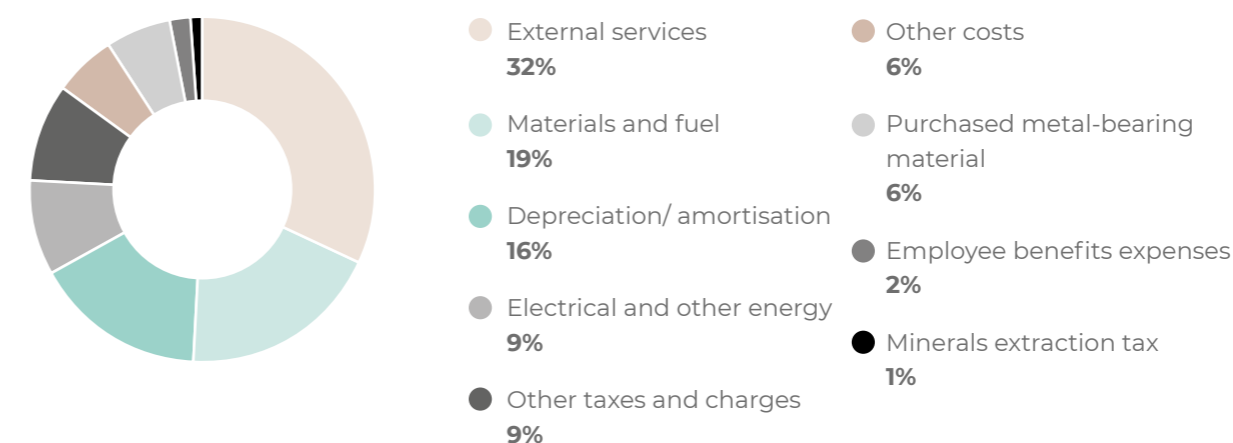
	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Depreciation of property, plant and equipment and amortisation of intangible assets	1,435	1,364	+5.2	356	363	360	356
Employee benefits expenses	4,249	3,835	+10.8	1,097	1,083	1,114	955
Materials and energy, including:	10,242	6,326	+61.9	2,681	2,541	2,673	2,347
purchased metal-bearing materials	7,132	3,974	+79.5	1,769	1,707	1,989	1,667
electrical and other energy	1,230	988	+24.5	284	351	299	296
External services	1,884	1,716	+9.8	545	457	457	425
Minerals extraction tax	3,548	1,625	+118.3	1,009	904	917	718
Other taxes and charges	398	397	+0.3	(74)	189	143	140
Other costs	145	123	+17.9	54	18	60	13
Total expenses by nature	21 901	15 386	+42,3	5 668	5 555	5 724	4 954

Expenses by nature, excluding purchased metal-bearing materials and the minerals extraction tax, amounted to PLN 11,221 million and were higher as compared to the corresponding period of the previous year by PLN 1,434 million, mainly due to an increase in the following:

- consumption of materials and energy (+PLN 758 million) – mainly due to higher prices for natural gas, electricity, coke and technological materials,
- labour costs (+PLN 414 million) – due to an increase in remuneration and a higher provision for the annual bonus,
- external services (+PLN 168 million) – mainly due to an increase in transportation services, repairs and maintenance and mine development work,
- depreciation /amortisation (+PLN 71 million) – an increase due to investments advanced in prior periods.

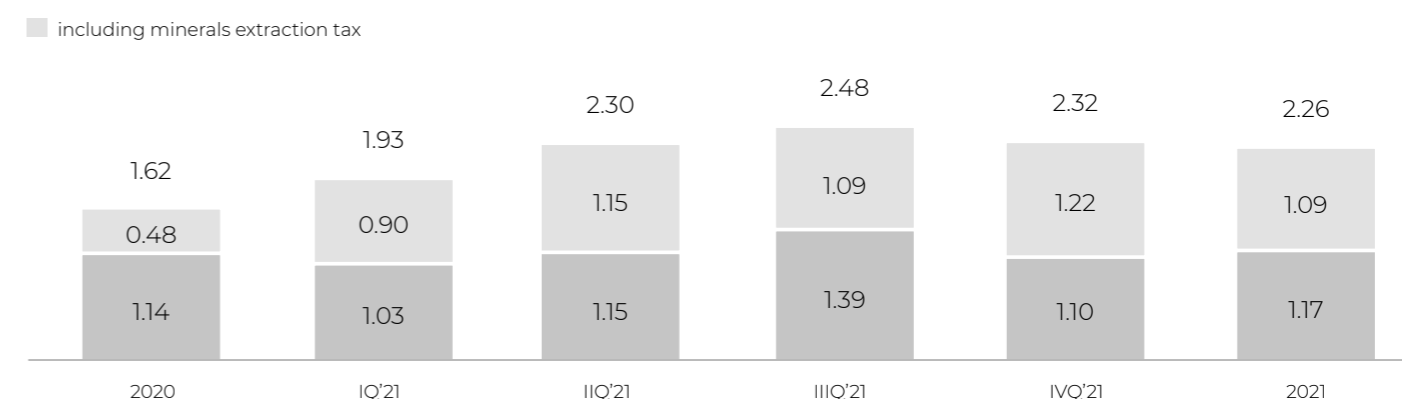
The structure of expenses by nature in 2021 is presented below. As compared to the prior year, they were at a very similar level.

STRUCTURE OF EXPENSES BY NATURE IN 2021.



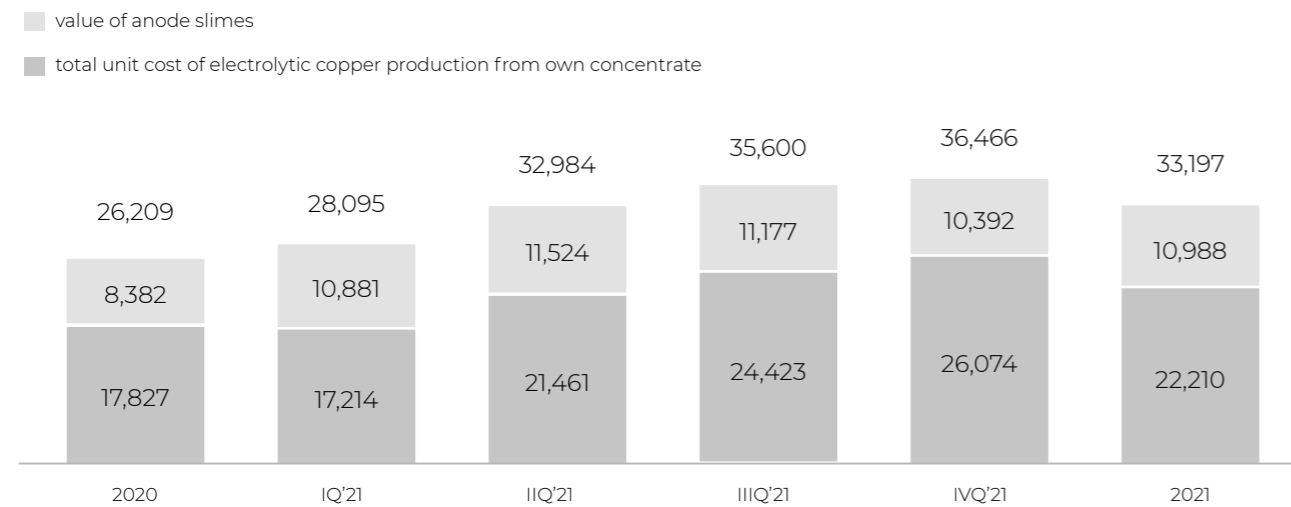
The Company's operating costs are decisively impacted by the costs of electrolytic copper production (prior to decrease by the value of by-products), whose share is around 96%.

COST OF PRODUCING PAYABLE 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 2020: 1.62 USD/lb and 2021: 2.26 USD/lb. The increase in this cost by 40% was mainly due to a higher minerals extraction tax charge. C1 cost excluding this tax rose by 2.6% and was due to a strengthening in the PLN as compared to the USD and lower production of copper from own concentrate.

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 2020 by 6,988 PLN/t (27%), alongside lower production from own concentrate by 32 thousand tonnes of copper (7.7%). The increase in the unit cost was mainly due to the higher minerals extraction tax charge (+4,662 PLN/t), higher prices of energy, fuels and technological materials and higher costs of labour. The total unit cost of copper production from own concentrate was higher compared to 2020 by 4,383 PLN/t (25%) with a higher valuation of anode slimes due to higher silver prices.



FINANCIAL RESULTS

STATEMENT OF PROFIT OR LOSS

The Company recorded a profit for 2021 in the amount of PLN 5,169 million, or by PLN 3,390 million (2.9-times) higher than the profit for the prior year.

BASIC ITEMS OF THE STATEMENT OF PROFIT OR LOSS OF KGHM POLSKA MIEDŹ S.A. (IN PLN MILLION)

	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Revenues from contracts with customers	24,618	19,326	+27.4	6,648	5,826	6,575	5,569
adjustment to revenues due to hedging transactions	(1,651)	323	×	(491)	(418)	(476)	(266)
Cost of sales, selling costs and administrative expenses	(20,514)	(16,161)	+26.9	(5,794)	(5,070)	(5,440)	(4,210)
Profit/(loss) on sales	4,104	3,165	+29.7	854	756	1,135	1,359
Other operating income and (costs)	3,088	(398)	×	(109)	404	2,425	368
exchange differences on assets and liabilities other than borrowings	511	(269)	×	135	229	(211)	358
measurement and realisation of derivatives	(445)	(240)	+85.4	(167)	(145)	47	(180)
interest on loans granted and other financial receivables	304	269	+13.0	79	94	64	67
fair value gains on financial assets measured at fair value through profit or loss	1,070	149	×7.2	(243)	175	1,025	113
fair value losses on financial assets measured at fair value through profit or loss	(63)	(169)	(62.7)	21	(5)	(36)	(43)
reversal of impairment losses on shares in subsidiaries	1,010	-	×	-	-	1,010	-
impairment losses on shares and investment certificates in subsidiaries	(182)	(141)	+29.1	(182)	-	3	(3)
reversal of impairment losses on financial instruments measured at amortised cost	807	21	×38.4	273	26	494	14
impairment losses on financial instruments measured at amortised cost	(4)	(82)	(95.1)	7	(3)	(7)	(1)
other	80	64	+25.0	(32)	33	36	43
Finance income / (costs)	(476)	-	×	(99)	(168)	93	(302)
exchange differences on borrowings	(338)	190	×	(54)	(146)	135	(273)
interest on borrowings	(92)	(148)	(37.8)	(30)	(14)	(30)	(18)
other	(46)	(42)	+9.5	(15)	(8)	(12)	(11)
Profit before income tax	6,716	2,767	×2.4	646	992	3,653	1,425
Income tax	(1,547)	(988)	+56.6	(329)	(366)	(402)	(450)
PROFIT FOR THE PERIOD	5,169	1,779	×2.9	317	626	3,251	975
Depreciation/amortisation recognised in profit or loss	(1,363)	(1,293)	+5.4	(348)	(359)	(347)	(309)
Adjusted EBITDA ¹⁾	5,474	4,458	+22.8	1,202	1,115	1,482	1,675

¹⁾ Adjusted EBITDA = profit/(loss) on sales + depreciation/amortisation (recognised in profit or loss) + impairment loss (-reversal of impairment losses) on non-current assets (recognised in cost of sales, selling costs and administrative expenses)

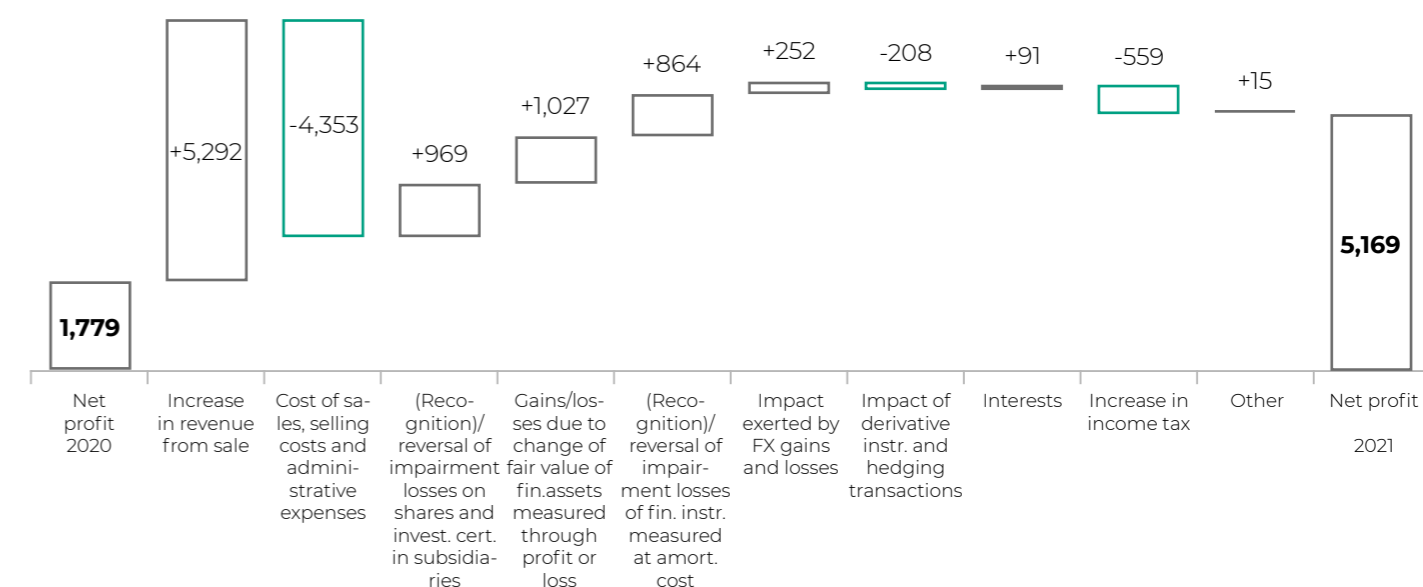
MAIN FACTORS IMPACTING THE CHANGE IN PROFIT OR LOSS OF KGHM POLSKA MIEDŹ S.A.

