



**NON-FINANCIAL REPORT
OF KGHM POLSKA MIEDŹ S.A.
AND THE KGHM POLSKA MIEDŹ S.A. GROUP
FOR 2021**

Lubin, March 2022

Table of contents

External auditor's opinion	5
ABOUT THIS REPORT	11
REPORTING METHODOLOGY	13
1. ABOUT THE GROUP	14
1.1. DESCRIPTION OF THE KGHM POLSKA MIEDŹ S.A. GROUP	14
1.2. ORGANIZATIONAL STRUCTURE OF KGHM POLSKA MIEDŹ S.A. AND THE KGHM POLSKA MIEDŹ S.A. GROUP.....	15
Organizational 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.....	17
1.3. CHANGES IN THE MAIN GROUP GOVERNANCE PRINCIPLES.....	20
1.4. ORGANIZATIONAL STRUCTURE OF KGHM POLSKA MIEDŹ S.A. AND THE BUSINESS MODEL OF THE KGHM POLSKA MIEDŹ S.A. GROUP	20
1.5. KGHM POLSKA MIEDŹ S.A. GROUP COMPANIES INCLUDED IN THE 2021 REPORTING ACCORDING TO DIRECTIVE 2014/95/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL RUNNING AN INDEPENDENT BUSINESS, average headcount in the period from 1 January to 31 December 2021	22
1.6. GOVERNANCE STANDARDS OF THE KGHM POLSKA MIEDŹ S.A. GROUP.....	23
1.7. SUSTAINABLE DEVELOPMENT COUNCIL.....	28
1.8. ESG IN INVESTOR RELATIONS OF KGHM POLSKA MIEDŹ S.A.	29
1.9. KEY STAKEHOLDERS AND MATERIALITY OF INFORMATION IN THE REPORT OF THE KGHM POLSKA MIEDŹ S.A. GROUP 30	
1.10. IMPORTANCE OF COPPER FOR ENERGY TRANSITION.....	33
1.11. COMPETITIVE ADVANTAGES OF THE KGHM POLSKA MIEDŹ S.A. GROUP.....	34
1.12. STRATEGY OF KGHM POLSKA MIEDŹ S.A.....	42
1.13. SUSTAINABILITY AND CLIMATE ACTION IN THE STRATEGY OF KGHM POLSKA MIEDŹ S.A.....	47
1.14. BEST PRACTICES AND KEY ACHIEVEMENTS IN THE IMPLEMENTATION OF KGHM'S STRATEGY	52
2. RISK AND RISK MANAGEMENT	55
2.1. CORPORATE RISK – KEY RISKS AND MITIGATION	59
2.2. APPROACH TO CLIMATE RISK MANAGEMENT	68
3. ETHICAL FOUNDATIONS	72
3.1. VALUES OF KGHM POLSKA MIEDŹ S.A.....	73
3.2. RESPONSIBLE SUPPLY CHAIN POLICY IN THE KGHM POLSKA MIEDŹ S.A. GROUP.....	78
3.3. SECURITY AND LOSS PREVENTION SYSTEM IN THE KGHM POLSKA MIEDŹ S.A. GROUP	81
3.4. ANTICORRUPTION MANAGEMENT SYSTEM COMPLIANT WITH THE PN-ISO 37001 STANDARD	88
3.5. ANTICORRUPTION POLICY IN THE KGHM POLSKA MIEDŹ S.A. GROUP	89
3.6. PROCUREMENT POLICY OF THE KGHM POLSKA MIEDŹ S.A. GROUP	91
3.7. ANTI-ABUSE PROCEDURE OF THE KGHM POLSKA MIEDŹ S.A. GROUP	93
3.8. PERSONAL DATA PROTECTION POLICY IN KGHM POLSKA MIEDŹ S.A.	94
3.9. PROCEDURE FOR VERIFICATION OF COMPLIANCE WITH THE ETHICAL PRINCIPLES OF KGHM POLSKA MIEDŹ S.A. ...	95
3.10. INTERNAL AUDIT RULES (FOR ETHICS) IN KGHM POLSKA MIEDŹ S.A.....	96
3.11. INTERNAL CONTROL PROCEDURE OF THE SECURITY AND LOSS PREVENTION SECTION OF KGHM POLSKA MIEDŹ S.A. 96	
3.12. SELECTED INDICATORS ILLUSTRATING ACTIVITIES RELATING TO ETHICAL ISSUES IN THE KGHM POLSKA MIEDŹ S.A. GROUP AND KGHM POLSKA MIEDŹ S.A. IN 2021.....	96

4.	ACTIVITY IN THE LABOUR AND HUMAN RIGHTS AREA	98
4.1.	INTERNATIONAL MOBILITY POLICY IN THE KGHM POLSKA MIEDŹ S.A. GROUP	100
4.2.	WORK REGULATIONS AT KGHM POLSKA MIEDŹ S.A.	102
4.3.	RELATIONS WITH TRADE UNIONS	103
4.4.	HR PROJECTS	105
4.5.	MANAGEMENT OF CAREER PATHS AND RECRUITMENT IN KGHM POLSKA MIEDŹ S.A.	108
4.6.	TRAINING POLICY IN KGHM POLSKA MIEDŹ S.A.	109
	TRAINING PROCESSES IN KGHM	110
	TRAINING PROCESSES IN THE KGHM POLSKA MIEDŹ S.A. GROUP	114
4.7.	OCCUPATIONAL SAFETY	114
4.8.	SELECTED GRI STANDARD PERFORMANCE INDICATORS SHOWING ACTIVITY IN THE LABOR AREA IN THE KGHM POLSKA MIEDŹ S.A. GROUP AND KGHM POLSKA MIEDŹ S.A.	118
5.	ACTIVITY RELATED TO SOCIAL ISSUES	120
5.1.	SOCIAL DIALOGUE AND COOPERATING WITH LOCAL COMMUNITIES IN THE KGHM POLSKA MIEDŹ S.A. GROUP ...	120
5.2.	CSR ACTIVITIES OF THE KGHM INTERNATIONAL LTD. GROUP	124
5.2.	SUPPORT OF THE PUBLIC BY THE KGHM POLSKA MIEDŹ S.A. GROUP DURING THE COVID-19 CORONAVIRUS PANDEMIC	126
5.3.	FOUNDATIONS, SPONSORSHIP AND CSR ACTIVITIES IN THE KGHM POLSKA MIEDŹ S.A. GROUP	131
5.4.	SELECTED INDICATORS ILLUSTRATING ACTIVITIES IN THE AREA OF SOCIAL ISSUES IN THE KGHM POLSKA MIEDŹ S.A. GROUP AND KGHM POLSKA MIEDŹ S.A.	142
6.	ACTIONS AIMED AT PROTECTING THE NATURAL ENVIRONMENT, INCLUDING THE CLIMATE, AND IMPLEMENTATION OF A CIRCULAR ECONOMY	144
6.1.	CLIMATE POLICY OF KGHM POLSKA MIEDŹ S.A.	144
6.2.	ENERGY POLICY OF KGHM POLSKA MIEDŹ S.A.	147
6.3.	ENERGY MANAGEMENT SYSTEM (EMS) IN KGHM POLSKA MIEDŹ S.A. AND ENERGETYKA SP. Z O.O.	150
6.4.	ENVIRONMENTAL POLICY OF KGHM POLSKA MIEDŹ S.A.	150
6.5.	ENVIRONMENTALLY-FRIENDLY INVESTMENTS	151
6.6.	PROTECTION OF THE AIR	152
6.7.	BAT-As PROGRAM	154
6.8.	WATER AND WASTEWATER MANAGEMENT	157
6.9.	WASTE MANAGEMENT INCLUDING CIRCULAR ECONOMY	161
6.10.	ACTIVITIES TO PRESERVE BIODIVERSITY	165
6.11.	MANAGEMENT OF CHEMICAL SUBSTANCES	168
6.12.	ENVIRONMENTAL PROTECTION IN KGHM INTERNATIONAL LTD.	169
6.13.	ENVIRONMENTAL PROTECTION – DOMESTIC COMPANIES OF THE KGHM GROUP	174
6.14.	SELECTED GRI STANDARDS ILLUSTRATING ACTIVITIES IN THE AREA OF ENVIRONMENTAL PROTECTION IN THE KGHM POLSKA MIEDŹ S.A. GROUP AND KGHM POLSKA MIEDŹ S.A. IN 2021	176
6.15.	DISCLOSURES FOR 2021 ACCORDING TO THE EUROPEAN UNION TAXONOMY OF ENVIRONMENTALLY SUSTAINABLE ECONOMIC ACTIVITIES	180
	COMMENTS ON THE RESULTS	183
	CONSOLIDATED DISCLOSURES OF THE KGHM POLSKA MIEDŹ S.A. GROUP	185
	STANDALONE DISCLOSURES OF KGHM POLSKA MIEDŹ S.A.	189
	KEY NON-FINANCIAL INDICATORS OF KGHM POLSKA MIEDŹ S.A. IDENTIFIED AND REPORTED IN ACCORDANCE WITH THE SUSTAINABLE DEVELOPMENT CONCEPT, FOR 2020-2021	191

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	192
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.....	193
SELECTED INDICATORS ILLUSTRATING ACTIVITIES IN THE AREA OF SOCIAL ISSUES IN THE KGHM POLSKA MIEDŹ S.A. GROUP AND KGHM POLSKA MIEDŹ S.A.....	194
VALUES OF 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	195

Description of the subject matter of the opinion

The formal basis for drawing up this opinion is the Contract to render the service of making an expert assessment and attestation of the methodological accuracy and integrity of the preparation of the "Non-Financial Report of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group for 2021" (hereinafter referred to as the "KGHM Non-Financial Report").

The KGHM Non-Financial Report comprises qualitative and quantitative data for the period from 1 January 2021 to 31 December 2021 pertaining to corporate social responsibility of the KGHM Polska Miedź S.A. Group and Parent Company, understood as sustainable development of these organizational entities.

The Management Board of KGHM Polska Miedź S.A. has prepared the report following the guidelines of the Directives of the European Parliament and of the Council (2014/95/EU and 2013/34/EU) and the Act of 15 December 2016 Amending the Accounting Act (Journal of Laws of 2017, Item 61; consolidated version: Journal of Laws of 2021 Item 217, as amended) implementing them in Poland, as well as applying the elements of TCFD (Task Force on Climate-related Financial Disclosures) guidelines for reporting environmental issues, the Communication from the European Commission no. 2019/C 209/01: Supplement on reporting climate-related information, and taking into account the main assumptions for the EU development program till 2050 (The European Green Deal) and in accordance with Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 ("EU Taxonomy") obligating companies to disclose whether and to what extent their economic activity is consistent with the assumptions of the EU Taxonomy classifying and describing environmentally sustainable activities. in accordance with the provisions of Commission Delegated Regulations (EU) 2021/2139 and 2021/2178, including the latest interpretation of the Commission (EU) of 2 February 2022 entitled: „Commission notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of eligible economic activities and assets“.

The KGHM Non-Financial Report covers seven major fundamental parts. The first one contains a description of the business, organization structure, business model and the KGHM strategy pursued thereby along with the strategy's foundation rooted in the idea of sustainable development devised on the basis of the UN 2030 Agenda's sustainable development goals as well as the stakeholder engagement in the execution and reporting of non-financial matters. The second part consists of an extensive section

describing the comprehensive risk management system applied in the KGHM Group making it possible to react quickly and effectively to the appearance of any determinants of deviations from the execution of the strategic goals, including within the framework of activities in the labor, social and environmental areas (including resource efficiency), as well as risk the management of risks related to climate change (in accordance with the guidelines of Task Force on Climate-related Financial Disclosures (TCFD) and the Communication from the Commission No. 2019/C 209/01 – Guidelines on non-financial reporting: Supplement on reporting climate-related information), thus deciding on the methodology of the sustainable development activity carried out in the KGHM Group, which is based on risk management. The third part of the Report forming the subject of this opinion is constituted by the ethical grounds for the operation of the Group and the Parent Entity, formed by values, as well as the Security and Loss Prevention System with the Code of Ethics as its central document, and furthermore the policies and procedures specifying and upholding the ethical foundations for the operation of both entities in their business environment with special emphasis of respecting human rights and counteracting corruption. They form the basis for any activities carried out in KGHM Polska Miedź S.A. and in the KGHM Polska Miedź S.A. Group, including creation, implementation and validation of sustainable development activities. The next three parts of the KGHM Non-Financial Report are formed by sections 4, 5 and 6 with a focus on results and metrics for the employee, social and environmental areas, including the climate and circular economy areas. They have been prepared using globally recognized non-financial reporting standards, relying on the methodology for corporate social responsibility reporting as published by the Global Reporting Initiative in the form of GRI Standards (hereinafter: GRI Standards) and using the guidelines for observing corporate social responsibility, presented in the ISO 26000 standard (Guidance on social responsibility), issued by the International Organization for Standardization. Subsection 6.15 of the KGHM Non-Financial Report additionally presents the disclosures of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group for 2021 in respect to the eligibility of the percentage level of their activity to the taxonomy of environmentally sustainable activities, in accordance with the Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 and with the Delegated Regulations. The last part of the KGHM Non-Financial Report contains a list of levels of key non-financial indicators of KGHM Polska Miedź S.A. achieved in 2020-2021, which were identified and reported in accordance with the sustainable development concept, as well as the list of levels of the relevant GRI indicators.

Defining the Management Board's responsibility

The auditor concludes that correct preparation of the Non-Financial Report subject to the assessment and attestation is the responsibility of the Management Board of the KGHM Polska Miedź S.A. Group and

Parent Entity. The framework for this responsibility consists of the selection, implementation and description of the application of the following: business model of entities observing their corporate social responsibility, key non-financial performance indicators associated with the operations of these entities, policies applied by these entities with regard to social, employee, environmental and climate, respect of human rights and prevention of corruption issues and due diligence procedures as part of the above policies, and the risks and their management in the context of these policies. The level of the above responsibility will be validated by constant compliance of globally executed sustainable development principles and goals specified in the description of the subject matter of the opinion, including the applicable provisions and legislative acts setting forth the EU development program named the European Green Deal, as well as a methodology based on GRI Standards and ISO 26000 guidelines.

Defining the auditor's responsibility

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

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

Audit activities performed

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

Stage 1. Assessment of the methodological accuracy of the selection by the KGHM Polska Miedź S.A. Group and Parent Entity of the following: the business model as a group of entities observing their corporate social responsibility, key non-financial performance indicators associated with the operations of these entities, policies used by the entities with regard to social, employee, natural environment and climate (including in respect to eligibility of the activities for the EU Taxonomy), respect of human rights and prevention of corruption issues and due diligence procedures as part of the above policies, and the risks, including climate risks, and their management in the context of these policies and selection of the corporate social responsibility indicators in light of the reporting standards compliant with GRI Standards and ISO 26000 and the distinct nature of the metals and mining industry.

Stage 2. Verification of the knowledge of the management concerning the business model used by the KGHM Polska Miedź S.A. Group and Parent Entity as a group of entities observing their corporate social responsibility, key non-financial performance indicators associated with the operations of these entities, policies used by the entities with regard to social, employee, natural environment and climate (including in respect to eligibility of the activities for the EU Taxonomy), respect of human rights and prevention of corruption issues and due diligence procedures as part of the above policies, and the risks and their management in the context of these policies and selection of corporate social responsibility indicators in light of the reporting standards compliant with GRI Standards and ISO 26000 and the distinct nature of the metals and mining industry.

Stage 3. Assessment of the structure and effectiveness of material mechanisms used by the KGHM Polska Miedź S.A. Group and Parent Entity with regard to collection, processing and reporting of data for the key non-financial performance indicators associated with the operations of these entities, policies used by the entities with regard to social, employee, natural environment and climate (including in respect to eligibility of the activities for the EU Taxonomy), respect of human rights and prevention of corruption issues and due diligence procedures as part of the above policies, and the risks and their management in the context of these policies and the corporate social responsibility indicators in light of the reporting standards compliant with GRI Standards and ISO 26000 and the distinct nature of the metals and mining industry.

Stage 4. Assessment of the structure and effectiveness of the key mechanisms for risk management and audit and internal control used by the KGHM Polska Miedź S.A. Group and Parent Entity with regard to collection, processing and reporting of data for the key non-financial performance indicators associated with the operations of these entities, policies used by the entities with regard to social, employee, natural environment and climate (including in respect to eligibility of the activities for the EU Taxonomy), respect of human rights and prevention of corruption issues and due diligence procedures as part of the above policies, and the risks and their management in the context of these policies and the corporate social responsibility indicators in light of the GRI reporting standards and ISO26000 and the distinct nature of the metals and mining industry.

Stage 5. Verification of a sample of source documents for the non-financial indicators used by the KGHM Polska Miedź S.A. Group and Parent Entity, illustrating execution of the actions in the area of corporate social responsibility policies and procedures to define the risk of material distortion on the data presented in the KGHM Non-Financial Report and/or the method for determining them.

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

Auditor's conclusion

On the basis of the actions it has completed, the auditor states that the "Non-financial report of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group for 2021" has been prepared correctly in its entirety from a methodological perspective and following the rules on overall integrity, and nothing has been identified therein that would indicate that the aforementioned provisions pertaining to the business model as a group of entities observing corporate social responsibility, key non-financial performance indicators associated with the operations of these entities, policies used by these entities with regard to social, employee, natural environment (including the climate and circular economy), respect of human rights and prevention of corruption issues and due diligence procedures as part of the above policies, and the risks (constituting the starting point for actions in the field of sustainable development) and their management in the context of these policies, fail to follow the guidelines of the Directives of the European Parliament and of the Council (2014/95/EU and 2013/34/EU) and the Act of 15 December 2016 Amending the Accounting Act (Journal of Laws of 2017, Item 61; consolidated version: Journal of Laws of 2021 Item 217, as amended) implementing them in Poland. The auditor also states that the Report subject to this opinion has also applied all elements of the TCFD guidelines (Task Force on Climate-related Financial Disclosures) to report environmental issues and European Union Communiqué no. 2019/C 209/01: Supplement on reporting climate-related information and the key assumptions of The European Green Deal 2050, and Regulation (EU) 2020/852 of the European Parliament and of the Council and the provisions of Commission Delegated Regulations (EU) 2021/2139 and 2021/2178, which should be deemed to be an important element specifying the awareness and liability of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group for issues associated with curtailing the adverse climate-related changes and rational resource management, in respect to both primary and secondary resources.

The clauses of KGHM's Non-financial Report are also consistent with the global corporate social responsibility standards and the reporting standards provided for in GRI Core option Standards as well as ISO 26000 guidelines, taking into account the distinct nature of the metals and mining industry.

Scope of application of the conclusion

This opinion, particularly the resulting conclusion, has been prepared by the auditor in accordance with the agreement with KGHM Polska Miedź S.A. concluded on 14 December 2021 only for the needs of the KGHM Polska Miedź S.A. Management Board and should not be used for any other purpose. The auditor does not assume in connection with this opinion any liability towards other persons than the KGHM Polska Miedź S.A. Management Board.