Item	Impact on change of profit or loss (in PLN million)	Description
Increase in revenues from contracts with customers (+PLN 5,292 million)	+7,807	An increase in revenues due to higher prices of copper (+3,136 USD/t, +51%), silver (+4.60 USD/oz t, +22%) and gold (+36 USD/oz t, +2%)
	(1,974)	Change in the adjustment of revenues due to hedging transactions, from +PLN 323 million to -PLN 1,651 million
	(443)	A decrease in revenues due to a lower volume of sales of silver (-120 t, -9%) and gold (-22.1 koz t, -22%), with a higher copper sales volume (+0.5 kt, +0.1%)
	(173)	A decrease in revenues from sales of basic products (copper, silver, gold) due to a less favourable average annual USD/PLN exchange rate (a change from 3.90 to 3.86 USD/PLN)
	+75	An increase in other revenues from sales, including revenues from the sale of refined lead (+PLN 51 million), sulphuric acid (+PLN 48 million) and rhenium (+PLN 19 million) with lower revenues from the sale of merchandise, waste and production materials (-PLN 90 million)
An increase in cost of sales, selling costs and administrative expenses ¹⁾ (-PLN 4,353 million)	(3,158)	Higher by 45 thousand tonnes of copper (+29%) consumption of purchased metal-bearing materials at a higher by 40% purchase price
	+2,138	Higher inventories (change in 2021: -PLN 1,562 million, in 2020: +PLN 576 million)
	(3,333)	Mainly an increase in other expenses by nature by PLN 3,357 million, mainly due to higher costs: minerals extraction tax charge (higher by PLN 1,923 million), other materials (higher by PLN 516 million), employee benefits (higher by PLN 414 million), electrical and other energy (higher by PLN 242 million) and external services (higher by PLN 168 million).
Reversal of impairment losses on shares in subsidiaries	+1,010	The total amount is in respect of 2021 and shares of the holding company Future 1 Sp. z o.o. which holds indirectly 100% of the shares of KGHM INTERNATIONAL LTD.
Impairment losses on shares and investment certificates in subsidiaries	(41)	An increase in impairment losses, from -PLN 141 million to -PLN 182 million. In 2020 impairment losses were in respect of: -PLN 85 million in the holding company Future 1 Sp. z o.o., -PLN 44 million in KGHM VII FIZAN, and -PLN 12 million in KGHM VI FIZAN. In 2021, the entirety of the impairment losses were in respect of shares of "Energetyka" sp. z o.o.
Fair value gains on financial assets measured at fair value through profit or loss	+921	An increase in fair value gains on financial assets measured at fair value through profit or loss, from PLN 149 million to PLN 1,070 million. Most of this increase (+PLN 938 million) is in respect of loans (an increase from PLN 118 million to PLN 1,056 million).
Fair value losses on financial assets measured at fair value through profit or loss	+106	A decrease in fair value losses on financial assets measured at fair value through profit or loss, from -PLN 169 million to PLN 63 million. The decrease in losses (+PLN 119 million) is mainly in respect of loans (a decrease from -PLN 128 million to -PLN 9 million).
Reversal of impairment losses on financial instruments measured at amortised cost	+786	An increase in the reversal of impairment losses on financial instruments measured at amortised cost, from PLN 21 million to PLN 807 million. This increase is mainly (+PLN 734 million) in respect of loans to Future 1 sp. z o.o. and the KGHM INTERNATIONAL LTD. Group (an increase from PLN 18 million to PLN 752 million).

Item	Impact on change of profit or loss (in PLN million)	Description
Impairment losses on financial instruments measured at amortised cost	+78	A decrease in impairment losses on financial instruments measured at amortised cost, from -PLN 82 million to -PLN 4 million.
Impact of exchange differences	+252	An increase by PLN 780 million in the result due to exchange differences on assets and liabilities other than borrowings – in other operating activities
		A decrease by PLN 528 million in the result due to exchange differences on borrowings (presented in finance costs)
Result on derivatives and hedging transactions	(208)	A decrease by PLN 205 million in the result due to the measurement and realisation of derivatives in other operating activities
		A decrease by PLN 3 million in the result due to the measurement and realisation of derivatives in financing activities
Change in the balance of income and costs due to interest on borrowings	+91	An increase by PLN 35 million in interest income on loans granted
		A decrease by PLN 56 million in interest costs on borrowings
Provisions (recognised)/released	(50)	An increase by PLN 51 million in provisions recognised
		An increase by PLN 1 million in provisions released
Refund of excise tax from prior years	(48)	A decrease in the amount of refunded excise tax from prior years (PLN 53 million in 2020 versus PLN 5 million in 2021)
Increase in income tax	(559)	The increase in income tax resulted from an increase in current income tax by PLN 667 million, with a decrease in deferred income tax by PLN 91 million and a higher negative adjustment of current tax for prior periods by PLN 17 million

¹⁾ Cost of products, merchandise and materials sold plus selling costs and administrative expenses

CHANGE IN PROFIT FOR THE PERIOD OF KGHM POLSKA MIEDŹ S.A. (IN PLN MILLION)



CASH FLOWS

STATEMENT OF CASH FLOWS OF KGHM POLSKA MIEDŹ S.A. (IN PLN MILLION)

	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Profit before income tax	6,716	2,767	×2.4	828	992	3,653	1,425
Exclusions of income and costs, total	(1,216)	1,709	×	(161)	80	(1,988)	671
Income tax paid	(707)	(730)	×1.0	(167)	(172)	(180)	(188)
Changes in working capital	(2,830)	1,070	×	62	(1,179)	(692)	(1,021)
Net cash generated from operating activities	1,963	4,816	×0.4	562	(279)	793	887
Expenditures on property, plant and equipment and intangible assets	(2,407)	(2,422)	×1.0	(662)	(538)	(544)	(663)
Proceeds/expenditures due to loans granted	1,655	(270)	×	1,228	427	-	-
Other	145	(72)	×	(14)	130	(2)	31
Net cash generated from investing activities	(607)	(2,764)	×0.2	552	19	(546)	(632)
Proceeds/expenditures due to loans drawn	(1,684)	(426)	×4.0	(73)	(68)	(458)	(1,085)
Expenditures due to dividends paid to shareholders of the Company	(300)	-	×	-	-	(300)	-
Other	(107)	(81)	×1.3	(98)	18	75	(102)
Net cash used in financing activities	(2,091)	(507)	×4.1	(171)	(50)	(683)	(1,187)
NET CASH FLOW	(735)	1,545	×	943	(310)	(436)	(932)
Exchange differences on cash and cash equivalents	(68)	74	×	(4)	(8)	(8)	(48)
Cash and cash equivalents at beginning of the period	2,135	516	×4.1	393	711	1,155	2,135
Cash and cash equivalents at end of the period	1,332	2,135	×0.6	1,332	393	711	1,155

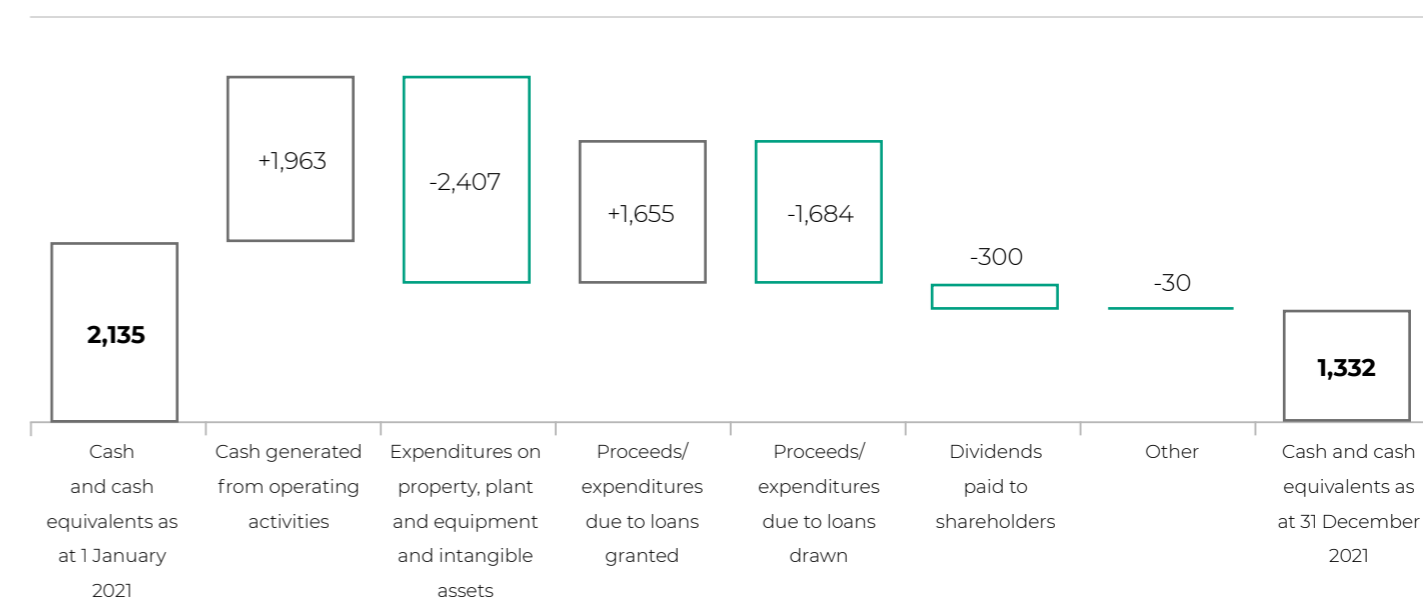
Net cash generated from operating activities in 2021 amounted to +PLN 1,963 million and mainly comprised profit before income tax in the amount of PLN 6,716 million, adjusted by the exclusion of income and costs in the amount of -PLN 1,216 million (including depreciation/amortisation recognised in the financial result, +PLN 1,363 million, the reversal of impairment losses on non-current assets, PLN 1,762 million and fair value gains/(losses) on financial assets measured at fair value through profit or loss, -PLN 1,029 million), less income tax paid in the amount of PLN 707 million and a decrease in working capital by PLN 2,830 million. The change in working capital was mainly due to the following: a decrease in inventories (-PLN 1,824 million) and a decrease in trade payables transferred to factoring by PLN 1,154 million.

Net cash used in investing activities in 2021 amounted to -PLN 607 million and mainly comprised expenditures on property, plant and equipment and intangible assets in the amount of PLN 2,407 million and the balance of proceeds and expenditures due to loans granted, +PLN 1,655 million.

Net cash used in financing activities during the same period amounted to -PLN 2,091 million and mainly comprised the balance of proceeds and expenditures due to borrowings drawn in the amount of -PLN 1,684 million and dividends paid to shareholders in the amount of PLN 300 million.

After reflecting exchange differences on cash and cash equivalents, in 2021 cash and cash equivalents decreased by PLN 803 million and amounted to PLN 1,332 million.

STATEMENT OF CASH FLOWS OF KGHM POLSKA MIEDŹ S.A. (IN PLN MILLION)



ASSETS, EQUITY AND LIABILITIES

ASSETS OF KGHM POLSKA MIEDŹ S.A. (IN PLN MILLION)

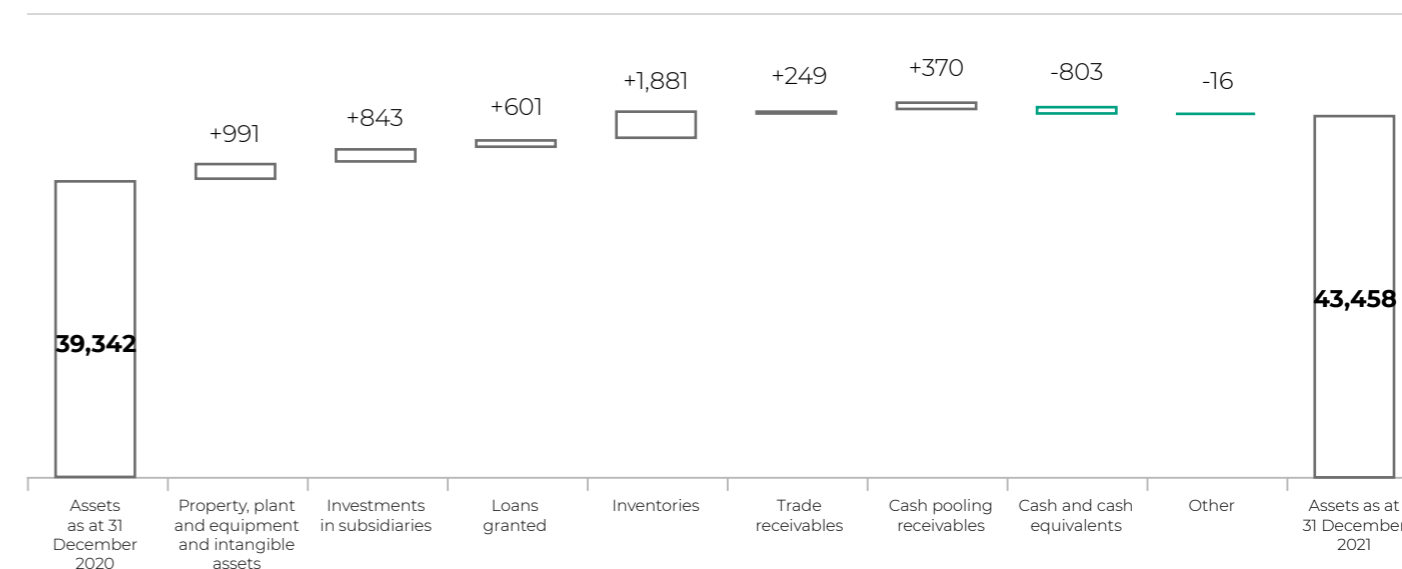
	31.12.2021	31.12.2020	Change (%)	30.09.2021	30.06.2021	31.03.2021
Property, plant and equipment and intangible assets	20,995	20,004	+5.0	20,314	20,158	20,045
Investments in subsidiaries	3,691	2,848	+29.6	3,862	3,851	2,845
Financial instruments, including:	9,931	9,459	+5.0	11,212	11,200	9,700
loans granted	8,249	7,648	+7.9	9,410	9,406	8,092
Other non-financial assets	54	56	(3.6)	64	63	174
Non-current assets	34,671	32,367	+7.1	35,452	35,272	32,764
Inventories	5,436	3,555	+52.9	5,209	4,883	4,522
Trade receivables	600	351	+70.9	773	490	427
Tax assets	301	217	+38.7	194	181	337
Derivatives	254	210	+21.0	333	293	216
Cash pooling receivables	498	128	+3.9	21	4	12
Other financial assets	289	268	+7.8	124	113	382
Other non-financial assets	77	66	+16.7	103	162	115
Cash and cash equivalents	1,332	2,135	(37.6)	393	712	1,155
Non-current assets held for sale	-	45	×	-	-	-
Current assets	8,787	6,975	+26.0	7,150	6,838	7,166
TOTAL ASSETS	43,458	39,342	+10.5	42,602	42,110	39,930

As at 31 December 2021, total assets amounted to PLN 43,458 million, or an increase as compared to the end of 2020 by PLN 4,116 million, or by 10%, mainly due to increases in the following items:

- property, plant and equipment and intangible assets by PLN 991 million, resulting from advancement of investments – cash expenditures on property, plant and equipment and intangible assets in 2021 amounted to PLN 2,407 million,
- investments in subsidiaries by PLN 843 million,
- long-term financial instruments by PLN 472 million, including loans granted (+PLN 601 million),
- inventories by PLN 1,881 million,
- trade receivables by PLN 249 million,
- receivables due to cash pooling by PLN 370 million,

alongside a decrease in the value of cash and cash equivalents by PLN 803 million.

CHANGE IN ASSETS OF KGHM POLSKA MIEDŹ S.A. IN 2021 (IN PLN MILLION)



The carrying amounts of equity and liabilities as at 31 December 2021 are presented below.