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

Accounting and Tax Institute auditor

Kraków, 15 March 2022

ABOUT THIS REPORT

This 2021 Non-Financial Report (hereinafter also referred to as the Report or Non-Financial Report) contains data and measures pertaining to the KGHM Polska Miedź S.A. Group (hereinafter also referred to as the Group) and KGHM Polska Miedź S.A. (hereinafter referred to as the Parent Entity or Company). It has been prepared in accordance with the guidelines of the Accounting Act with regard to disclosure of non-financial information, the Act of 15 December 2016 Amending the Accounting Act (Journal of Laws of 2017, Item 61; consolidated version: Journal of Laws of 2017 Item 2342, as amended) and also based on the Directive of the European Parliament and of the Council no. 2013/34/EU subsequently amended by the Directive of the European Parliament and of the Council no. 2014/95/EU. and also pursuant to Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 ("EU Taxonomy") obligating companies to disclose whether and to what extent their business activity is consistent with the assumptions of the Taxonomy classifying and describing environmentally sustainable businesses. Non-financial reporting in this Report is based on the Global Reporting Initiative (GRI) guidelines developed with the use of selected indicators featured in the GRI Standards methodology (while keeping the comprehensive description principles). GRI Standards 2016 methodology indicators - including updates to the standard in terms of individual indicators from 2018, 2020 and 2021. In this Report, greenhouse gas emissions of KGHM Polska Miedź S.A. for 2020 have been determined in accordance with the Commission Regulation (EU) No. 601/2012 of 21 June, 2012 on the monitoring and reporting of greenhouse gas emissions, in accordance with Directive 2003/87/EC of the European Parliament and of the European Council and with taking into account the provisions of the GHG Protocol. Information on the levels of greenhouse gas emissions of Scope 1 and Scope 2 in accordance with the GHG Protocol for 2021 for KGHM Polska Miedź S.A. and for the KGHM Group will be publicly announced in the Integrated Report for 2021. Information on the amount of Scope 3 greenhouse gas emissions in accordance with the GHG Protocol for 2021 for KGHM Polska Miedź S.A. and for the KGHM Group, will be announced publicly in the fourth quarter of 2022.

Determining the amount of greenhouse gas emissions for KGHM Polska Miedź S.A. and the KGHM Group for the purposes of this Report is not possible due to the lack of performance indicators for Scope 2 emissions, which for the reported year do not appear until the end of March, and in connection with the ongoing verification of emissions under the Emission Trading System. This Report also employs elements of the guidelines of 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).

To ensure full transparency, a comprehensive approach and the analytical data layout, this document has been prepared in the form of a Report. The reporting process in the KGHM Polska Miedź S.A. Group and in the Parent Entity KGHM Polska Miedź S.A. is carried out on an annual basis. This report does not contain any corrections of the content of previous reports. The Non-Financial Report of KGHM Polska Miedź S.A. and the Group for 2020 was published on 24 March 2021.

In the process of preparing the Report, the documents, policies, due diligence procedures, risk management principles and other informational materials related to the activities of the KGHM Polska Miedź S.A. Group and the Parent Entity KGHM Polska Miedź S.A. and the metals and mining industry in general, were reviewed. The values of qualitative and quantitative indicators describing the Parent Entity and the Group were calculated with due diligence and in accordance with the principles of comprehensiveness.

The Report has been prepared as a separate 2021 Non-Financial Report of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group. This document has been subjected to an external review. Moreover, in line with its practice to date, by the end of June 2022 KGHM Polska Miedź S.A. will publish its 2021 Integrated Report.

REPORTING METHODOLOGY

The preparation of the content of this Non-Financial Report comprised the following five stages:

Stage 1. Conducting a materiality analysis in accordance with the Global Reporting Initiative (GRI) Standards and performance of the stakeholder mapping process.

Stage 2. Confirmation of the applicability and importance of key business and sustainable development issues that are relevant for the KGHM Polska Miedź S.A. Group and the Parent Entity KGHM Polska Miedź S.A. in order to prepare a description of the business model. Significant issues were defined during discussion meetings with representatives of KGHM Polska Miedź S.A., the Sustainable Development Council and representatives of KGHM Group Companies.

Stage 3. Collection of metrics, using the electronic tool to collect non-financial data, depicting the implementation of policies, strategies and sustainable development goals as well as due diligence and risk management principles and their application in the KGHM Group and the Parent Entity in 2021.

Stage 4. Summary of the 2021 Non-Financial Report of the KGHM Group and the Parent Entity based on the collected data for 2021, in accordance with the Accounting Act of 29 September 1994, which is the legal basis for accounting in Poland, on the basis of the provisions entered into it on 15 December 2016 year of the obligation to report non-financial data by large enterprises, which include KGHM Polska Miedź S.A., having application to the consolidated text of the Act from the Journal of Laws No. of 2021, item 217 as amended, and in addition to the above, further relying on elements of the TCFD (Task Force on Climate-related Financial Disclosures) guidelines for reporting environmental issues and 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) announced on 13 December 2019, and also in accordance with Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 ("EU Taxonomy") obligating companies to disclose whether and to what extent their business activity is consistent with the assumptions of the Taxonomy classifying and describing environmentally sustainable businesses.

Stage 5. Third party audit evaluating the correctness of data and content included in the Non-Financial Report of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group for 2021.

1. ABOUT THE GROUP

1.1. DESCRIPTION OF THE KGHM POLSKA MIEDŹ S.A. GROUP

The KGHM Polska Miedź S.A. 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 reasonably mined to this day. As the years went by, the KGHM Polska Miedź S.A. Group significantly grew its business 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".

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 covers the following areas:

- 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 activities of the KGHM Polska Miedź S.A. Group with respect to the exploration and mining of copper and nickel ore and precious metals deposits is based on the concessions held by KGHM Polska Miedź S.A. for the mining 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.

1.2. 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 closed-end, non-public investment fund) located on four continents: Europe, North America, South America and Asia. Some of these subsidiaries formed their own groups. The largest of them, both in terms of the number of members and the value of equity, is the KGHM INTERNATIONAL LTD. Group, the main assets of which are located in Canada, the United States and Chile. It consisted of KGHM INTERNATIONAL LTD. and of 26 of its subsidiaries. As at the end date of the reporting period, the KGHM Polska Miedź S.A. Group held a stake in two joint ventures – Sierra Gorda S.C.M. and NANO CARBON Sp. z o.o. in liquidation.

The major companies from the Group involved in the mining industry make up three basic reporting segments, each of which is subject to a separate assessment by the managing authorities. 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 following diagram presents the significant production assets and projects implemented in 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. ⁽¹⁾	Other segments
Activities			<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 holding structure.
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	
Main production assets			
Underground mines <ul style="list-style-type: none"> - Lubin mine - Polkowice-Sieroszowice mine - Rudna mine Metallurgical plants <ul style="list-style-type: none"> - Legnica Copper Smelter and Refinery - Głogów I 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"> - Sierra Gorda Oxide project in Chile 	

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

- Future 1 Sp. z o.o., which acts as a holding company with respect to the KGHM INTERNATIONAL LTD. Group,

- Future 3 Sp. z o.o., Future 4 Sp. z o.o., Future 5 Sp. z o.o. (which operate in the structure related to the establishment of a Tax Group) 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 Parent Entity's Management Board.

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 joint venture Sierra Gorda. The chart presents the remaining companies in the KGHM Polska Miedź S.A. Group, broken down by segments: KGHM INTERNATIONAL LTD. and Other segments.

Organizational 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

Group structure as at 31 December 2021

Percentages represent the total share of the Group.