EQUITY AND LIABILITIES OF KGHM POLSKA MIEDŹ S.A. (IN PLN MILLION)

	31.12.2021	31.12.2020	Change (%)	30.09.2021	30.06.2021	31.03.2021
Share capital	2,000	2,000	-	2,000	2,000	2,000
Other reserves from measurement of financial instruments	(1,670)	(1,390)	+20.1	(1,412)	(2,041)	(2,151)
Accumulated other comprehensive income	(329)	(872)	(62.3)	(717)	(819)	(903)
Retained earnings	25,839	20,988	+23.1	25,522	24,896	21,945
Equity	25,840	20,726	+24.7	25,393	24,036	20,891
Borrowings, leases and debt securities	5,180	6,525	(20.6)	5,143	5,096	5,695
Derivatives	1,133	981	+15.5	974	1,155	1,227
Employee benefits liabilities	2,040	2,724	(25.1)	2,583	2,649	2,756
Provisions for decommissioning costs of mines and other technological facilities	811	1,185	(31.6)	1,188	1,168	1,153
Other non-current liabilities	543	272	+99.6	422	238	180
Non-current liabilities	9,707	11,687	(16.9)	10,310	10,306	11,011
Borrowings, leases and debt securities	382	306	+24.8	359	322	334
Cash pooling liabilities	360	284	+26.8	409	372	220
Derivatives	888	653	+36.0	786	1,162	1,222
Trade and similar payables	2,613	3,334	(21.6)	2,148	2,775	3,064
Employee benefits liabilities	1,130	1,042	+8.4	1,018	1,111	1,104
Tax liabilities	1,291	369	+3.5	1,118	971	872
Provisions for liabilities and other charges	98	77	+27.3	76	72	79
Other current liabilities	1,149	864	+33.0	985	983	1,133
Current liabilities	7,911	6,929	+14.2	6,899	7,768	8,028
Non-current and current liabilities	17,618	18,616	(5.4)	17,209	18,074	19,039
TOTAL EQUITY AND LIABILITIES	43,458	39,342	+10.5	42,602	42,110	39,930

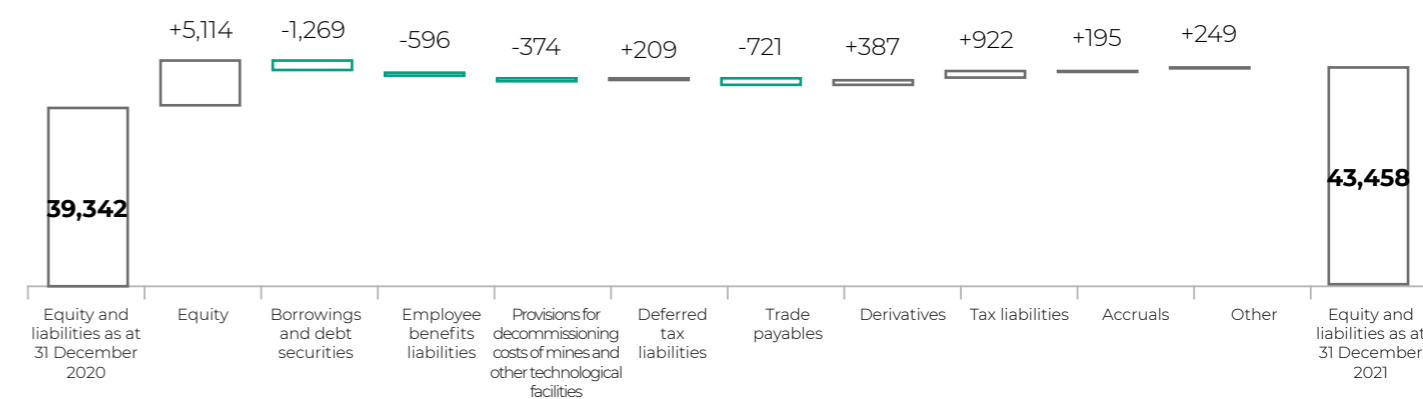
There was an increase in equity and liabilities, mainly due to increases in the following items:

- equity by PLN 5,114 million, mainly with respect to the profit for 2021 in the amount of PLN 5,169 million,
- deferred tax liabilities (+PLN 209 million),
- derivatives (+PLN 387 million),
- tax liabilities (+PLN 922 million),
- accruals (+PLN 195 million)

alongside a decrease in:

- borrowings, lease and debt securities (-PLN 1,269 million),
- employee benefits liabilities (-PLN 596 million),
- provisions for decommissioning costs of mines and other technological facilities (-PLN 374 million),
- trade and similar payables (-PLN 721 million).

CHANGE IN EQUITY AND LIABILITIES OF KGHM POLSKA MIEDŹ S.A. IN 2021 (IN PLN MILLION)



CONTINGENT ASSETS AND LIABILITIES DUE TO GUARANTEES GRANTED

As at 31 December 2021, contingent assets amounted to PLN 485 million and related mainly to guarantees received by the Company in the amount of PLN 250 million and promissory notes receivables in the amount of PLN 207 million.

As at 31 December 2021, liabilities due to guarantees granted amounted to PLN 1,236 million, including:

- a security for the repayment of a bank loan entered into by Sierra Gorda S.C.M. in the amount of PLN 670 million,
- a security for the restoration costs of the Robinson mine, Podolsky mine and the Victoria project, in the amount of PLN 402 million,

- a security for the proper execution by KGHM Polska Miedź S.A. of future environmental obligations related to the obligation to restore terrain, following the conclusion of operations of the Żelazny Most tailings storage facility, in the amount of PLN 124 million,

- security of obligations for the proper execution of agreements entered into by the Parent Entity and Group companies in the amount of PLN 40 million.

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 guarantees granted as low.

Other liabilities not recognised in the statement of financial position represent liabilities towards local government entities due to expansion of the tailings storage facility in the amount of PLN 99 million.

Economic results of KGHM INTERNATIONAL LTD.

COPPER PRODUCTION

71.7

kt

TPM PRODUCTION

51.3

koz t

CI COST

2.01

USD/lb

REVENUES

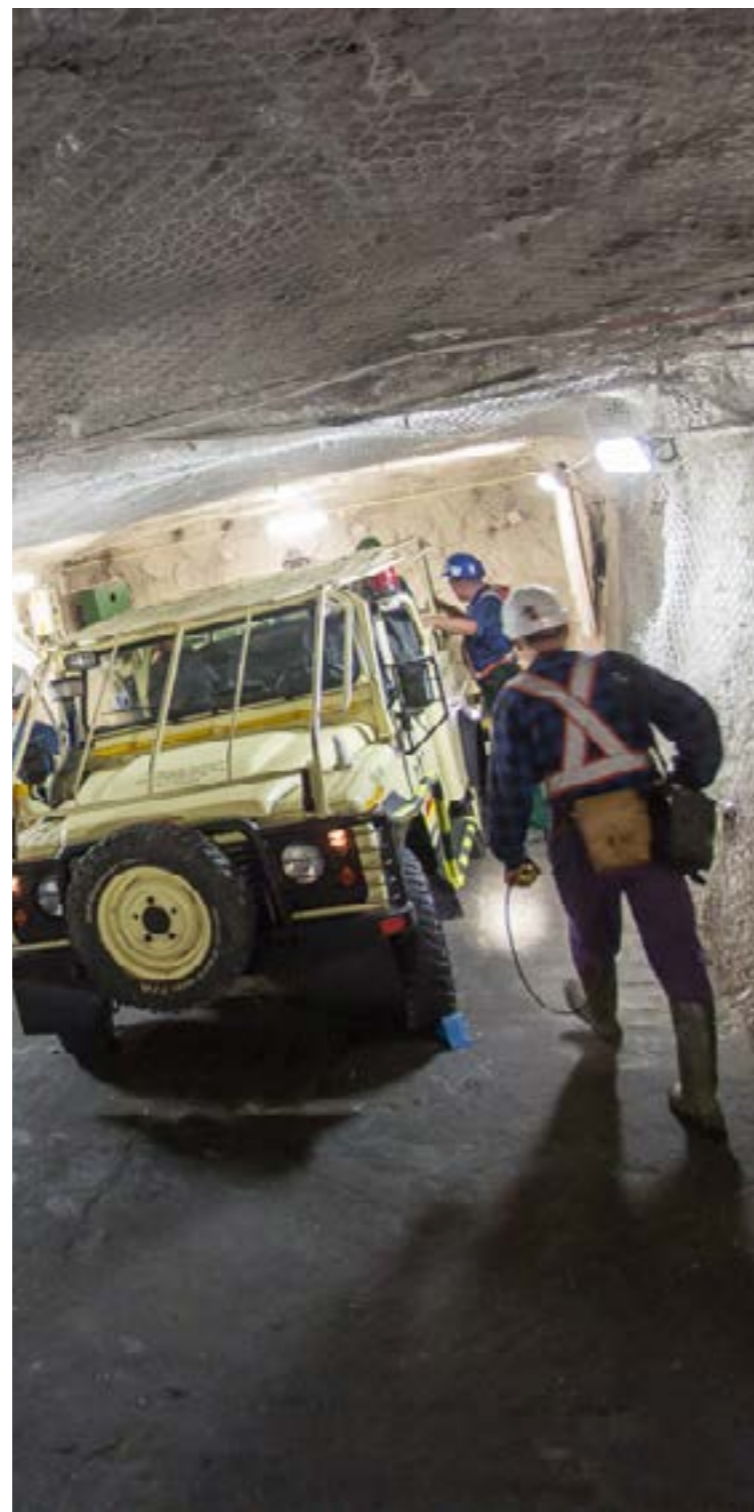
3,125

PLN mn

ADJUSTED EBITDA

1,340

PLN mn



PRODUCTION

PRODUCTION OF KGHM INTERNATIONAL LTD.

	Unit	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Payable copper, including:	kt	71.7	66.9	+7.2	16.3	19.1	20.1	16.2
- Robinson mine (USA)	kt	53.6	47.4	+13.1	11.6	14.3	15.8	11.9
- Franke mine (Chile)	kt	10.7	12.5	(14.4)	2.8	2.9	2.4	2.6
- Sudbury Basin mines (Canada) ¹	kt	1.9	2.1	(9.5)	0.5	0.4	0.5	0.5
Payable nickel	kt	0.5	0.4	+25.0	0.3	0.0	0.1	0.1
Precious metals (TPM), including:	koz t	51.3	66.1	(22.4)	11.4	13.6	14.1	12.2
- Robinson mine (USA)	koz t	38.1	36.1	+5.5	8.9	10.1	10.4	8.7
- Sudbury Basin mines (Canada) ¹	koz t	13.2	29.9	(55.9)	2.5	3.5	3.7	3.5

¹ McCreedy West mine in the Sudbury Basin

In 2021, copper production in the segment KGHM INTERNATIONAL LTD. amounted to 71.7 thousand tonnes, or an increase by 4.8 thousand tonnes (+7%) compared to 2020. The increase in copper production was in respect of the Robinson mine (+6.2 thousand tonnes; +13%) and was mainly due to the extraction of higher-quality copper ore and higher recovery during ore processing, which was partially offset by a lower volume of ore processed. The increase in TPM production by this mine by 2 thousand troy ounces (+6%) is due to higher gold recovery.

Lower copper content in extracted ore was the main reason for the decrease in payable copper production by the Franke mine by 1.8 thousand tonnes (-14%), while the lower production of copper by the McCreedy West (Sudbury Basin) mine by 0.2 thousand tonnes (-10%) was due to the lower volume of ore extracted. This factor was partially offset by higher recovery of copper in ore. The decrease in precious metals production by 16.7 thousand troy ounces (-56%) by this mine was due to the lower volume of ore extracted and the mining of areas with lower TPM content in ore compared to 2020.

REVENUES

VOLUME AND SALES REVENUE OF KGHM INTERNATIONAL LTD. (IN USD MILLION)

	Unit	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Revenues from contracts with customers ¹ , including:	USD mn	806	692	+16.5	206	228	175	197
- copper	USD mn	600	412	+45.6	149	179	129	143
- nickel	USD mn	8	6	+33.3	4	1	1	2
- TPM – precious metals	USD mn	82	115	(28.7)	20	21	18	23
Copper sales volume	kt	66.2	71.9	(7.9)	15.1	20.0	13.7	17.4
Nickel sales volume	kt	0.5	0.4	+25.0	0.3	0.0	0.1	0.1
TPM sales volume	koz t	46.7	71.3	(34.5)	10.1	14.0	10.6	12.0

¹ reflects processing premium

SALES REVENUE OF KGHM INTERNATIONAL LTD. (IN PLN MILLION)

	Unit	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Revenues from contracts with customers ¹ , including:	PLN mn	3,125	2,703	+15.6	833	885	657	750
- copper	PLN mn	2,325	1,610	+44.4	604	693	484	544
- nickel	PLN mn	31	23	+34.8	16	4	3	8
- TPM – precious metals	PLN mn	318	449	(29.2)	81	82	67	88

¹ reflects processing premium

The sales revenue of the segment KGHM INTERNATIONAL LTD. in 2021 amounted to USD 806 million, or an increase by USD 114 million (+17%) mainly due to higher copper prices. This factor was partially offset by a lower volume of metals sold and lower revenues due to the sale of services of companies operating under the brand of DMC Mining Services („DMC”).

Revenues from the sale of copper amounted to USD 600 million and were higher by USD 188 million compared to 2020 due to an increase in the achieved sales price by 52% (9,440 USD/t in 2021 compared to 6,209 USD/t in 2020), with a lower volume of copper sold by 5.7 thousand tonnes (-8%).

Revenues from TPM sales decreased by USD 33 million (-29%) due to a lower sales volume (-24.6 thousand troy ounces; -35%), which was not offset by higher precious metals prices.

Revenues from the sales of services by DMC in 2021 amounted to USD 104 million, or a decrease by USD 40 million (-28%) compared to the level achieved in 2020. The decrease was due to the completion on 28 August 2020 of a contract related to a large project carried out in the United Kingdom. As respects projects advanced in the Sudbury region (Canada) and in Chile, revenues were higher compared to 2020.

COSTS

C1 PAYABLE COPPER PRODUCTION COST OF KGHM INTERNATIONAL LTD.

	Unit	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Payable copper production cost C1 ¹	USD/lb	2.01	1.91	+5.2	2.27	1.67	1.83	2.32

¹ 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.

The average weighted unit cash cost of copper production for all mines in the segment KGHM INTERNATIONAL LTD. in 2021 amounted to 2.01 USD/lb, or an increase by 5% compared to the corresponding period of the previous year. The increase in C1 was due to a lower copper sales volume and lower revenues from sales of associated metals (-29%), which decrease C1.