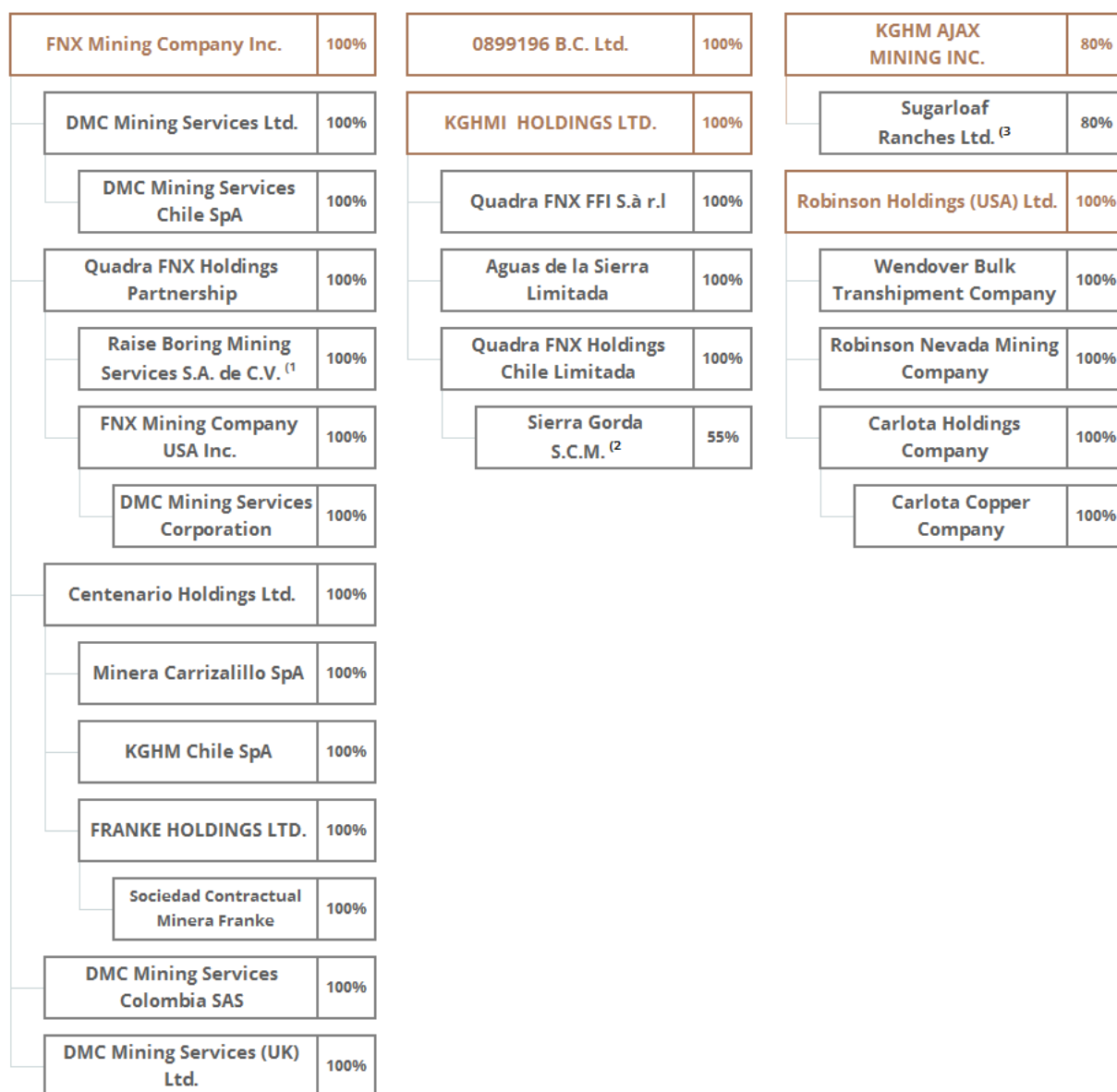
KGHM Polska Miedź S.A.					
PeBeKa S.A.	100%	CBJ sp. z o.o.	100%	KGHM (SHANGHAI) COPPER TRADING CO., LTD.	100%
BIPROMET S.A.	100%	INOVA Spółka z o.o.	100%	TUW-CUPRUM ⁽²⁾	100%
KGHM TFI S.A.	100%	KGHM CUPRUM sp. z o.o. – CBR,	100%	Zagłębie Lubin S.A.	100%
KGHM VII FIZAN	100%	POL-MIEDŹ TRANS Sp. z o.o.	100%	„MCZ” S.A.	100%
Fundusz Hotele 01 Sp. z o.o.	100%	PMT Linie Kolejowe Sp. z o.o.	100%	Cuprum Nieruchomości sp. z o.o.	100%
Fundusz Hotele 01 Sp. z o.o. S.K.A.	100%	KGHM ZANAM S.A.	100%	KGHM Centrum Analityki sp. z o.o.	100%
INTERFERIE S.A.	70%	OOO ZANAM VOSTOK	100%	Future 3 Sp. z o.o.	100%
Interferie Medical SPA Sp. z o.o.	90%	„Energetyka” sp. z o.o.	100%	Future 4 Sp. z o.o.	100%
Cuprum Development sp. z o.o.	100%	WPEC w Legnicy S.A.	100%	Future 5 Sp. z o.o.	100%
Polska Grupa Uzdrawisk Sp. z o.o.	100%	KGHM Metraco S.A.	100%	Future 7 Sp. z o.o. in liquidation	100%
Uzdrowsko Połczyn Grupa PGU S.A.	100%	CENTROZŁOM WROCŁAW S.A.	100%	MERCUS Logistyka sp. z o.o.	100%
Uzdrowska Kłodzkie S.A. - Grupa PGU	100%	Walcownia Metali Nieżelaznych „ŁABĘDY” S.A.	85%	PHU „Lubinpex” Sp. z o.o.	100%
Uzdrowsko Świeradów -Czernława Sp. z o.o. - Grupa PGU	99%	Future 1 Sp. z o.o.	100%	NITROERG S.A.	87%
Uzdrowsko Cieplice Sp. z o.o. - Grupa PGU	99%	KGHM Kupfer AG	100%	NITROERG SERWIS Sp. z o.o. ⁽³⁾	87%
NANO CARBON Sp. z o.o. in liquidation ⁽¹⁾	49%	KGHM INTERNATIONAL LTD. Group	100%		

1) joint venture accounted for using the equity method

2) unconsolidated subsidiary

3) actual Group interest - 87%

KGHM INTERNATIONAL LTD.



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%

1.3. CHANGES IN THE MAIN GROUP GOVERNANCE PRINCIPLES

In October 2021, the Supervisory Board of KGHM Polska Miedź S.A. appointed a new Management Board Member to the position of Vice President of the Management Board (Corporate Affairs). The responsibilities assigned to the Vice President of the Management Board (Corporate Affairs) include overall corporate oversight over the Group's subsidiaries in Poland and abroad, which was previously exercised by the President.

Following the restructuring of KGHM INTERNATIONAL LTD., in which management and execution of most supporting processes was transferred to the Company's Head Office – as a result of the accepted strategy of implementing a model of cooperation and integration of key international assets with the domestic business – in 2021 activities were continued mainly to develop unified reporting rules, consistent internal regulations and procedures and to standardize solutions in respective areas of activity of the international entities.

Moreover, in 2021, within the existing broadly defined governance principles, actions were taken to coordinate the processes occurring in the Group, among others in the commercial area, in order to maintain continuity and security of the core production business. Activities associated with the COVID-19 pandemic were some of the more important aspects in this area. Coordination of activities at the Parent Entity level was aimed at mitigating the impact of negative effects of the pandemic situation on the activity of Group entities.

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

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 registered in the District Court for Wrocław Fabryczna, 9th Commercial Division of the National Court Register, KRS no. 23302, in the Republic of Poland.

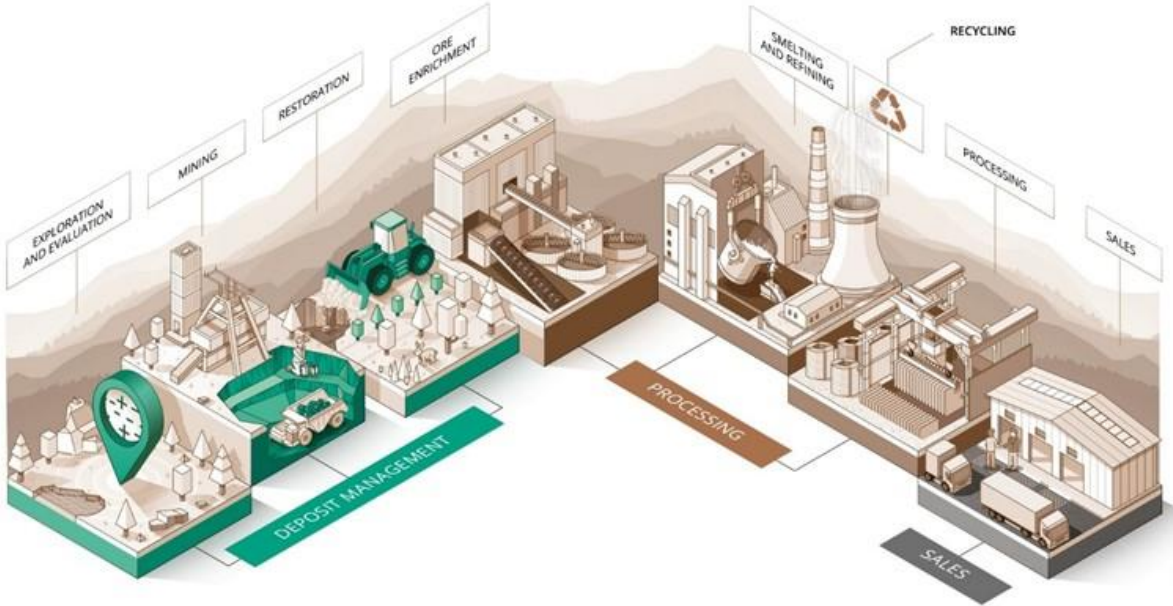
In 2021, the multi-division enterprise operating as KGHM Polska Miedź S.A. consisted of the Head Office and 10 Divisions, as shown in the following diagram:

Organizational structure of KGHM Polska Miedź S.A.



The Group is a global, innovative organisation involved in technologically advanced exploration, mining and metallurgical operations. We have 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:

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

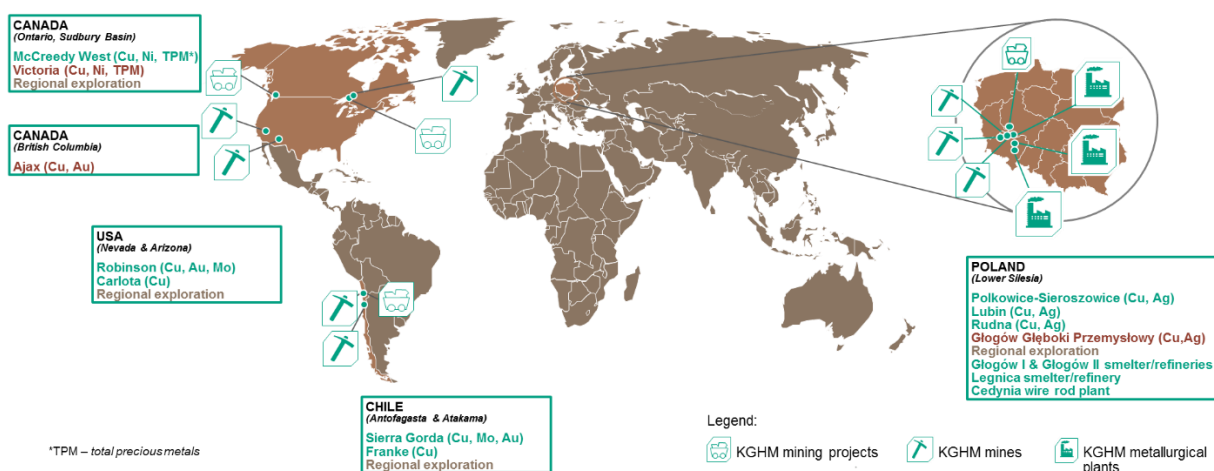


The KGHM Polska Miedź S.A. Group holds geographically diversified mining assets (mines of copper ore and accompanying elements, such as silver, molybdenum, nickel, gold and other precious metals) located in Poland, the USA, Chile and Canada and copper smelters and refineries in Poland. The key international

asset-the Sierra Gorda mine, which is a joint venture of KGHM INTERNATIONAL LTD. and Sumitomo Metal Mining and Sumitomo Corporation, (since 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



1.5. KGHM POLSKA MIEDŹ S.A. GROUP COMPANIES INCLUDED IN THE 2021 REPORTING ACCORDING TO DIRECTIVE 2014/95/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL RUNNING AN INDEPENDENT BUSINESS, average headcount in the period from 1 January to 31 December 2021

KGHM ZANAM S.A.:

- Total assets: PLN 551 million
- Profit on sales: PLN 756 million
- Headcount: 2,245 FTEs

PEBEKA S.A.

- Total assets: PLN 616 million
- Profit on sales: PLN 773 million
- Headcount: 2,085 FTEs

"MIEDZIOWE CENTRUM ZDROWIA" S.A.:

- Total assets: PLN 169 million
- Profit on sales: PLN 233 million
- Headcount: 723 FTEs

“ENERGETYKA” SP. Z O. O.:

- Total assets: PLN 804 million
- Profit on sales: PLN 722 million
- Headcount: 819 FTEs

UZDROWISKA KŁODZKIE S.A. - PGU GROUP:

- Total assets: PLN 144 million
- Profit on sales: PLN 111 million
- Headcount: 522 FTEs

NITROERG S.A.:

- Total assets: PLN 414 million
- Profit on sales: PLN 398 million
- Headcount: 961 FTEs

POL-MIEDŹ TRANS SP. Z O.O.:

- Total assets: PLN 316 million
- Profit on sales: PLN 219 million
- Headcount: 692 FTEs

MERCUS LOGISTYKA SP. Z O.O.:

- Total assets: PLN 363 million
- Profit on sales: PLN 1,065 million
- Headcount: 719 FTEs

KGHM INTERNATIONAL GROUP:

- Total assets: USD 3,355 million
- Profit on sales: USD 806,3 million
- Headcount: 2,236 FTEs

1.6. GOVERNANCE STANDARDS OF THE KGHM POLSKA MIEDŹ S.A. 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 Partnerships and Companies 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 amendments made to the Management Board and Supervisory Board Bylaws, the Company published the Information on the status of the Company's compliance with the rules set forth in DPSN2021.

According to the Statutes of KGHM Polska Miedź S.A., Management Board members are appointed and dismissed by the Supervisory Board. The allocation of powers within the Management Board of KGHM Polska Miedź S.A. as at 31 December 2021 is presented below:

The President of the Management Board is responsible for:

- activities related to overall risk management at the corporate level as well as auditing and internal 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;
- compliance with the corporate governance standards adopted by the Company;
- development and preparation of organizational and management solutions for implementation in the Company, including design and development of the Company's organizational structure;
- organisational services provided to the Company's bodies;
- legal service provided to the Company's bodies, except for the Supervisory Board;
- communication and image activities within the Group;
- the shaping of relations with the Company's external business environment;
- activities related to human resource management;
- activities related to development projects in the power generation area.

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

- the shaping of the Group's financial policy;
- review of Strategic projects in terms of their financial feasibility;
- finances in all of the Group's operations and activities;
- the creation of 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 investor relations with investors on the domestic and international markets;
- activities of the Data Centre Division (COPI) relating to the delivery and development of ICT systems and services necessary for the correct functioning of the Company and the companies of the KGHM Polska Miedź S.A. Group.

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

- the preparation and implementation of strategy for the 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 concerning international resource base projects;
- coordination of tasks with respect to the plan of the Company's equity investments in 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;
- identification of mining projects abroad, which represent potential development opportunities for the Company.

The **Vice President of the Management Board (Corporate Affairs)** is responsible for:

- corporate governance 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;
- legal service provided to the Company's corporate bodies in matters related to the Company's Supervisory Board;
- legal services provided to the Company, except for the tasks assigned to the CEO's Division;
- on the Founder's behalf – supervision of the functioning of the KGHM Polska Miedź Foundation as well as other organisations serving the public, which support achievement of the Group's business goals.

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;
- development, updating and monitoring of execution of the Company's consolidated equity investments plan;
- management of the Company's development project portfolios;
- 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 mining structures;
- development of the production process;
- coordination of the Group's procurement processes.

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

- integrated planning and optimisation of the Company's production;
- occupational health and safety and control of environmental risks;
- activities with respect to maintaining readiness of the production and non-production assets and achievement of the main objectives of the Energy Strategy;
- activities with respect to manufacturing products and development of the mining and metallurgical production;
- overseeing activities connected with the implementation, maintenance and improvement of management systems in the Company;
- integrated supply chain management.

1.7. SUSTAINABLE DEVELOPMENT COUNCIL

The Sustainable Development Council (hereinafter: the 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, 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:

- issuing opinions on information materials in the field of sustainable development, in particular in areas with impact on the environment (including climate change) and society, included in documents published outside the Company,

- consulting on and supervising the preparation of documents that are important for pursuing sustainable development goals,
- monitoring and analysing legislative changes related to sustainable development and their impact on the KGHM Group,
- 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:

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

1.8. ESG IN INVESTOR RELATIONS OF KGHM POLSKA MIEDŹ S.A.

Acting on behalf of the Management Board of KGHM Polska Miedź S.A., the Investor Relations Team maintains an on-going dialogue with the capital market pursuant to the company's transparency policy and in accordance with the Best Practices of the Warsaw Stock Exchange. 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 participants 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 conformity with our regulatory legal obligations. The Company fulfils its disclosure obligations by publishing current and periodic reports via the official reporting system (ESPI).

In 2021, the Company continued its participation in ESG (Environmental, Social and Governance) processes and, in accordance with the accepted Strategy, it maintained communication with the capital market, investors and rating agencies. The Company's commitment to stakeholders is shown by the creation and continuous development of the ESG section in the Investors tab on the Company's corporate website devoted to broadly defined ESG issues. This facilitates access to all information related to non-financial and integrated reporting by KGHM Polska Miedź S.A.

In 2021, the Company submitted the CDP Climate survey and provided broader disclosures, including Scope 3 emissions. Since 3 September 2019, the Company has been part of the WIG-ESG index, which

includes companies from the WIG20 and mWIG40 indices on the Warsaw Stock Exchange that observe the principles of corporate social responsibility. From 19 November 2009 until the final calculation and publication date, i.e. 1 January 2020, the Company was continuously included in the RESPECT Index. Additionally, since September 2018, KGHM Polska Miedź S.A. has been included in the FTSE4Good Index Series, which is part of the group of ethical investment indices taking into account the criteria of corporate social responsibility and ESG risk management.

In order to maintain the highest levels of care, transparency and compliance with best practices for listed companies, the Investor Relations Team regularly responds to surveys, questionnaires and inquiries concerning ESG, among others from: Sustainalytics, CDP, FTSE Russell, MSCI, Refinitiv, Vigeo Eiris, Corporate Knights and BlackRock.

1.9. 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, a good relationship with stakeholders based on mutual understanding and trust has 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 company's values, is the basis for its success in business and social activities. The Group builds relationships with Stakeholders based on partnership and complete transparency, with an awareness of their importance in its long-term strategy and sustainable approach to business and its growth. The basis of this process is dialogue geared towards learning about mutual expectations and capabilities and implementing agreements.