FINANCIAL RESULTS

FINANCIAL RESULTS OF KGHM INTERNATIONAL LTD. (IN USD MILLION)

	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Revenues from contracts with customers	806	692	+16.5	206	228	175	197
Cost of sales, selling costs and administrative expenses, including: ¹	(633)	(655)	(3.4)	(196)	(150)	(121)	(166)
- recognition/reversal of impairment losses on non-current assets	(40)	(2)	x20.0	(48)	-	7	1
Profit/(loss) on sales	173	37	x4.7	10	78	54	31
Profit/(loss) before taxation, including:	679	(177)	x	187	46	452	(6)
- share of losses of Sierra Gorda S.C.M. accounted for using the equity method -	-	(52)	(100.0)	-	-	-	-
Income tax	0	0	x	6	(2)	(2)	(2)
PROFIT/LOSS FOR THE PERIOD	679	(177)	x	193	44	451	(9)
Depreciation/amortisation recognised in profit or loss	(133)	(117)	+13.7	(28)	(41)	(31)	(33)
Adjusted EBITDA²	346	156	x2,2	86	119	78	63

FINANCIAL RESULTS OF KGHM INTERNATIONAL LTD. (IN PLN MILLION)

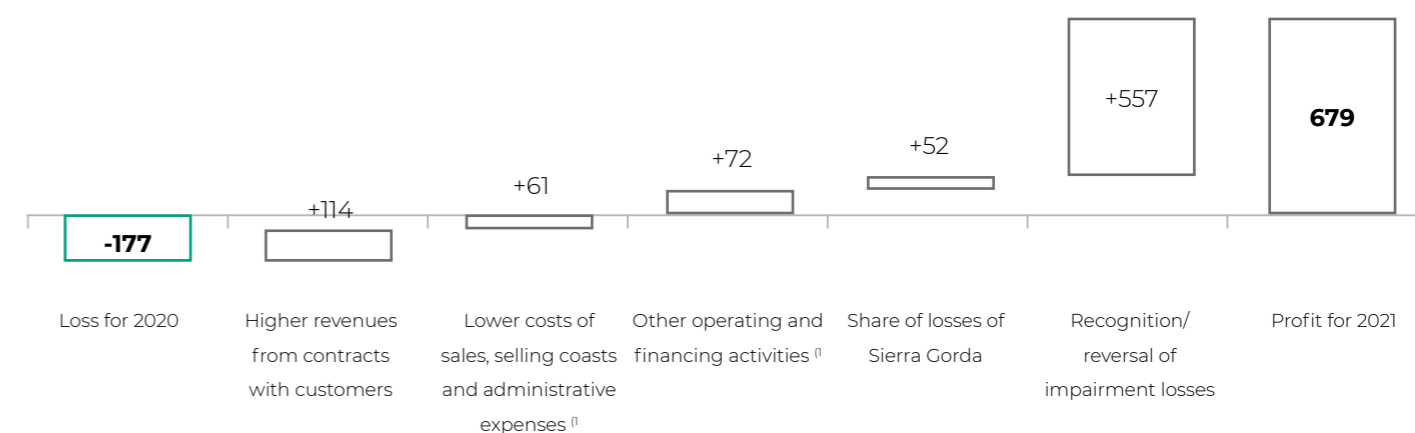
	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Revenues from contracts with customers	3,125	2,703	+15.6	833	885	657	750
Cost of sales, selling costs and administrative expenses, including: ¹⁾	(2,463)	(2,559)	(3.8)	(794)	(583)	(452)	(634)
- recognition/reversal of impairment losses on non-current assets	(162)	(8)	x20.3	(193)	1	26	4
Profit/(loss) on sales	662	144	x4.6	39	302	205	116
Profit/(loss) before taxation, including:	2,631	(690)	x	754	189	1,713	(25)
- share of losses of Sierra Gorda S.C.M. accounted for using the equity method	-	(204)	(100.0)	-	-	-	-
Income tax	1	(1)	x	23	(7)	(7)	(8)
PROFIT/LOSS FOR THE PERIOD	2,632	(691)	x	777	182	1,706	(33)
Depreciation/amortisation recognised in profit or loss	(516)	(456)	+13.2	(115)	(159)	(116)	(126)
Adjusted EBITDA²⁾	1,340	608	x2,2	347	460	295	238

¹⁾ Cost of products, merchandise and materials sold, selling costs and administrative expenses

²⁾ 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

KEY FACTORS IMPACTING THE CHANGE IN FINANCIAL RESULT OF KGHM INTERNATIONAL LTD.

Item	Impact on change of profit or loss	Description
	Description	Higher revenues due to higher prices of basic products, including copper +USD 232 million
Higher revenues (+USD 114 million)	(111)	Lower revenues due to lower sales volume, including copper (USD 53 million) and TPM (USD 46 million)
	(40)	Lower revenues realised by companies operating under the DMC brand
	+21	Other factors
	+37	Lower costs of external services mainly of companies operating under the DMC brand
	+34	Lower costs of materials and energy and labour costs, mainly due to allocation of capitalised stripping costs of the Robinson mine
Lower cost of sales, selling costs and administrative expenses (+USD 23 million)	+14	Change in inventories
	(38)	Recognition/reversal of impairment losses on property, plant and equipment in 2021: +USD 10 million is a reversal of impairment losses on the Robinson mine, impairment losses on non-current assets in Sudbury (-USD 41) million, in the Franke mine (-USD 3 million) and Carlota (-USD 6 million). In 2020 an impairment loss was recognised on the assets of the Franke mine (-USD 2 million).
	(20)	Higher depreciation/amortisation
	(4)	Other factors
Impact of other operating and financing activities (+USD 667 million)	+595	Reversal of allowance for impairment of loans granted for the construction of the Sierra Gorda mine in the amount of USD 614 million in 2021 versus USD 19 million in 2020.
	+72	Other factors, including +USD 31 million due to higher interest on a loan granted to the Sierra Gorda mine (as a result of reversal of allowance for impairment)
Share of losses of entities accounted for using the equity method (USD +52 million)	+52	Recognition in 2020 of the share of the loss of Sierra Gorda S.C.M. to the amount of the increase in capital, i.e. in the amount of USD 52 million (in 2021 no increase in capital in Sierra Gorda S.C.M.).

CHANGE IN PROFIT OR LOSS OF KGHM INTERNATIONAL LTD. (IN USD MILLION)


¹⁾ Excludes recognition/reversal of impairment losses on property, plant and equipment and recognition/reversal of allowances for impairment of loans granted for the construction of the Sierra Gorda mine

Economic results of Sierra Gorda S.C.M.

COPPER PRODUCTION

104.4

kt (55%)

MOLYBDENUM PRODUCTION

8.2

mn lbs (55%)

CI COST

0.78

USD/lb

REVENUES

4,585

PLN mn (55%)

ADJUSTED EBITDA

3,167

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 as at 31 December 2021 remained the companies KGHM INTERNATIONAL LTD. (55%) and Sumitomo Metal Mining and Sumitomo Corporation (45%). In 2021, the process of disposing of the shares held by Sumitomo Metal Mining and Sumitomo Corporation to the Australian mining group South32 commenced. The acquisition was finalised on 22 February 2022.

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.

PRODUCTION

In 2021, Sierra Gorda S.C.M. substantially increased its production of copper compared to the amount produced in 2020, while molybdenum production was lower.

PRODUCTION OF COPPER, MOLYBDENUM AND PRECIOUS METALS BY SIERRA GORDA S.C.M.

	Unit	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Copper production ¹	kt	189.8	148.7	+27.6	47.2	49.5	51.5	41.6
Copper production – segment (55%)	kt	104.4	81.8	+27.6	26.0	27.2	28.3	22.9
Molybdenum production ¹	mn lbs	14.9	16.3	(8.6)	2.1	4.4	4.9	3.5
Molybdenum production – segment (55%)	mn lbs	8.2	9.0	(8.6)	1.2	2.4	2.7	1.9
TPM production – gold ¹	koz t	56.1	57.2	(1.9)	14.4	15.7	13.9	12.1
TPM production – gold – segment (55%)	koz t	30.9	31.4	(1.9)	8.0	8.6	7.7	6.6

¹ Payable metal in concentrate

The increase in copper production by 28% is mainly the result of two factors – higher copper content in processed ore (+21% compared to the level in 2020) and a higher volume of ore processed (+4%), due to an increase in production capacity to 129 thousand tonnes of ore per day.

Molybdenum production was 9% lower compared to 2020 and was the result of planned mining of areas with lower molybdenum content (-22%). The resulting decrease in payable metal production was partially offset by an increase in the amount of ore processed and improved molybdenum recovery.

SALES

Revenues from sales in 2021 amounted to USD 2,151 million (on a 100% basis), or PLN 4,585 million respectively to the 55% interest held by KGHM Polska Miedź S.A.

SALES VOLUME AND REVENUES OF SIERRA GORDA S.C.M.

	Unit	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Revenues from contracts with customers,⁽¹⁾ including from the sale of:	USD mn	2,151	1,210	+77.8	590	530	582	449
- copper	USD mn	1,762	929	+89.7	483	430	484	365
- molybdenum	USD mn	244	142	+71.8	69	62	62	51
- TPM (gold)	USD mn	100	104	(3.8)	28	27	24	21
Copper sales volume	kt	185.9	147.6	+25.9	46.6	50.6	49.3	39.4
Molybdenum sales volume	mn lbs	14.7	16.9	(13.0)	3.9	3.1	3.5	4.2
TPM (gold) sales volume	koz t	55.9	56.6	(1.2)	15.2	15.2	13.3	12.2
Revenues from contracts with customers¹ - segment (55%)	PLN mn	4,585	2,599	+76.4	1,308	1,133	1,202	942

¹⁾ reflecting treatment/refining and other charges

The increase in revenues by USD 941 million (+78%) compared to 2020 was mainly due to an improved situation on the metals market, as reflected in the substantial increase in copper and molybdenum prices. Another significant factor for the increase in revenues was the increase in processing capacity, which together with the increase in copper content in ore, enabled higher production and sales volume of payable copper.

Revenues from sales of molybdenum amounted to USD 244 million, or 72% higher than in 2020, mainly due to the doubling of the price of this metal. Higher revenues were achieved despite the drop in sales volume.

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.

COSTS

Sierra Gorda carried out an analysis of indicators which could impact the fair value of its non-current assets and as a result, the possibility was identified for a reversal of impairment losses recognised in prior periods. As a result of the test conducted, the fair value of assets as at 31 December 2021 was determined, which, after decreasing by costs to sell, exceeded the existing carrying amount of net non-current assets by USD 1,182 million. The reversal of the impairment loss does not affect the amount of adjusted EBITDA for 2021 or calculation of C1 cost.

COST OF SALES, SELLING COSTS AND ADMINISTRATIVE EXPENSES AND PRODUCTION COST OF PAYABLE COPPER (C1) OF SIERRA GORDA S.C.M.

	Unit	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Cost of sales, selling costs and administrative expenses (prior to the reversal of the impairment loss)	USD mn	(1,030)	(958)	+7.5	(268)	(264)	(264)	(234)
Reversal of impairment loss on non-current assets	USD mn	1,182	-	×	1,182	-	-	-
C1 unit cost ¹	USD/lb	0.78	1.19	(34.5)	0.69	0.71	0.81	0.93

¹⁾ 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

The cost of sales, selling costs and administrative expenses, prior to reflecting the reversal of the impairment loss on non-current assets (USD 1,030 million), was higher by 8% than costs incurred in 2020. One of the main factors was the increase in prices of materials, including mainly diesel fuel, steel, explosives, higher prices for maintenance services and land/sea transport rates. These factors, which to a large degree are beyond the company's control, led to an increase in expenses by nature as regards external services (+7%), costs of materials (+5%), fuel and oils (+50%) and transport costs (+38%).

There was also a significant increase in labour costs (+45%) as a result of reflecting the impact of wage agreements signed in 2021 (payment of one-off premium).

Despite the increase in prices of materials and services, the unit cost of processing ore in 2021 was not substantially different compared to 2020, due among others to an increase in production capacity and consequently a higher volume of ore processed (+4%). Similarly, the increase in the volume of copper produced and sold led to a decrease in the cash cost of copper production (C1) from 1.19 USD/lb in 2020 to 0.78 USD/lb in 2021. Moreover, the doubling of the achieved prices of molybdenum sold was also significant, as well as the substantial increase in deduction from revenues from the sale of associated metals.

FINANCIAL RESULTS

STATEMENT OF PROFIT OR LOSS

In 2021, adjusted EBITDA amounted to USD 1,485 million, of which proportionally to the interest held (55%) PLN 3,167 million is attributable to the KGHM Group.

RESULTS OF SIERRA GORDA S.C.M. IN USD MILLION (ON A 100% BASIS)

	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Revenues from contracts with customers	2,151	1,210	+77.8	590	530	582	449
Cost of sales, selling costs and administrative expenses (prior to the reversal of the impairment loss)	(1,030)	(958)	+7.5	(268)	(264)	(264)	(234)
Reversal of impairment loss on non-current assets	1,182	-	×	1,182	-	-	-
Profit/(loss) on sales	2,303	252	×9.1	1,504	266	318	215
PROFIT/LOSS FOR THE PERIOD	1,435	(58)	×	1,084	122	153	76
Depreciation/amortisation recognised in profit or loss	(365)	(374)	(2.4)	(98)	(89)	(87)	(91)
Adjusted EBITDA¹	1,485	626	×2.4	419	355	405	306

¹ Adjusted EBITDA = profit/(loss) on sales + depreciation/amortisation (recognised in profit or loss) + impairment loss (-reversal of impairment losses) z tytułu utraty wartości aktywów trwałych ujęte w kosztach podstawowej działalności operacyjnej

RESULTS OF THE SEGMENT SIERRA GORDA S.C.M. PROPORTIONALLY TO THE INTEREST HELD (55%) IN PLN MILLION

	2021	2020	Change (%)	IVQ'21	IIIQ'21	IIQ'21	IQ'21
Revenues from contracts with customers	4,585	2,599	+76.4	1,308	1,133	1,202	942
Cost of sales, selling costs and administrative expenses (prior to the reversal of the impairment loss)	(2,196)	(2,057)	+6.8	(595)	(565)	(546)	(490)
Reversal of impairment loss on non-current assets	2,639	-	×	2,639	-	-	-
Profit/(loss) on sales	5,029	542	×9.3	3,353	568	656	452
PROFIT/LOSS FOR THE PERIOD	3,178	(125)	×	2,441	261	316	160
Depreciation/amortisation recognised in profit or loss	(777)	(804)	(3.4)	(216)	(191)	(179)	(191)
Adjusted EBITDA¹	3,167	1,346	×2.4	930	759	835	643

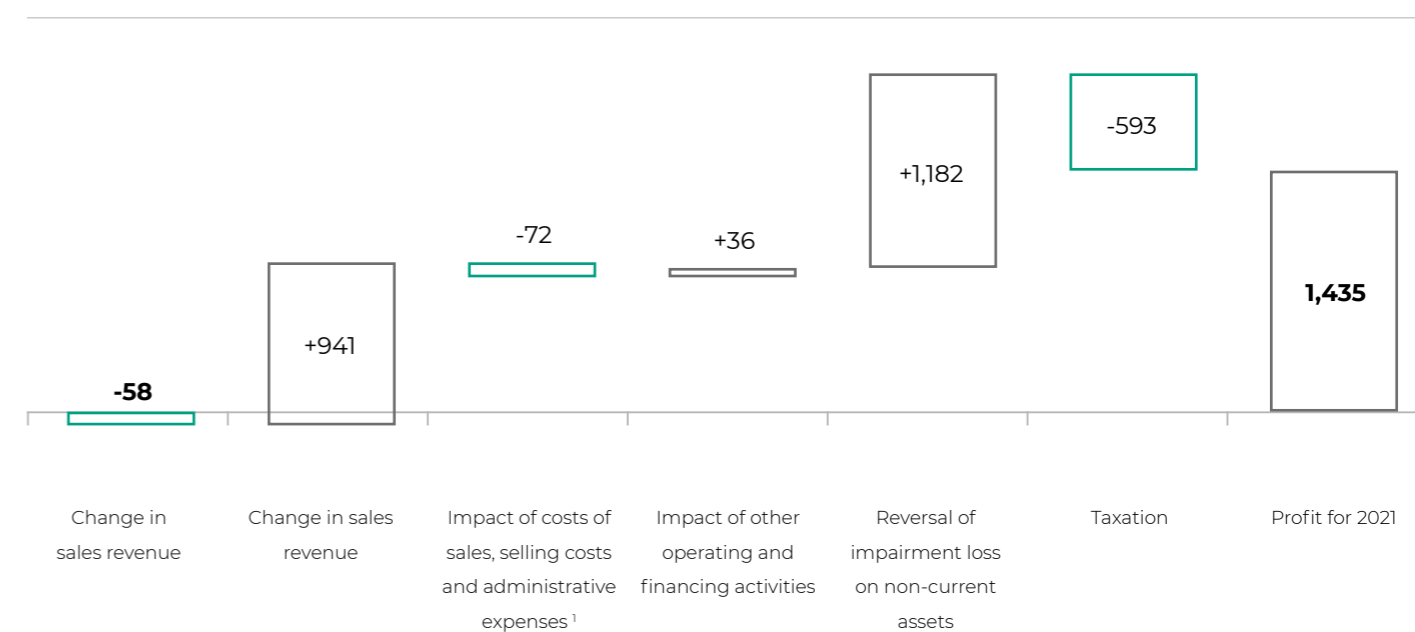
¹ Adjusted EBITDA = profit/(loss) on sales + depreciation/amortisation (recognised in profit or loss) + impairment loss (-reversal of impairment losses) on non-current assets (recognised in cost of sales, selling costs and administrative expenses)

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 higher profit for the period of Sierra Gorda S.C.M. by USD 1,493 million.

MAIN FACTORS IMPACTING THE CHANGE IN THE FINANCIAL RESULT OF THE SEGMENT SIERRA GORDA S.C.M.

Item	Impact on change of profit or loss	Description
	Description	Higher revenues from copper sales due to: <ul style="list-style-type: none"> higher sales prices by 56% (+USD 533 million), with a less favourable than in 2020 „Mark to Market” adjustment (-USD 87 million) higher sales volume by 38 kt (+USD 387 million),
Higher sales revenue – impact on result +USD 940 million	+102	Higher revenues from molybdenum sales due to a doubling of sales prices (+USD 140 million), with a more favourable „Mark to Market” adjustment (-USD 3 million) and lower sales volume by 13% (-USD 35 million)
	+6	<ul style="list-style-type: none"> higher revenues from sales of silver by USD 10 million (higher sales volume and higher prices), lower revenues from sales of gold by USD 4 million (lower prices and sales volume)
change in cost of sales, selling costs and administrative expenses – impact on result +USD 1,110 million	-72	Higher cost of sales, selling costs and administrative expenses prior to reflecting the reversal of the impairment losses, mainly as regards labour costs, fuel costs, external services
	+1 182	Reversal of impairment losses on non-current assets recognised in prior years
Impact of other operating and financing activities	+36	<ul style="list-style-type: none"> a higher result on other operating activities (+USD 13 million), mainly due to more favourable exchange differences, a higher result on financing activities (+USD 23 million), mainly due to lower guarantee fees and interest costs
Taxation	-593	<ul style="list-style-type: none"> income tax -USD 535 million (profit before income tax USD 1,931 million versus a loss of 155 million USD in 2020) other, including mining tax -USD 58 million (in 2020 this tax did not occur)

CHANGE IN PROFIT/LOSS FOR THE PERIOD (IN USD MILLION)



¹ Excludes reversal of impairment losses on non-current assets

Financial 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 an equity investment nature, as well as companies playing an important role in fulfilling the policy of corporate social responsibility. The segment in addition includes closed-end non-public investment funds and their portfolio companies (including those forming the Polska Grupa Uzdrowisk).

FINANCIAL RESULTS OF OTHER SEGMENTS (PRIOR TO CONSOLIDATION ADJUSTMENTS)

	2021	2020	Change (%)	4Q'21	3Q'21	2Q'21	1Q'21
Sales revenue	10,329	7,881	+31.1	2,839	2,506	2,612	2,372
- including from external clients	2,468	1,926	+28.1	686	589	633	560
Profit/loss on sales	(39)	(96)	(59.4)	(76)	18	28	(9)
PROFIT/LOSS FOR THE PERIOD	(140)	(37)	+3.8	(217)	12	52	13
Depreciation/amortisation recognised in profit or loss	(258)	(241)	+7.1	(67)	(65)	(64)	(62)
Adjusted EBITDA¹	346	211	+64.0	118	83	93	52

¹ Adjusted EBITDA = profit/(loss) 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) z tytułu utraty wartości aktywów trwałych ujęte w kosztach podstawowej działalności operacyjnej

In 2021, other segments recorded a loss on sales, prior to recognition of consolidation adjustments, in the amount of PLN 140 million, or a deterioration as compared to 2020 by PLN 103 million (the loss for 2020 amounted to PLN 37 million). The significant increase in the loss for the period was mainly due to impairment losses recognised on the assets of the companies Energetyka Sp. z o.o. and WPEC S.A. (impact on the result on sales in the amount of PLN 129 million) and impairment losses recognised on the shares of the company WPEC S.A. in the amount of PLN 106 million. At the same time impairment losses on shares of the company CENTROZŁOM WROCŁAW S.A. in the amount of PLN 20 million were reversed.



Best practice

KGHM takes the President of Poland's Economic Prize in the category International Success

In November 2021 KGHM received the President of Poland's Economic Prize in the category International Success – Marcin Chłodziński, the copper giant's President of the Management Board, received this distinction directly from Andrzej Duda during a gala in Rzeszów. The company was recognized among other things for advancing a positive image of Poland abroad. The International Success category applies to businesses or institutions that achieve sustainable growth, adhere to the principles of corporate social responsibility and act as a role model for other companies. The Employers' Organization of Polish Copper nominated the copper company for this award.

"I do not hesitate to state that this was a very good year for KGHM. We continue to be one of the top mining industry companies in the world. For the first time in history, half a billion PLN flowed to Poland directly from our international assets, mostly from the Sierra Gorda mine. We are tapping into new technologies and we are boldly facing transition-related challenges. This is the outcome of the entire staff's hard work. We reign in the rankings while maintaining and strengthening the Group's robust value. In this marathon we do not intend to surrender the leader's jersey. New projects await us, such as small modular reactors. The President's Prize confirms the significant positive impact we have on the Polish and global economy alike," says Marcin Chłodziński, President of the Management Board of KGHM Polska Miedź S.A.

The Employers' Organization of Polish Copper nominated the copper company for this award. In the justification the organization emphasized that "by doing business on four continents KGHM is an excellent ambassador of the Polish economy. Knowledge and collaboration, sustainable development and CSR are the business pillars thanks to which the company has achieved international acclaim."

The President of Poland's Economic Prize is conferred by the head of the state once a year. It is a valuable and prestigious distinction for Polish businesses and scientific research institutes. Businesses that contribute to developing the national economy, adhere to the rules of corporate social responsibility, advance a positive image of Poland and act as a role model for other businesses can receive this prize. This prize is also awarded to research teams and units involved in implementing a product or technology-related innovation.

How we have prepared this report

Our approach to reporting

- Disclosures for 2021 according to the European Union Taxonomy of environmentally sustainable economic activities.
- Key non-financial indicators of KGHM Polska Miedź S.A. identified and reported in accordance with the sustainable development concept, for 2020-2021.
- Selected GRI Standards indicators presenting activities in the social, labour, ethical and environmental protection areas
- GRI Table

Contact data

- CSR/IR

Our approach to reporting

The 9th Integrated Report of the KGHM Polska Miedź S.A. Group contains non-financial and financial results of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group for 2021 (reporting period: 1 January – 31 December 2021) [GRI 102-50]. True to our commitment of publishing an annual integrated report every year [GRI 102-52], we are presenting our environmental, economic and social impacts. The previous integrated report for 2020 was published in 2021 [GRI 102-51]. [GRI 102-54] This report has been prepared using selected indicators of the Global Reporting Initiative (GRI) Standards 2016, including the updates to the standards in respect to individual indicators in 2018, 2020 and 2021, and using the guidelines for conducting socially responsible business, presented in norm ISO 26000 (Guidance on social responsibility), issued by the International Organization for Standardization and taking account of the specific requirements for the metals and mining industry.

No restatements [GRI 102-48] and no significant changes in reporting [GRI 102-49] have been made to the report and, in this Report, greenhouse gas emissions for KGHM Polska Miedź S.A. for 2020 were determined in accordance with Commission Regulation (EC) No 601/2012 of 21 June 2012 on monitoring and reporting greenhouse gas

emissions according to Directive 2003/87/EC of the European Parliament and of the Council and taking into account the provisions of the GHG Protocol. Information on Scope 3 greenhouse gas emissions for 2021 in accordance with the GHG Protocol for KGHM Polska Miedź S.A. and for the KGHM Group will be announced publicly in Q4 2022.

This Report also employs elements of the guidelines issued by the Task Force on Climate-related Financial Disclosures, the Communication from the Commission No. 2019/C 209/ 01 – Supplement on reporting climate-related information and the assumptions for the EU 2050 development program (The European Green Deal). Additionally, 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”), it contains a disclosure whether and to what extent the conducted business activity is consistent with the assumptions of the Taxonomy classifying and describing environmentally sustainable businesses.

DISCLOSURES FOR 2021 ACCORDING TO THE EUROPEAN UNION TAXONOMY OF ENVIRONMENTALLY SUSTAINABLE ECONOMIC ACTIVITIES

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”) 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 expenditures (CapEx),
- and operating expenditure (OpEx),

as well as the related qualitative (explanatory) information - specified pursuant to the Commission Delegated Regulation (EU) 2021/2178³.

Pursuant to Commission Delegated Regulation (EU) 2021/2178⁴, for the purposes of the disclosures for 2021 economic activity that is taxonomy-eligible means the economic activity as set out in Commission Delegated Regulation (EU) 2021/2139.⁵

To verify the eligibility, an assessment was conducted for the two first objectives for which technical screening criteria have been published:

- Climate change mitigation, set out in Annex I of Commission Delegated Regulation (EU) 2021/2139

- Climate change adaptation, set out in Annex II of Commission Delegated Regulation (EU) 2021/2139

For the purposes of consistency with the other parts of the Non-Financial Report, published pursuant to the applicable provisions of the Accounting Act, the key performance indicators have been drawn up both at the consolidated level, for the KGHM Group, as well as at the standalone level, for the Parent Entity - KGHM Polska Miedź S.A.

For the purposes of the disclosures for 2021, all companies of the KGHM Polska Miedź S.A. Group conducted a thorough analysis of their economic activities. As a result, taxonomy-eligible activities have been identified, i.e. the activities that meet the criteria of activities listed in Annex I or Annex II to Commission Delegated Regulation (EU) 2021/2139. The financial data for eligible activities presented in the disclosures below include both the revenues (turnover) from the taxonomy-eligible economic activities, the related capital expenditures or operating expenditures, as well as purchases from the eligible activities. An activity has been classified as taxonomy-eligible based on a comparison of a given actual activity with the relevant description of the activity provided in Annex I or Annex II of Commission Delegated Regulation (EU) 2021/2139.

The indicators of turnover, capital expenditures and operating expenditures are calculated based on the definitions set out in Annex I of Commission Delegated Regulation (EU) 2021/2178. The calculation of the indicators for the Group takes account of the relevant consolidation exclusions based on the methods used in the financial statements.

The individual types of the conducted activities have been assigned to only one taxonomy-eligible activity. No part of the revenues, CapEx and OpEx has been double-counted. If an activity that generated revenue (turnover) in 2021 has been qualified as taxonomy-eligible, the CapEx and OpEx related to this activity have been assigned thereto as well, and they have not been further assessed in terms of eligibility for the purposes of other activities.

³ 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 (“Delegated Act on Article 8 of the Taxonomy”)

⁴ 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 (“Delegated Act on Article 8 of the Taxonomy”)

⁵ 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 (“Delegated Act establishing technical screening criteria”)

The remaining values of CapEx and OpEx (i.e. not related to the revenue-generating eligible activity) were assessed for their possible classification in the category of purchases from taxonomy-eligible activities. The individual CapEx and OpEx items were assigned to only one activity. In other words, if they could be assigned to more than one activity, only one, the most relevant, activity was chosen. The Parent Entity of the Group oversaw the disclosure process, also verifying the financial data to be attributed to the individual activities, in order to avoid double-counting.

The KGHM Group conducts its business activity outside of the European Union as well. These economic activities were assessed for taxonomy-eligibility in the same manner as all the activities conducted in the EU.

COMMENTS ON THE RESULTS

Copper and other minerals produced by KGHM are necessary for successful energy transition and achieving climate neutrality by the European Union. It is estimated that the annual turnover of the European non-ferrous metal industry is EUR 120 billion, which is generated by more than 900 plants producing and processing base, precious and specialty metals, which employ over half a million people. More information is given in the section "Importance of copper for energy transition" of this Non-Financial Report.

The European copper industry, including KGHM Polska Miedź, has been implementing ambitious targets in the reduction of greenhouse gas emissions. In 2021, the Climate Policy of KGHM Polska Miedź S.A. was published, which sets the target of KGHM Polska Miedź's climate neutrality to be achieved by 2050, as well as seeks to implement a climate reporting system based on the 2017 Recommendations of the Task Force on Climate-Related Financial Disclosures. The Climate Policy will be followed by the Decarbonization Program of the KGHM Group, specifying the total capital expenditures related to the implementation of the greenhouse gas emission reduction measures. More information is presented in the chapter "Actions aimed at protecting the natural environment, including the climate, and implementation of a circular economy" of this Non-Financial Report.

Furthermore, environmental targets constitute the key pillar of the "Strategy of the KGHM Polska Miedź S.A. Group to the year 2030 with an outlook to 2040", published in January 2022, and described

in the chapter "Sustainability and climate action in the strategy of KGHM Polska Miedź S.A." of this Non-Financial Report.

KGHM Polska Miedź S.A. also participates in the global CDP project (former Carbon Disclosure Project), which presents the impact of companies on carbon dioxide emissions and climate change. In 2021, the Company again took part in the CDP initiative, with a broader disclosure, including among others Scope 3 emission. Information on the CDP survey can be found in the ESG section under the "Investors" tab on the KGHM Polska Miedź S.A. corporate website.

However, the scopes of Annex I and Annex II of Commission Delegated Regulation (EU) 2021/2139 do not cover copper production. As a result, it is not possible to perform a comprehensive qualification of the KGHM Group's core economic activity - which, as mentioned above, is of critical importance for successful energy transition in the European Union - in terms of taxonomy-eligibility for 2021.

Consequently, it is only to a limited extent that the key performance indicators of the KGHM 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, we declare that together with other representatives of the sector we shall undertake 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 EU Taxonomy.

CONSOLIDATED DISCLOSURES OF THE KGHM POLSKA MIEDŹ S.A. GROUP

The disclosures aligned with the Taxonomy of the KGHM Polska Miedź S.A. Group for 2021 are presented in the following tables as well as in the descriptions below, prepared in accordance with the methodology discussed at the beginning of this chapter of the Report.