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 company'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 below:

Map of Key Stakeholders of the KGHM Polska Miedź S.A. Group in 2021

No.	Stakeholder type	Specification
KEY STAKEHOLDERS		
1	Employees, including trade union members	Also including former employees.
2	Representatives of local and national government	Local governments of the municipalities, in which the company operates; State Treasury.
3	Local community members	Social groups that are not non-government organizations, or e.g. social assistance centres.
4	Suppliers	Suppliers of the entire value chain, including JV partners in which KGHM has shares.
5	Clients	Domestic and international.
6	Regulators	Including, among others, the European Union, the judiciary.
7	Stock exchange environment	Shareholders, bondholders, rating agencies.
8	Supervisory authorities	E.g. the Polish Financial Supervision Authority (KNF), the National Labour Inspectorate (PIP).
9	Exchanges in Warsaw and London	London Metal Exchange and the Warsaw Stock Exchange.
10	Financial markets	Including, among others, banks and insurers.
OTHER STAKEHOLDERS		
11	Media	All types, domestic and international.
12	Competitors	Domestic and international.
13	Indigenous people	This refers to the KGHM Group, mainly the First Nations of North America.
14	Trade organisations	Domestic and international.
15	International organisations	E.g. the UN.
16	Academic and research institutions, universities	Running their operations in Poland and abroad.
17	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 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

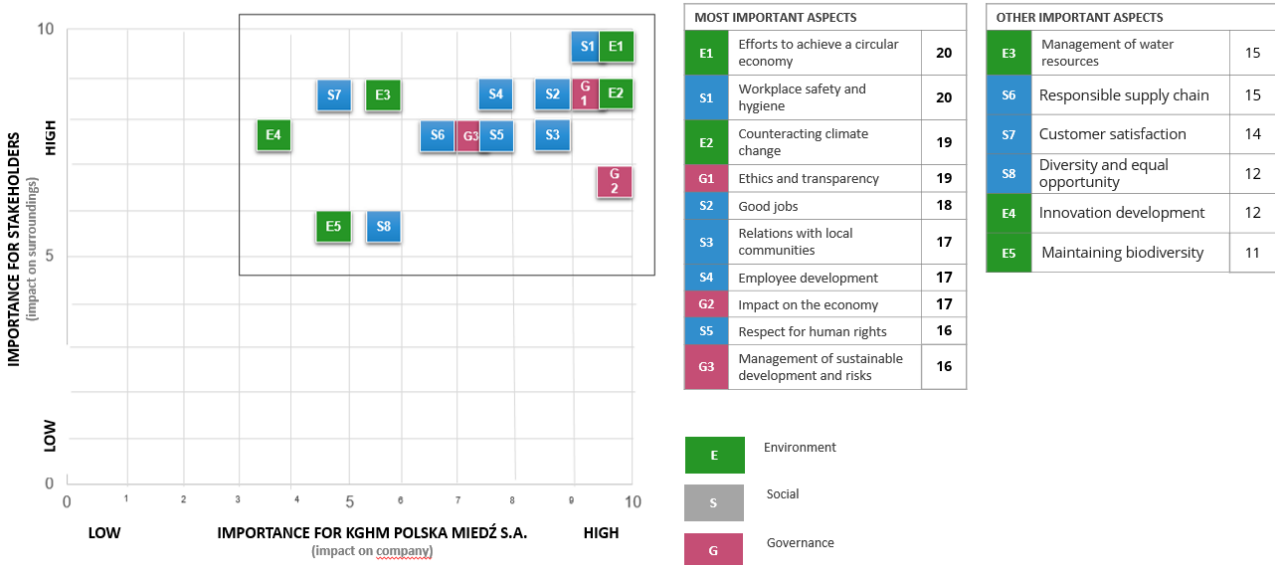
GRI principle, i.e. the completeness principle, was addressed by way of validation of the matrix by members of the Company's senior management.

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,
- 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, 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.

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

Materiality matrix for KGHM Polska Miedź S.A.



1.10. 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. The small cross-section area and lack of reaction with water is also of importance.

All this makes copper cables easier to transport, handle, store outdoors, and much less susceptible to accidental damage or connection failures. This is complemented by the high specific weight of copper, which makes it much easier to lay submarine cables for offshore wind energy purposes.

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

Overall, 22 million metric tonnes of copper will be needed by 2050 for the technologies facilitating a 75% reduction of EU greenhouse gas emissions¹. This amount is roughly the same as the current level of global metallurgical production of copper (which is slightly over 21 million tonnes²) 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 capacities and creating mechanisms supporting the development of copper production on the Old Continent. This will make it possible not only to reduce the continent's record dependence on imports from other regions of the world, but will also contribute to the reduction of emissions, since the carbon footprint of domestic production is much lower than that of Asian competitors.

The products offered by the KGHM Polska Miedź S.A. Group and the transformation which is made possible by them are the main contribution of the copper industry to the struggle against climate change. KGHM also continues its efforts to reduce its own environmental footprint. Compared to the 1990 levels, the European copper industry has reduced unit energy consumption by 60%, and emissions from copper production in Europe currently represent just 0.4% of all EU greenhouse gas emissions.

1.11. COMPETITIVE ADVANTAGES OF THE KGHM POLSKA MIEDŹ S.A. GROUP

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

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

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

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:

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

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 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 its 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. Another unique distinguishing feature of the KGHM Group is that it has a complete, integrated business chain. From the exploration, opening and mining of deposits, to manufacturing of

mining machinery and explosives, processing, recycling, metallurgical processes and sales, which is discussed in more detail in one of the following sections.

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 – over 40 million tonnes – are the basis for its important position in the global mining sector. KGHM mines and processes precious natural materials. At its 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 metals such as 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. exploration and geological appraisal, which may be divided into three main areas:

- greenfield exploration – exploring new deposits;
- brownfield exploration – appraisal of resources which have been partially surveyed and documented;
- in-mine and near-mine exploration – appraisal of areas adjacent to the currently worked assets in order to extend the operational 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. The extraction of copper ore, its processing and production of a finished product that is fit for sale is a difficult and complex process. The Company has many years of unique experience and know-how in this area, which is sought after by experts from around the world.

KGHM has unique knowledge associated with the work carried out at great depths, extracting copper ores and other precious metals from deposits located often 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 operation is also less burdensome on the surroundings and local communities. The processes of reclamation of post-mining areas and the activities required to restore them for people and nature are easier than in the case of open-pit mines, which is very important for KGHM given its commitment to reduce 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 lead, 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 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, by drawing on cooperation with independent entities and consortia, science establishments and appreciating the creative potential and ingenuity of our own employees. All these activities will ultimately contribute to, among others, the increased effectiveness of R&D efforts, higher innovation, reduced production costs, stimulation of implementation activity, improved occupational health and safety, effective environmental protection activities and, in the context of sustainable development, 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. As part of the Inventors Market, in 2021 68 projects were announced.

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 (Miedziove 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

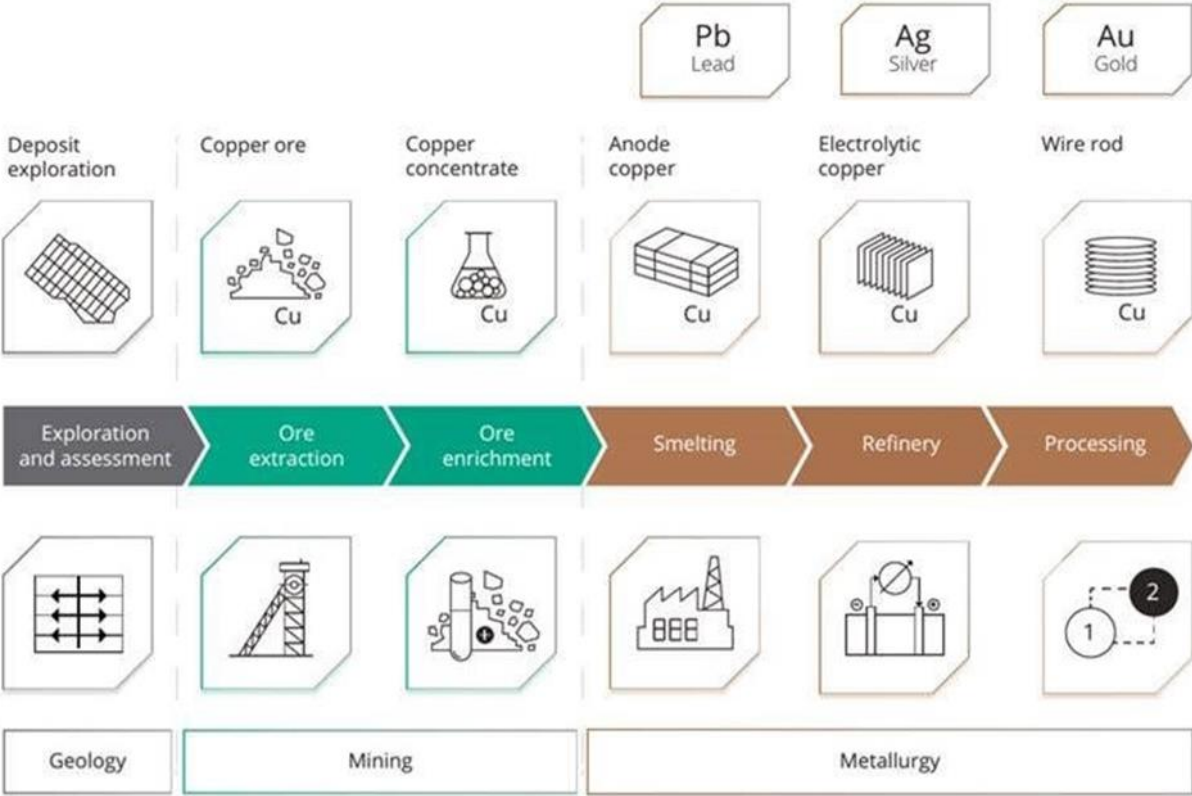
Group and affect the availability of funds for the company's growth, implementation of strategic tasks and increase profits by reducing costs of financing. This allows the Group to plan and implement a number of significant long-term investment projects.

Integrated process – from exploration to sales

Production at KGHM Polska Miedź S.A. is a fully integrated process whereby the end product of one technological phase forms the input (intermediate product) for the subsequent phase. Mining in KGHM Polska Miedź S.A. is performed by three mining Divisions: Lubin Mine, Rudna Mine and Polkowice-Sieroszowice Mine. 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. A fact worth noting is that KGHM Polska Miedź S.A. has been rapidly developing and implementing certain elements of the circular economy concept in its operations. To this end, it has been making progress in the areas of recycling and further improving the utilisation of post-production waste as the so-called secondary sources of raw materials.