PERCENTAGE SHARE OF TURNOVER IN PRODUCTS OR SERVICES RELATED TO A TAXONOMY-ELIGIBLE ACTIVITY IN 2021¹:

Economic activity (1)	Code (2)	Turnover (absolute value) (3)	Turnover share (%) (4)
		mn PLN	%
A. Taxonomy-eligible activity	-	514	1.7%
Collection and transport of non-hazardous waste in source segregated fractions	5.5	335	1.1%
Other	-	179	0.6%
B. Taxonomy-non-eligible activity	-	29,289	98.3%
TOTAL (A + B)		29,803	100.0%

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 report of the KGHM Polska Miedź S.A. Group, in Part 2 "Activity segments and revenue information".

PERCENTAGE SHARE OF CAPITAL EXPENDITURES (CAPEX) IN PRODUCTS OR SERVICES RELATED TO A TAXONOMY-ELIGIBLE ACTIVITY IN 2021¹:

Economic activity (1)	Code (2)	CapEx (absolute value) (3)	CapEx share (%) (4)
		mn PLN	%
A. Taxonomy-eligible activity*	-	406	10.2%
Manufacture of other low carbon technologies	3.6	24	0.6%
Transmission and distribution of electricity	4.9	26	0.7%
District heating/cooling distribution	4.15	115	2.9%
Construction, extension and operation of water collection, treatment and supply systems	5.1	52	1.3%
Freight rail transport	6.2	102	2.6%
Installation, maintenance and repair of energy efficiency equipment	7.3	22	0.6%
Other	-	65	1.5%
B. Taxonomy-non-eligible activity	-	3,575	89.8%
TOTAL (A + B)		3,981	100.0%

¹The total comprises objective I: climate change mitigation.

The CapEx values pertain only to direct expenditures on property, plant and equipment and intangible assets, i.e. expenditures 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 2021, there are no increases resulting from acquisition of subsidiaries).

The CapEx denominator comprises the items disclosed and described in the 2021 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”.

PERCENTAGE SHARE OF OPERATING EXPENDITURE (OPEX) IN PRODUCTS OR SERVICES RELATED TO A TAXONOMY-ELIGIBLE ACTIVITY IN 2021¹:

Economic activity (1)	Code (2)	OpEx (absolute value) (3)	OpEx share (%) (4)
		PLN mn	%
A. Taxonomy-eligible activity*	-	135	9.1%
Transmission and distribution of electricity	4.9	7	0.5%
Production of heating/cooling energy using waste heat	4.25	8	0.5%
Construction, extension and operation of water collection, treatment and supply systems	5.1	10	0.7%
Collection and transport of non-hazardous waste in source segregated fractions	5.5	8	0.5%
Freight rail transport	6.2	38	2.6%
Infrastructure for rail transport	6.14	19	1.3%
Renovation of existing buildings	7.2	19	1.3%
Other	-	26	1.7%
B. Taxonomy-non-eligible activity	-	1,351	90.9%
TOTAL (A + B)		1,486	100.0%

*The total comprises objective I: climate change mitigation.

The OpEx indicator includes expenditures 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.

Description of the KGHM Polska Miedź SA Group's activities eligible under the Taxonomy, based on the description of activities given in Commission Delegated Regulation (EU) 2021/2139:

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 OpEx, as well as purchases from the economic activity (OpEx)

3.5 Manufacture of energy efficiency equipment for buildings

Purchases from the economic activity (CapEx)

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 (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 heating/cooling energy using waste heat

The revenue achieved from the economic activity - the item discloses turnover and the related 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 (OpEx)

5.5 Collection and transport of non-hazardous waste in source segregated fractions

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 economic activity - the item discloses turnover and the related CapEx and OpEx, as well as purchases from the economic activity (OpEx)

6.2 Freight 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)

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 (OpEx)

6.14 Infrastructure for 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)

7.1 Construction of new buildings

Purchases from the economic activity (CapEx)

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 (CapEx)

8.1 Data processing, hosting and related activities

The revenue achieved from the economic activity - the item discloses turnover and the related OpEx, as well as purchases from the economic activity (CapEx and OpEx)

1: Rounding applied at the level of performance for the individual activities, while retaining the precise sub-sum for item “A. “Taxonomy-eligible activity” and “B. Taxonomy-non-eligible activity”

STANDALONE DISCLOSURES OF KGHM POLSKA MIEDŹ S.A.

The disclosures aligned with the Taxonomy of KGHM Polska Miedź S.A. for 2021 are presented in the following tables as well as in the descriptions below, prepared in accordance with the methodology discussed at the beginning of this chapter of the Report.

PERCENTAGE SHARE OF TURNOVER IN PRODUCTS OR SERVICES RELATED TO A TAXONOMY-ELIGIBLE ACTIVITY IN 2021¹:

Economic activity (1)	Code (2)	Turnover (absolute value) (3)	Turnover share (%) (4)
		PLN mn	%
A. Taxonomy-eligible activity	-	63	0.3%
B. Taxonomy-non-eligible activity	-	24,555	99.7%
TOTAL (A + B)		24,618	100.0%

For the activities listed in the table, all of the assigned eligible turnover pertains to revenue from contracts with customers.umów z klientami.

For the calculation of the indicators, the denominator value is the turnover value consistent with the value given in the Financial Statements of KGHM Polska Miedź S.A. for 2021, in Part 2 "Activity segments and revenue information".

PERCENTAGE SHARE OF CAPITAL EXPENDITURES (CAPEX) IN PRODUCTS OR SERVICES RELATED TO A TAXONOMY-ELIGIBLE ACTIVITY IN 2021¹:

Economic activity (1)	Code (2)	CapEx (absolute value) (3)	CapEx share (%) (4)
		PLN mn	%
A. Taxonomy-eligible activity*	-	196	7.8%
Manufacture of other low carbon technologies	3.6	24	1.0%
Transmission and distribution of electricity	4.9	18	0.7%
District heating/cooling distribution	4.15	109	4.3%
Renovation of existing buildings	7.2	15	0.6%
Installation, maintenance and repair of energy efficiency equipment	7.3	21	0.8%
Other	-	9	0.4%
B. Taxonomy-non-eligible activity	-	2,324	92.2%
TOTAL (A + B)		2,520	100.0%

*The total comprises objective I: climate change mitigation.

The CapEx values reflect only direct expenditures on property, plant and equipment and intangible assets, i.e. the expenditures in the area of purchases, internally generated assets, receiving of assets under new leasing agreements and amendment of the existing leasing agreements.

The CapEx denominator comprises the items disclosed and described in the Financial Statements of KGHM Polska Miedź S.A. for 2021, in Part 9, 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".

PERCENTAGE SHARE OF OPERATING EXPENDITURE (OPEX) IN PRODUCTS OR SERVICES RELATED TO A TAXONOMY-ELIGIBLE ACTIVITY IN 2021¹:

Economic activity (1)	Code (2)	OpEx (absolute value) (3)	OpEx share (%) (4)
		PLN mn	%
A. Taxonomy-eligible activity*	-	77	8.3%
Transmission and distribution of electricity	4.9	8	0.9%
Production of heating/cooling energy using waste heat	4.25	8	0.9%
Construction, extension and operation of water collection, treatment and supply systems	5.1	8	0.9%
Freight rail transport	6.2	7	0.8%
Infrastructure for rail transport	6.14	15	1.6%
Renovation of existing buildings	7.2	17	1.8%
Other	-	14	1.4%
B. Taxonomy-non-eligible activity	-	853	91.7%
TOTAL (A + B)		930	100.0%

* The total comprises objective I: climate change mitigation.

The OpEx indicator includes expenditures on ongoing 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 non-capitalized costs of short-term leasing.

Description of KGHM Polska Miedź SA's activities eligible under the Taxonomy, based on the description of activities given in Commission Delegated Regulation (EU) 2021/2139:

3.1 Manufacture of renewable energy technologies

Purchases from the economic activity (CapEx)

3.3 Manufacture of low carbon technologies for transport

Purchases from the economic activity (OpEx)

3.5 Manufacture of energy efficiency equipment for buildings

Purchases from the economic activity (CapEx)

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 (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 heating/cooling energy using waste heat

The revenue achieved from the economic activity - the item discloses turnover and the related OpEx

5.1 Construction, extension and operation of water collection, treatment and supply systems

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)

5.3 Construction, extension and operation of waste water collection and treatment

Purchases from the economic activity (CapEx and OpEx)

5.5 Collection and transport of non-hazardous waste in source segregated fractions

The revenue achieved from the economic activity - the item discloses turnover.

5.9 Material recovery from non-hazardous waste

Purchases from the economic activity (OpEx)

6.2 Freight rail transport

Purchases from the economic activity (OpEx)

6.5 Transport by motorbikes, passenger cars and light commercial vehicles

Purchases from the economic activity (CapEx and OpEx)

6.14 Infrastructure for rail transport

Purchases from the economic activity (CapEx and OpEx)

7.1 Construction of new buildings

Purchases from the economic activity (CapEx)

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)

8.1 Data processing, hosting and related activities

Purchases from the economic activity (CapEx and OpEx)

1: Rounding applied at the level of performance for the individual activities, while retaining the precise sub-sum for item "A. Taxonomy-eligible activity" and "B. Taxonomy-non-eligible activity"

KEY NON-FINANCIAL INDICATORS OF KGHM POLSKA MIEDŹ S.A. IDENTIFIED AND REPORTED IN ACCORDANCE WITH THE SUSTAINABLE DEVELOPMENT CONCEPT, FOR 2020-2021

The table below presents the values of key non-financial indicators of KGHM Polska Miedź S.A. for 2020-2021:

VALUES OF KEY NON-FINANCIAL INDICATORS OF KGHM POLSKA MIEDŹ S.A. FOR 2020-2021

Area: society	2021	2020
Maintaining position in WIG-ESG (previously the RESPECT Index)	YES	YES
Maintaining its position in the FTSE4Good Index Series	YES	YES
0% investment activity without a social dialogue policy	YES	YES
Conclusion and maintaining of long-term contracts; achievement of a proper sales structure ensuring long-term relations with customers	YES	YES
Sponsorship and charitable activities in building corporate social responsibility [sponsorship expenses for the purposes of the Company's promotion and regional support, i.e. sports/culture/science]	PLN 36.1 million	PLN 36.8 million
Resource efficiency		
Ore extraction (wet weight) per mine employee [tonne]	2,540	2,509
Production of electrolytic Cu per Company / metallurgical employee [tonne]	31/160	30/155
Maintaining Cu smelting yields [%]	98.33	98.30
Zero harm		
LTIRF _{KGHM} (Lost Time Injury Frequency Rate KGHM)	5.6	7.3

SELECTED GRI STANDARDS INDICATORS ILLUSTRATING ACTIVITIES RELATING TO ETHICAL ISSUES IN THE KGHM POLSKA MIEDŹ S.A. GROUP AND IN KGHM POLSKA MIEDŹ S.A. IN 2021

GRI 205-3

CONFIRMED INCIDENTS OF CORRUPTION AND ACTIONS TAKEN TO ADDRESS THEM

	2021		2020	
	KGHM Polska Miedź S.A. Group	KGHM Polska Miedź S.A.	KGHM Polska Miedź S.A. Group	KGHM Polska Miedź S.A.
Recorded corruption cases ended in:				
disciplinary dismissal or punishment of employees	0	0	7	0
refusal to renew contracts with business partners due to breach of corruption rules	1	1	0	0
legal actions pertaining to corruption practices taken against the reporting organization or its employees in the reporting period	0	0	0	0
Total	1	1	7	0

SELECTED GRI STANDARD INDICATORS ILLUSTRATING THE ACTIVITIES IN THE AREA OF EMPLOYMENT ISSUES IN THE KGHM POLSKA MIEDŹ S.A. GROUP AND KGHM POLSKA MIEDŹ S.A. IN 2021

TOTAL NUMBER OF EMPLOYEES

	2021		2020	
	KGHM Polska Miedź S.A. Group	KGHM Polska Miedź S.A.	KGHM Polska Miedź S.A. Group	KGHM Polska Miedź S.A.
Total number of employees (headcount) as at 31 December				
Total	33,965	18,601	33,526	18,529

GRI 401 -1

TOTAL NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

		Number of employees (headcount)		Number of new hires		Rate of new employee hires (headcount)	
		KGHM Polska Miedź S.A. Group	KGHM Polska Miedź S.A.	KGHM Polska Miedź S.A. Group	KGHM Polska Miedź S.A.	KGHM Polska Miedź S.A. Group	KGHM Polska Miedź S.A.
New hires:	2021	33,965	18,601	3,550	96	10.45%	0.52%
	2020	33,526	18,529	2,898	1,022	8.64%	5.52%
		Number of employees (head count)		Number of employee departures (head count)		Percentage of employee departures	
		KGHM Polska Miedź S.A. Group	KGHM Polska Miedź S.A.	KGHM Polska Miedź S.A. Group	KGHM Polska Miedź S.A.	KGHM Polska Miedź S.A. Group	KGHM Polska Miedź S.A.
Departures:	2021	33,965	18,601	3,176	80	9.35%	0.43%
	2020	33,526	18,529	3,183	1,031	9.49%	5.56%

GRI 403 - 9

NUMBER OF WORK-RELATED ACCIDENTS BY GENDER:

	2021				2020			
	KGHM Polska Miedź S.A. Group		KGHM Polska Miedź S.A.		KGHM Polska Miedź S.A. Group		KGHM Polska Miedź S.A.	
	Women	Men	Women	Men	Women	Men	Women	Men
Total number of work accidents (incidents)	51	321	1	164	64	361	3	210
Number of fatal accidents (incidents)	0	3	0	2	0	3	0	3
Number of severe accidents (incidents)	2	11	0	4	0	4	0	3
Number of minor accidents (incidents)	49	307	1	158	64	354	3	204
Total number of people injured in accidents	372	165	425	213				

GRI 404 -1

AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE

	2021		2020	
	KGHM Polska Miedź S.A. Group	KGHM Polska Miedź S.A.	KGHM Polska Miedź S.A. Group	KGHM Polska Miedź S.A.
Total number of training hours	670,087	461,098	395,309	326,817
Number of employees	33,965	18,601	33,526	18,529
Average number of training hours per employee	19.73	24.79	11.80	17.60

SELECTED INDICATORS ILLUSTRATING ACTIVITIES IN THE AREA OF SOCIAL ISSUES IN THE KGHM POLSKA MIEDŹ S.A. GROUP AND KGHM POLSKA MIEDŹ S.A. IN 2021

Selected indicators for 2021 illustrating activities in the area of social issues:

GRI 203-1

LIST OF DONATIONS BY THE KGHM POLSKA MIEDŹ FOUNDATION FOR INSTITUTIONS AND INDIVIDUALS IN 2021, BY AREAS

	Donations	
	Amount awarded PLN	Number of projects/individuals
DONATIONS FOR INSTITUTIONS	19,676,423.56	312
HEALTH AND SAFETY	5,648,459.77	70
SCIENCE AND EDUCATION	2,442,618.60	43
SPORTS AND RECREATION	2,273,347.00	65
CULTURE AND TRADITION	9,311,998.19	134
DONATIONS FOR INDIVIDUALS	993,101.10	116
HEALTH CARE	983,101.10	115
SOCIAL WELFARE ASSISTANCE	10,000.00	1
TOTAL DONATION AMOUNT	PLN 20,669,524.66	