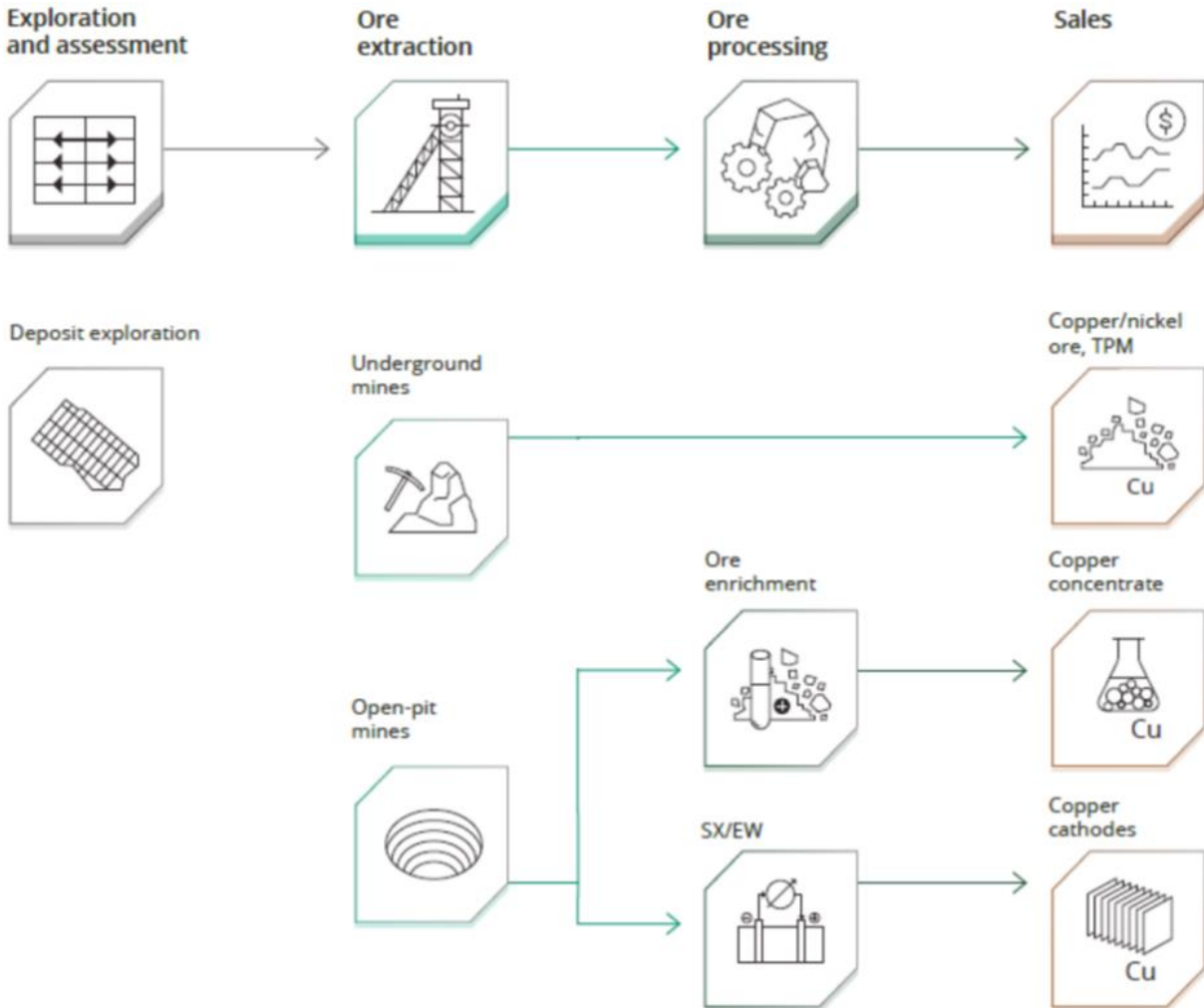
In the KGHM Polska Miedź S.A. Group, production and production-related processes are performed in accordance with the following two models:

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



The core line of business of the members of the KGHM INTERNATIONAL LTD. Group is the mining of metals, including copper, molybdenum, nickel, gold, platinum and palladium, carried out in both open-pit and underground mines, and the execution of mining and exploratory projects.

Simplified model of the core line of business in 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

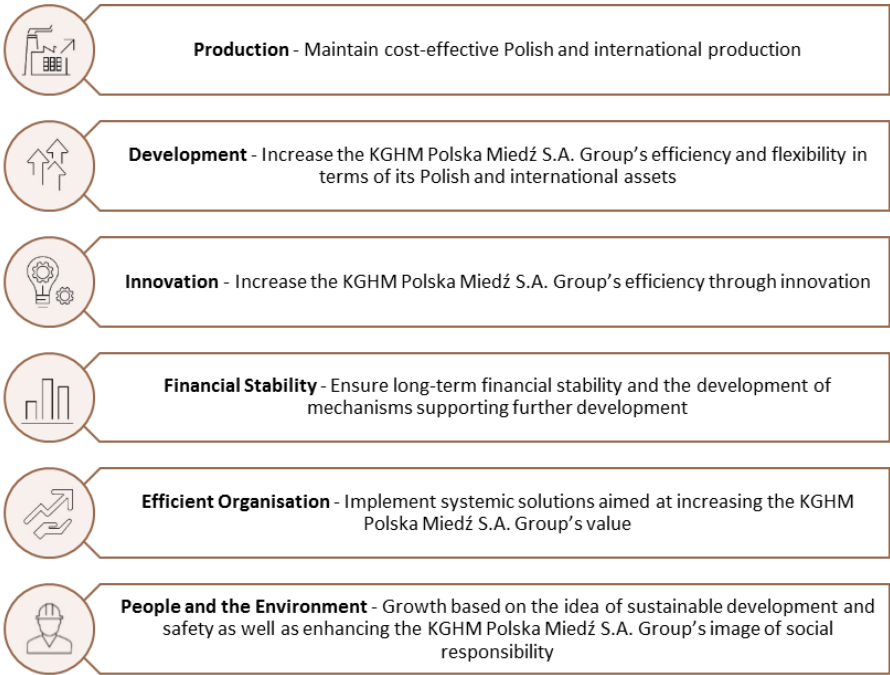
February 2022, in Washington, KGHM signed a contract with NuScale on starting work on the implementation of SMRs in Poland.

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.

1.12. STRATEGY OF KGHM POLSKA MIEDŹ S.A.

Until the end of 2021, the Company was implementing the “Strategy of KGHM Polska Miedź S.A. for the years 2019-2023” which was approved on 19 December 2018. The Strategy is based on four development directions, the 4 Es, (Flexibility/elasticity, Effectiveness, Environment and E-industry) linked to global market trends. These directions are reflected in six identified strategic areas, with individualised and measurable core objectives, as shown in the chart below:

Strategic areas and core objectives of the KGHM Polska Miedź S.A. Strategy for 2019-2023



So far, the implementation of the Strategy of the KGHM Polska Miedź S.A. Group for 2019-2023 has allowed the KGHM Group to take advantage of the favourable macroeconomic trends to increase the scale of its business, improve its production performance and financial standing. However, due to evolution of the Company’s surroundings, the accepted strategic assumptions had to be reviewed and updated. The need for the review and redefinition coincided with the extraordinary market situation related to the SARS-CoV-2 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” submitted by the Management Board. It is now the current Strategy of the Company, which takes account of the macroeconomic environment and the

geopolitical situation which affects the mining industry. Green transformation through renewable power generation and modern technologies takes a particularly important place in the planned activities. The updated Strategy has not changed the Company's existing approach to its business activity. KGHM continues to uphold its responsible approach and long-term thinking about the future of its business.

The mission and vision of the Company remain unchanged and the goals of the Strategy are ambitious but realistic. 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 in the Strategy of KGHM Polska Miedź S.A.



The "5E" Strategy now has 5 pillars (Core Business, New Business, Supporting Activities, Health, Support for Society) based on the 5 updated development directions presented in the chart below.

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

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

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

I. FIRST PILLAR – CORE BUSINESS, COMPRISED OF THE FOLLOWING KEY ELEMENTS:

- Advanced technology and R&D creating an intelligent production line.
- Optimisation of mine production domestically and abroad ensuring long-term operational continuity;

- Leadership in the development of low-emissions mining capacity as regards new metals and minerals deposits in Poland;
- Development of metallurgy utilising efficient processing based on Circular Economy principles.

Core objective	Objectives for 2030:
Strengthen the position of the KGHM Polska Miedź S.A. Group as a global player in the mining and metallurgy sector	<ol style="list-style-type: none"> 1) Domestic production of copper – approx. 600 thousand tonnes of electrolytic copper (also based on increased processing of third party materials and recycled copper). 2) International production of copper – Increasing production from KGHM's international assets by extending the lifespan of active mines, development of assets within the portfolio of mining projects owned and increase of the resource base through the implementation of the International Exploration Strategy. 3) Production of silver – Maintaining its position among the top 3 producers of silver globally (approx. 1200 t. of silver per year). 4) Profitability – 10.2% (average ROCE, i.e. return on capital employed in the last 3 years). 5) Price competitiveness – 3rd decile

II. SECOND PILLAR – NEW ACTIVITIES, COMPRISED OF THE FOLLOWING KEY ELEMENTS:

- One of the leading producers of environmentally-friendly electricity supporting Poland's energy transition.
- Expansion along the value chain through development of new products of copper and other metals (including cooperation with partners in Poland and abroad).