A detailed list of donations granted to institutions is presented at <http://www.fundacjakghm.pl/>

SELECTED GRI STANDARDS INDICATORS ILLUSTRATING ACTIVITIES IN THE AREA OF ENVIRONMENT PROTECTION IN THE KGHM POLSKA MIEDŹ S.A. GROUP AND KGHM POLSKA MIEDŹ S.A. IN 2021

GRI 302-1

ENERGY CONSUMPTION IN 2021 IN KGHM POLSKA MIEDŹ S.A. [GJ]

	2021
	KGHM Polska Miedź S.A.
Consumed non-renewable fuel	7,811,422
Consumed renewable fuel	0
Electricity, heating, cooling and steam purchased for consumption	10,403,786
Electricity produced in-house, heating, cooling and steam that are not consumed	3,883,984
Sales of electricity, heating, cooling and steam	2,952,244
Total energy consumption within the organization	19,146,948

ENERGY CONSUMPTION BY THE ORGANIZATION

	2021	
	KGHM Group	KGHM Polska Miedź S.A.
Electricity consumption [kWh]	3,584,717,074	3,014,585,000
Consumption of thermal, cooling energy and steam [GJ]	4,175,066	3,435,264

GRI 303-3

WATER WITHDRAWAL BY THE ORGANISATION

WATER in the KGHM Polska Miedź S.A. Group		2021	2020
Water withdrawal (GRI 303-3)			
Water withdrawal by source [m ³]	Surface water (total)	10,421,313	9,273,960
	Groundwater (total)	25,987,286	31,055,637
	Seawater (total)	0 *	30,714,866
	Water withdrawn as a result of operations, e.g. mine water (total)	30,851,894	31,034,027
	Fresh water (≤1,000 mg/l of total dissolved substances)	170,262	2,465
	Other water (>1,000 mg/l total dissolved substances)	30,681,632	31,031,562
	Water from third parties (total)	462,936	304,596
	Fresh water (≤1,000 mg/l of total dissolved substances)	456 485	98 145
	Other water (>1,000 mg/l total dissolved substances)	6 451	207 329
Total water withdrawal [m³]	Surface water (total) + groundwater (total) + seawater (total) + post-production water (total) + water from other sources (total)	67,721,429	102,383,087
Wastewater (water) discharge (GRI 303-4)			
Water (effluents) discharge by destination [m ³]	Surface water	45,241,415	41,473,468
	Ground and soil	15,341	61,222
	Sea	0	0
	Water provided to third parties	494,864	84,836
Total water (effluents) discharge [m³]	Surface water + groundwater + seawater + third party water (total)	45,751,620	41,619,526
Water (effluents) discharge – fresh and other water [m ³]	Fresh water (≤1,000 mg/l of total dissolved substances)	18,021,202	16,817,279
	Other water (>1,000 mg/l total dissolved substances)	27,730,418	24,799,629
Water consumption (GRI 303-5)			
Total water consumption [m ³]	Total water consumption	21,971,809	60,040,901

WATER in KGHM Polska Miedź S.A.
Water withdrawal (GRI 303-3)

		2021	2020
Water withdrawal by source [m ³]	Surface water (total)	0	0
	Groundwater (total)	176,815	158,149
	Seawater (total)	0	0
	Water withdrawn as a result of operations, e.g. mine water (total)	29,599,160	31,031,562
	Fresh water (≤1,000 mg/l of total dissolved substances)	0	0
	Other water (>1,000 mg/l total dissolved substances)	29,599,160	31,031,562
	Water from third parties (total)	12,117,706	11,049,080
	Fresh water (≤1,000 mg/l of total dissolved substances)	12,117,706	11,049,080
	Other water (>1,000 mg/l total dissolved substances)	0	0
Total water withdrawal [m³]	Surface water (total) + groundwater (total) + seawater (total) + post-production water (total) + water from other sources (total)	41,893,681	42,238,791
Water (effluents) discharge (GRI 303-4)			
Water (effluents) discharge by destination [m ³]	Surface water	27,815,093	24,829,044
	Ground and soil	0	0
	Sea	0	0
	Water provided to third parties	9,530,140	8,856,278
Total water (effluents) discharge [m³]	Surface water + groundwater + seawater + third party water (total)	37,345,232	33,685,322
Water (effluents) discharge – fresh and other water [m ³]	Fresh water (≤1,000 mg/l of total dissolved substances)	9,614,815	8,913,666
	Other water (>1,000 mg/l total dissolved substances)	27,730,418	24,771,656
Water consumption (GRI 303-5)			
Total water consumption [m ³]	Total water consumption	4,548,449	8,553,469

[GRI 304-1] [GRI 305-1]

OPERATIONAL SITES ADJACENT TO PROTECTED AREAS AND AREAS OF HIGH BIODIVERSITY VALUE

	2021	2020
	KGHM Polska Miedź S.A.	
Operational sites adjacent to protected areas and areas of high biodiversity value	15	15

GRI 305-1 GRI 305-2

GREENHOUSE GAS EMISSIONS BY KGHM POLSKA MIEDŹ S.A. [tonnes of eCO₂]

	2020,	2021,	y/y	y/y,%
Scope 1	1,413,129	1,457,899	+44,770	+3.17%
Scope 2	1,617,217	1,651,717	+34,500	+2.17%
Total emissions (Scope 1 + 2)	3,030,346	3,109,616	+79,270	+2.62%

GRI 305-1 GRI 305-2

GREENHOUSE GAS EMISSIONS BY THE KGHM POLSKA MIEDŹ S.A. GROUP IN 2021 [tonnes of eCO₂]

	KGHM Polska Miedź S.A.	Companies in Poland	Companies ex-Poland	Group
TOTAL EMISSIONS (Scope 1 + 2)	3,109,616	851,264	1,222,799	5,183,679
SCOPE 1 – direct emissions	1,457,899	612,224	478,189	2,548,312
SCOPE 2 - indirect emissions	1,651,717	239,040	744,610	2,635,367
Including indirect equivalent emissions related to heat consumption:	0	4,917	0	4,917
Including indirect equivalent emissions related to electricity consumption:	1,651,717	234,123	744,610	2,630,450
Direct eCO ₂ emissions from biomass:	2,984	31,064	0	34,048

GRI 306-2

TOTAL WEIGHT OF WASTE BY TYPE AND DISPOSAL METHOD

	2021			2020		
	KGHM Polska Miedź S.A.					
Waste storage by group, in metric tonnes (t)	Generated waste	Waste for recovery	Waste for disposal	Generated waste	Waste for recovery	Waste for disposal
Group "01" – waste resulting from exploration, mining, physical and chemical processing of ores and other minerals	28,197,740	18,046,553	10,151,187	27,948,802	17,887,232	10,061,570
Group "10" – waste from thermal processes	1,269,166	1,213,693	27,504	1,230,983	1,175,548	55,435
other waste	140,730	182,380	60,192	142,253	108,272	33,981
Total	29,607,636	19,442,626	10,238,883	29,322,038	19,171,052	10,150,986

	KGHM Polska Miedź S.A.			
	Hazardous waste (all forms of recovery)	Waste other than hazardous waste (all forms of recovery)	Hazardous waste (all forms of recovery)	Waste other than hazardous waste (all forms of recovery)
On site	93,582	18,198,142	18,646	18,834,517
Out of site	71,379	1,079,523	35,259	282,630
Total	164,961	19,277,665	53,905	19,117,147

	KGHM Polska Miedź S.A.			
	Hazardous waste (landfill)	Waste other than hazardous waste (landfill)	Hazardous waste (landfill)	Waste other than hazardous waste (landfill)
On site	28,119	10,166,132	82,756	10,052,545
Out of site	40,580	4,052	15,218	467
Total	68,699	10,170,184	97,974	10,053,012

GRI 307-1

SIGNIFICANT FINES AND NON-MONETARY SANCTIONS FOR NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND/OR REGULATIONS

The evidence confirming the effectiveness of environmental initiatives and the reduced environmental impact of our activities is that there were no non-financial sanctions imposed on the KGHM Polska Miedź S.A. Group and on the Parent Entity in 2021.

Information on administrative and court sanctions imposed on the organisation for non-compliance with environment protection regulations

Total monetary value of significant fines for non-compliance with environmental laws and regulations [PLN]

Number of non-financial, administrative and judicial sanctions imposed on the organisation for non-compliance with environmental legislation, including international declarations / conventions / treaties and national, regional and local laws, as well as voluntary arrangements with regulatory bodies that are considered binding.

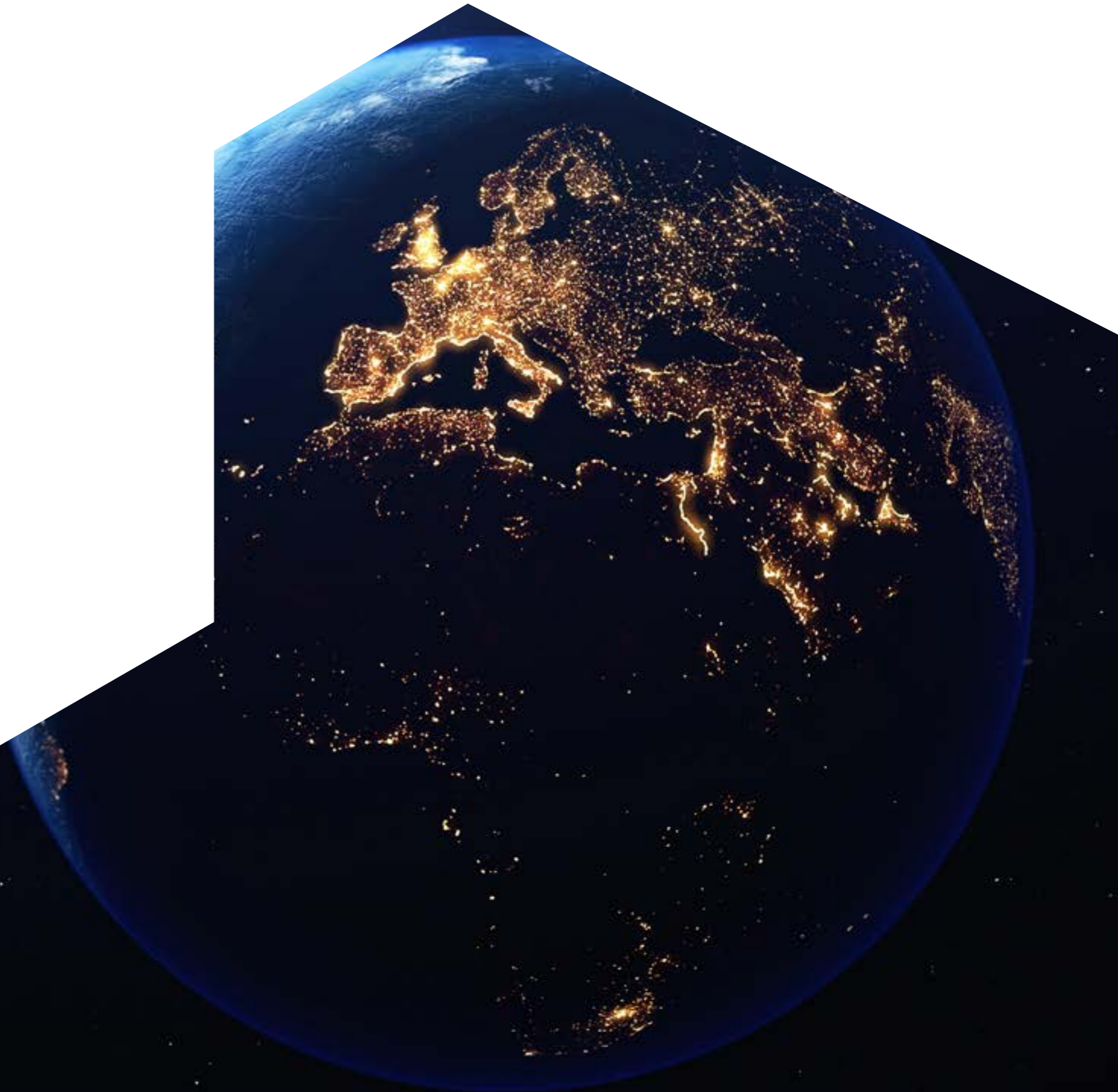
	2021		2020	
	KGHM S.A. Group	KGHM Polska Miedź S.A.	KGHM S.A. Group	KGHM Polska Miedź S.A.
Total monetary value of significant fines for non-compliance with environmental laws and regulations [PLN]	0	0	448,117.00	0.00
Number of non-financial, administrative and judicial sanctions imposed on the organisation for non-compliance with environmental legislation, including international declarations / conventions / treaties and national, regional and local laws, as well as voluntary arrangements with regulatory bodies that are considered binding.	0	0	2	0



GRI 102-55

Chapter 7

GRI CONTENT INDEX



Profile indicators for ESG reporting of KGHM Polska Miedź S.A. for 2021¹

Indicator no.	GRI Standard title ²	Indicator name
PROFILE DISCLOSURES		
GRI 102-1	GRI 102. General Disclosures 2016	Organization name
GRI 102-2	GRI 102. General Disclosures 2016	Primary brands, products and services
GRI 102-3	GRI 102. General Disclosures 2016	Location of organizational headquarters
GRI 102-4	GRI 102. General Disclosures 2016	Number of countries where the organisation operates, and the names of countries where it has significant operations and/or that are relevant to the topics of sustainable development covered in the report
GRI 102-5	GRI 102. General Disclosures 2016	Ownership and legal form
GRI 102-6	GRI 102. General Disclosures 2016	Markets served by the organisation (including geographic locations, sectors served and types of customers and beneficiaries)
GRI 102-7	GRI 102. General Disclosures 2016	Scale of the organisation
GRI 102-8	GRI 102. General Disclosures 2016	Information on employees and other workers
GRI 102-9	GRI 102. General Disclosures 2016	Description of the supply chain
GRI 102-10	GRI 102. General Disclosures 2016	Significant changes in the reporting period to the organisation's size, structure, ownership, or supply chain
GRI 102-11	GRI 102. General Disclosures 2016	Explanation of whether and how the organisation applies the precautionary principle
GRI 102-12	GRI 102. General Disclosures 2016	A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes, or which it endorses
GRI 102-13	GRI 102. General Disclosures 2016	Membership of associations
GRI 102-14	GRI 102. General Disclosures 2016	Statement from senior decision-maker
GRI 102-15	GRI 102. General Disclosures 2016	Key impacts, risks, and opportunities
GRI 102-16	GRI 102. General Disclosures 2016	Values, principles, standards, and norms of behavior
GRI 102-17	GRI 102. General Disclosures 2016	Internal and external mechanisms for seeking advice about ethical and lawful behaviour, and organisational integrity

Indicator no.	GRI Standard title ²	Indicator name
GRI 102-18	GRI 102. General Disclosures 2016	Governance structure of the organisation, including committees of the highest governance body, which are responsible for decision-making on economic, environmental, and social topics
GRI 102-20	GRI 102. General Disclosures 2016	Executive-level responsibility for economic, environmental, and social topics
GRI 102-22	GRI 102. General Disclosures 2016	Number and gender of members of the highest governance body and its committees
GRI 102-26	GRI 102. General Disclosures 2016	Role of highest governance body in setting purpose, values, and strategy
GRI 102-35	GRI 102. General Disclosures 2016	Remuneration policies
GRI 102-40	GRI 102. General Disclosures 2016	A list of stakeholders groups engaged by the organisation
GRI 102-41	GRI 102. General Disclosures 2016	Employees covered by collective bargaining agreements
GRI 102-42	GRI 102. General Disclosures 2016	Basis of identification and selection of stakeholders involved with the organization
GRI 102-43	GRI 102. General Disclosures 2016	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group
GRI 102-44	GRI 102. General Disclosures 2016	Key topics and concerns that have been raised through stakeholder engagement
GRI 102-45	GRI 102. General Disclosures 2016	A list of all entities included in the organisation's consolidated financial statements or equivalent documents
GRI 102-46	GRI 102. General Disclosures 2016	Policy and current practices with regard to external evaluation of the report
GRI 102-47	GRI 102. General Disclosures 2016	Material topics identified
GRI 102-48	GRI 102. General Disclosures 2016	The effect of any restatements of information given in previous reports, and the reasons for such restatements
GRI 102-49	GRI 102. General Disclosures 2016	Significant changes from previous reporting periods in the list of material topics and topic boundaries
GRI 102-50	GRI 102. General Disclosures 2016	Reporting period
GRI 102-51	GRI 102. General Disclosures 2016	Date of most recent report
GRI 102-52	GRI 102. General Disclosures 2016	Reporting cycle
GRI 102-53	GRI 102. General Disclosures 2016	Contact data

Indicator no.	GRI Standard title ²	Indicator name
GRI 102-54	GRI 102. General Disclosures 2016	The claim made by the organization, if it has prepared a report in accordance with the GRI Standards, either: in the Core option or Comprehensive option
GRI 102-55	GRI 102. General Disclosures 2016	GRI Content Index
GRI 102-56	GRI 102. General Disclosures 2016	Policy and current practice with regard to seeking external assurance for the report

1/ Mandatory indicators in the report prepared in accordance with the GRI Standards in the Core option. Non-mandatory profile GRI indicators in the Core version are highlighted in grey. For KGHM Polska Miedź S.A., the disclosures described in the Accounting Act of 29 September 1994, as amended by the Act of 15 December 2016 (Journal of Laws of 2017, item 61) are mandatory.

2/ GRI Standards 2016. The list takes into account the 2018 and 2020 updates to the standards for individual indicators.

3/ The column contains descriptions of the information required to be disclosed under the Accounting Act of 29 September 1994, as amended by the Act of 15 December 2016 (Journal of Laws of 2017, item 61), into which Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, OJ L 330, 15.11.2014, p. 1, („Directive 2014/95/EU”) was implemented. This is information that overlaps with the given GRI indicator.

4/ The column contains indicators specified in the „Guidelines for ESG Reporting. Guide for WSE Listed Companies” that overlap in scope with the given GRI indicator.

Environmental indicators of ESG reporting by KGHM Polska Miedź S.A. for 2021¹

Indicator no.	GRI Standard title ²	Indicator name
SPECIFIC DISCLOSURES REGARDING MATERIAL TOPICS: ENVIRONMENTAL TOPICS (E)		
REPORTING TOPIC: EFFORTS TO DEVELOP CIRCULAR ECONOMY		
GRI 103-1	GRI 103. Management approach 2016	Explanation of the material topic and its Boundary
GRI 103-2		The management approach and its components
GRI 103-3		Evaluation of the management approach, for each material topic
GRI 301-2	GRI 301. Materials 2016	Percentage of recycled input materials used in production
REPORTING TOPIC: CLIMATE CHANGE PREVENTION		
GRI 103-1	GRI 103. Management approach 2016	Explanation of the material topic and its Boundary
GRI 103-2		The management approach and its components
GRI 103-3		Evaluation of the management approach, for each material topic
GRI 302-1	GRI 302. Energy 2016	Energy consumption within the organisation, including fuel types used
GRI 305-1	GRI 305. Emissions 2016	Total direct GHG emissions (Scope 1)
GRI 305-2	GRI 305. Emissions 2016	Total indirect GHG emissions (Scope 2)
GRI 305-2	GRI 305. Emissions 2016	Other indirect GHG emissions (Scope 3)
GRI 305-2	GRI 303. Materials 2016	Materials used by weight or volume
GRI 305-2	GRI 306. Effluents and waste 2020	Waste generation and significant waste-related impacts
GRI 305-2	GRI 306. Effluents and waste 2020	Management of significant waste-related impacts
GRI 306-3	GRI 306. Effluents and waste 2020	Waste generated
REPORTING TOPIC: MANAGEMENT OF WATER RESOURCES		
GRI 103-1	GRI 103. Management approach 2016	Explanation of the material topic and its Boundary
GRI 103-2		The management approach and its components
GRI 103-3		Evaluation of the management approach, for each material topic
GRI 303-1	GRI 303. Water and effluents 2018	Interactions with water as a shared resource

Indicator no.	GRI Standard title ²	Indicator name
GRI 303-2	GRI 303. Water and effluents 2018	Management of water discharge-related impacts
GRI 303-3	GRI 303. Water and effluents 2018	Water withdrawal
GRI 303-4	GRI 303. Water and effluents 2018	Water discharge
GRI 303-5	GRI 303. Water and effluents 2018	Water consumption
REPORTING TOPIC: DEVELOPMENT OF INNOVATION		
GRI 103-1	GRI 103. Management approach 2016	Explanation of the material topic and its Boundary
GRI 103-2		The management approach and its components
GRI 103-3		Evaluation of the management approach, for each material topic
Wskaźnik własny	Not applicable	Description of implemented innovations improving efficiency and contributing to reduction of negative environmental impact
REPORTING TOPIC: CONSERVATION OF BIODIVERSITY		
GRI 103-1	GRI 103. Management approach 2016	Explanation of the material topic and its Boundary
GRI 103-2		The management approach and its components
GRI 103-3		Evaluation of the management approach, for each material topic
GRI 304-1	GRI 304. Biodiversity 2016	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
GRI 304-2	GRI 304. Biodiversity 2016	Significant impacts of activities, products, and services on biodiversity
GRI 304-3	GRI 304. Biodiversity 2016	Habitats protected or restored

1/ GRI Standards reporting standard principle in the Core version - for each so-called material reporting topic, a management approach and a minimum of one performance indicator must be reported.

2/ GRI Standards 2016. The list takes into account the 2018 and 2020 updates to the standards for individual indicators.

3/ The column contains descriptions of the information required to be disclosed under the Accounting Act of 29 September 1994, as amended by the Act of 15 December 2016 (Journal of Laws of 2017, item 61), into which Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, OJ L 330, 15.11.2014, p. 1, („Directive 2014/95/EU”) was implemented. This is information that overlaps with the given GRI indicator.

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Social indicators of ESG reporting by KGHM Polska Miedź S.A. for 2021¹

Indicator no.	GRI Standard title ²	Indicator name
SPECIFIC DISCLOSURES REGARDING MATERIAL TOPICS: SOCIAL TOPICS (S)		
REPORTING TOPIC: OCCUPATIONAL HEALTH AND SAFETY		
GRI 103-1	GRI 103. Management approach 2016	Explanation of the material topic and its Boundary
GRI 103-2		The management approach and its components
GRI 103-3		Evaluation of the management approach, for each material topic
GRI 403-1	GRI 403. Occupational health and safety 2018	Occupational health and safety management system
GRI 403-2	GRI 403. Occupational health and safety 2018	Hazard identification, risk assessment, and incident investigation
GRI 403-3	GRI 403. Occupational health and safety 2018	Occupational health and safety management unit
GRI 403-4	GRI 403. Occupational health and safety 2018	Worker participation, consultation, and communication on occupational health and safety
GRI 403-5	GRI 403. Occupational health and safety 2018	Worker training on occupational health and safety
GRI 403-6	GRI 403. Occupational health and safety 2018	Promotion of worker health
GRI 403-7	GRI 403. Occupational health and safety 2018	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships
GRI 403-8	GRI 403. Occupational health and safety 2018	Workers covered by an occupational health and safety management system
GRI 403-9	GRI 403. Occupational health and safety 2018	Work-related injuries
REPORTING TOPIC: GOOD WORKPLACE		
GRI 103-1	GRI 103. Management approach 2016	Explanation of the material topic and its Boundary
GRI 103-2		The management approach and its components
GRI 103-3		Evaluation of the management approach, for each material topic
GRI 401-1	GRI 401. Employment 2016	Total number and rate of new employee hires and total number of employee turnover during the reporting period

Indicator no.	GRI Standard title ²	Indicator name
GRI 401-2	GRI 401. Employment 2016	Benefits provided to full-time employees that are not provided to temporary or part-time employees
GRI 407-1	GRI 407. Freedom of Association and Collective Bargaining 2016	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk
REPORTING TOPIC: RELATIONS WITH LOCAL COMMUNITIES		
GRI 103-1	GRI 103. Management approach 2016	Explanation of the material topic and its Boundary
GRI 103-2		The management approach and its components
GRI 103-3		Evaluation of the management approach, for each material topic
GRI 203-1	GRI 203. Indirect economic impacts 2016	Infrastructure investments and services supported for communities as commercial, in-kind, or pro bono engagements Impacts of these engagements on communities.
GRI 413-1	GRI 413. Local communities	Operations with local community engagement, impact assessments, and development programs
GRI 413-2	GRI 413. Local communities	Operations with significant actual and potential negative impacts on local communities
REPORTING TOPIC: EMPLOYEE DEVELOPMENT		
GRI 103-1	GRI 103. Management approach 2016	Explanation of the material topic and its Boundary
GRI 103-2		The management approach and its components
GRI 103-3		Evaluation of the management approach, for each material topic
GRI 404-1	GRI 404. Training and education 2016	Average hours of training per year per employee
GRI 404-2	GRI 404. Training and education 2016	Programs for upgrading employee skills and transition assistance programs
GRI 404-3	GRI 404. Training and education 2016	Percentage of employees receiving regular performance and career development reviews by gender and employee category
REPORTING TOPIC: OBSERVANCE OF HUMAN RIGHTS		
GRI 103-1	GRI 103. Management approach 2016	Explanation of the material topic and its Boundary
GRI 103-2		The management approach and its components
GRI 103-3		Evaluation of the management approach, for each material topic

Indicator no.	GRI Standard title ²	Indicator name
GRI 406-1	GRI 406. Non-discrimination	Total number of discrimination cases (discrimination incidents) and remedial measures undertaken
GRI 412-1	GRI 412. Human rights assessment	Operations that have been subject to human rights reviews or impact assessments
GRI 412-2	GRI 412. Human rights assessment	Total number of employee training hours devoted to human rights
GRI 412-3	GRI 412. Human rights assessment	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening
REPORTING TOPIC: RESPONSIBLE SUPPLY CHAIN		
GRI 103-1	GRI 103. Management approach 2016	Explanation of the material topic and its Boundary
GRI 103-2		The management approach and its components
GRI 103-3		Evaluation of the management approach, for each material topic
GRI 308-1	GRI 308. Supplier Environmental Assessment	New suppliers that were screened using environmental criteria
GRI 308-2	GRI 308. Supplier Environmental Assessment	Negative environmental impacts in the supply chain and actions taken
REPORTING TOPIC: CUSTOMER SATISFACTION		
GRI 103-1	GRI 103. Management approach 2016	Explanation of the material topic and its Boundary
GRI 103-2		The management approach and its components
GRI 103-3		Evaluation of the management approach, for each material topic
GRI 417-1	GRI 417. Marketing and labeling 2016	Requirements for product and service information and labeling
Wskaźnik własny	Not applicable	Customer satisfaction survey results
REPORTING TOPIC: DIVERSITY AND EQUAL OPPORTUNITY		
GRI 103-1	GRI 103. Management approach 2016	Explanation of the material topic and its Boundary
GRI 103-2		The management approach and its components
GRI 103-3		Evaluation of the management approach, for each material topic
GRI 202-1	GRI 202. Market presence	Ratio of entry level wage by gender compared to minimum wage

Indicator no.	GRI Standard title ²	Indicator name
GRI 405-1	GRI 405. Diversity and equal opportunity 2016	Employees per employee category by gender, age, minority and other indicators of diversity
GRI 405-2	GRI 405. Diversity and equal opportunity 2016	Ratio of basic salary and remuneration of women to men

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Governance indicators of ESG reporting by KGHM Polska Miedź S.A. for 2021¹

Indicator no.	GRI Standard title ²	Indicator name
SPECIFIC DISCLOSURES REGARDING MATERIAL TOPICS: GOVERNANCE (G)		
REPORTING THEME: ETHICS AND TRANSPARENCY		
GRI 103-1	GRI 103. Management approach 2016	Explanation of the material topic and its Boundary
GRI 103-2		The management approach and its components
GRI 103-3		Evaluation of the management approach, for each material topic
GRI 205-1	GRI 205. Anti-corruption 2016	Total number and percentage of operations assessed for risks related to corruption and the risks identified
GRI 205-2	GRI 205. Anti-corruption 2016	Communication and training about anti-corruption policies and procedures
GRI 205-3	GRI 205. Anti-corruption 2016	Confirmed incidents of corruption and actions taken
GRI 415-1	GRI 415. Public Policy 2016	Total financial and in-kind donations to political parties, politicians and institutions of similar nature
REPORTING TOPIC: IMPACT ON THE ECONOMY		
GRI 103-1	GRI 103. Management approach 2016	Explanation of the material topic and its Boundary
GRI 103-2		The management approach and its components
GRI 103-3		Evaluation of the management approach, for each material topic
GRI 201-1	GRI 201. Economic performance 2016	Direct economic value generated and distributed (including revenue, operating costs, employee wages and benefits, donations and other community investments, retained earnings, payments to providers of capital, and payments to government
GRI 203-2	GRI 203. Indirect economic impacts 2016	Identified indirect economic impacts with a description of scale and scope of the impact

Indicator no.	GRI Standard title ²	Indicator name
REPORTING TOPIC: MANAGEMENT OF SUSTAINABLE DEVELOPMENT AND RISKS		
GRI 103-1	GRI 103. Management approach 2016	Explanation of the material topic and its Boundary
GRI 103-2		The management approach and its components
GRI 103-3		Evaluation of the management approach, for each material topic
GRI 201-2	GRI 201. Economic performance 2016	Financial implications and other risks and opportunities due to climate change

1/ GRI Standards reporting standard principle in the Core version - for each so-called material reporting topic, a management approach and a minimum of one performance indicator must be reported.

2/ GRI Standards 2016. The list takes into account the 2018 and 2020 updates to the standards for individual indicators.

3/ The column contains descriptions of the information required to be disclosed under the Accounting Act of 29 September 1994, as amended by the Act of 15 December 2016 (Journal of Laws of 2017, item 61), into which Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, OJ L 330, 15.11.2014, p. 1, („Directive 2014/95/EU”) was implemented. This is information that overlaps with the given GRI indicator.”

4/ The column contains indicators specified in the „Guidelines for ESG Reporting. Guide for WSE Listed Companies” that overlap in scope with the given GRI indicator.

GRI 102-53

CONTACT DETAILS

We appreciate all comments and opinions about the report, the presentation of data and activities undertaken by KGHM Polska Miedź S.A.

Please address all information, questions and queries to:

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