Core objective	Objectives for 2030:
Diversification and efforts towards sustainable development through building own power capacity from low-emission sources	<ol style="list-style-type: none"> 1) Energy produced – at least 50% of consumption. 2) Reduction of estimated CO₂ e emissions resulting from the consumption of electricity – 1.0 million tonnes CO₂ e. 3) Diversification of the commercial offer with respect to metals (increased share of new semi-finished products made of copper (Cu-OFE wire, Cu-OFE granulate) and other metals in the Group's general sales) – 10%.

III. THIRD PILLAR – SUPPORTING ACTIVITIES, COMPRISED OF THE FOLLOWING KEY ELEMENTS:

- Being a significant supplier of Smart Mining solutions, with respect to products and services sold in Poland and globally.
- Ensuring financial stability of the KGHM Polska Miedź S.A. Group and implementing systemic solutions to increase the Group's shareholder value.

Core objective	Objectives for 2030:
Redefining the method of using assets supporting the core business	<ol style="list-style-type: none"> 1) Scrap recycling – approx. 350 thousand tonnes of copper scrap. 2) Revenues from external markets in selected Group companies, assuming 2020 as the base=100%: an increase of 147% by 2030 vs. the base year for KGHM Zanam S.A., Nitroerg S.A., PeBeKa S.A. and 163% vs. the base year for DMC Mining Services Ltd.

IV. FOURTH PILLAR – HEALTH, COMPRISED OF THE FOLLOWING KEY ELEMENTS:

- Developing health promotion and spa activities as a contribution extending the length and quality of life of citizens.

Core objective	Objectives for 2030:
Development of the spa assets held, as a contribution extending the length and quality of life for society as a whole	<ol style="list-style-type: none">1) LTIFR – Target of 0 accidents.2) TRIR – Target of 0 accidents.3) The level of support for the Health Area provided by the KGHM Polska Miedź Foundation is approx. PLN 7 million.

V. FIFTH PILLAR – SUPPORT FOR SOCIETY; WITH THE CORE ELEMENT BEING:

- Growth based on the idea of sustainable development and safety

Core objective	Objectives for 2030:
Growth based on the idea of sustainable development and safety	<ol style="list-style-type: none">1) Supporting just transition of the mining industry.2) Number of volunteering projects executed – 30.3) The overall level of support granted for culture, sports, and health is approx. PLN 48 million.

The Group's Strategy until 2030 also identified climate objectives associated with the reduction of emissions by KGHM, which are consistent with those named in the KGHM Polska Miedź S.A Climate Policy, a document complementary to the Strategy, and consistent with the climate objectives for 2030 and 2050.

Information on the KGHM Polska Miedź S.A.'s strategy is presented on our website at <https://kg hm.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 domestic companies, the development policy was also focused on cooperation between the Group's entities and attempted to eliminate overlapping areas of powers in respective entities.

As the Strategy was implemented in international companies of the KGHM Group, efforts were made to develop unified reporting principles, consistent internal regulations and to standardise solutions in the functional areas of the international entities.

In domestic companies, the main goal of the development intent was to ensure business continuity and occupational safety in the KGHM Polska Miedź S.A.'s core production business and to integrate the KGHM Group around the sustainable development concept, which included implementation of growth initiatives consistent with the Circular Economy concept in order to reduce the Group's adverse environmental impact.

In international companies of the KGHM Group, a number of reorganization measures was undertaken aimed at integrating KGHM INTERNATIONAL in Canada with the company's activity in Poland and

transferring some of KGHM INTERNATIONAL's business functions to Poland. In 2021 these efforts were continued, mainly in respect of the development of consistent internal regulations, procedures and standardised solutions in the individual areas of the Company's activity. Also, internal actions were undertaken to implement growth scenarios for the respective international assets held 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 2019-2023 Strategy, the focus of investment 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 (Southern Quarter and the Tailings Segregation and Compacting Station),
- investment projects supporting drainage of the mines,
- investment projects adapting 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 smelter/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 continued 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://kgm.com/en/investors/results-center/financial-reports>.

1.13. 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.

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:

UN sustainable development goals for the years 2015-2030 pursued by KGHM Polska Miedź S.A.



The 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).

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 10, 5). 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

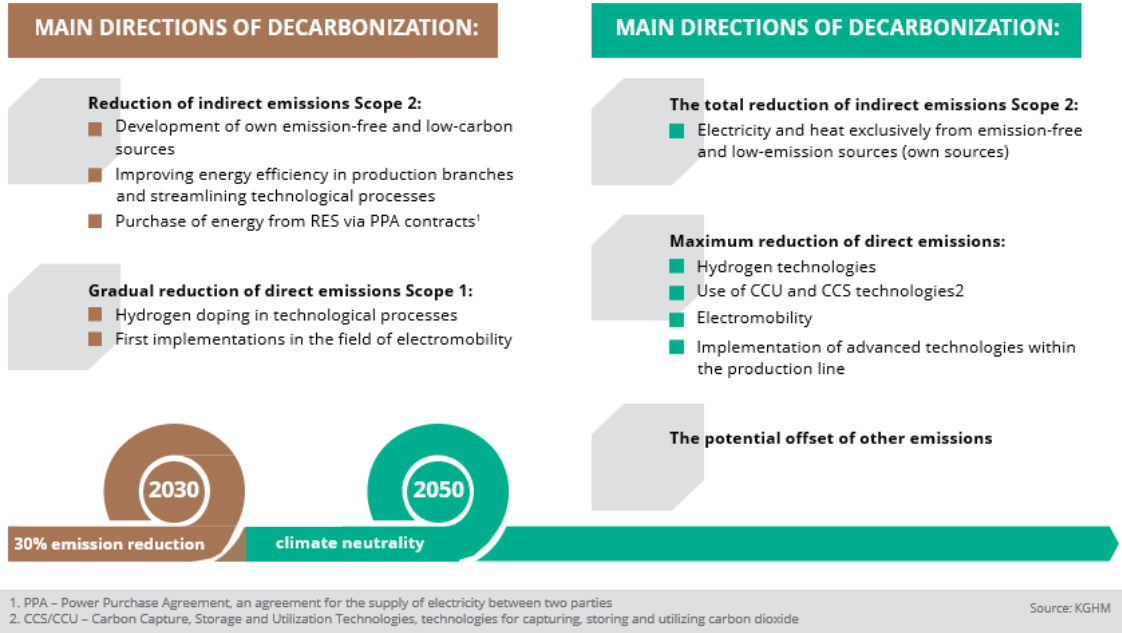


On 16 November 2021, the Management Board of KGHM Polska Miedź S.A. adopted a resolution approving for application the "KGHM Polska Miedź S.A. Climate Policy", a document setting out the Company's greenhouse gas emission goals in the horizon of 2030 and 2050 and the scope and degree of changes required to achieve them. The scope and impact of the Climate Policy covers KGHM Polska Miedź S.A., which will then transfer its objectives to the subsidiaries. The overriding objective of the KGHM Climate Policy is for the Parent Entity of the KGHM Polska Miedź S.A. Group to achieve climate neutrality by 2050 with respect to Scope 1 GHG emissions – direct emissions related primarily with the Company's production activity, and Scope 2 emissions – indirect emissions associated with the consumption of electricity and heat purchased on the market, while reducing them as much as possible. 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. The reduction objectives for the entire KGHM Group will be announced publicly no later than in H1 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 KGHM Polska Miedź S.A. Climate Policy 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 emissions by KGHM, which are consistent with those named in the KGHM Polska Miedź S.A Climate Policy, a document complementary to the Strategy, and consistent with the climate objectives for 2030 and 2050.

Emission reduction goals of KGHM Polska Miedź S.A. and key carbon reduction directions



Every year KGHM strives to introduce effective solutions to manifest its efforts to operate in line with the idea of a circular economy. One of the ways of using waste materials to pursue a 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.

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 area of the Copper Basin. 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 the engines of mining machines.

The priority for KGHM is to acquire energy from its own sources and renewable sources. In 2021, electricity produced in the 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 several investment projects are much better than the levels required by the law.

1.14. BEST PRACTICES 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. Based on the results of these activities, decisions are made to continue or refresh the accepted strategic assumptions. The whole organization is engaged in the process of operationalizing the Strategy. The Company makes sure that the flexible business Strategy is a living organism responding to changes in real time and adapting to market challenges, while also maintaining consistency in long-term activities. KGHM uses a dedicated internal procedure to also monitor and oversee the Strategy implementation work through the lens of Strategic Programs, which are gradually implemented in successive periods. The Strategic Programs are aimed at achieving the key objectives of the KGHM Strategy and allow attention to be focused on the tasks that create the most value in the Company.

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 Update for KGHM Polska Miedź S.A.'s 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

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 the 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-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.

2. RISK AND RISK MANAGEMENT



The KGHM Polska Miedź S.A. Group defines risk as the effect of uncertainty inherent in its operations that may give rise to both opportunities and threats to the attainment of business objectives. We assess the current and future, actual and potential impact of the risk on the activities of the KGHM Polska Miedź S.A. Group. Based on the assessment, we review and adapt the management practices to address the risk.

The process of corporate risk management in the KGHM Group is consistently performed on the basis of the Corporate Risk Management Policy and Procedure and the applicable Rules of the Corporate Risk and Compliance Committee.

KGHM Polska Miedź S.A. oversees the corporate risk management process in the KGHM Polska Miedź S.A. Group; while the documents regulating the corporate risk management process in the Group companies are consistent with those of the Parent Entity.

The Corporate Risk Management Policy in the KGHM Polska Miedź S.A. Group is available on the KGHM website under the Investor Relations tab [Risk Management | KGHM corporate website](#).

The corporate risk management system is subject to an annual effectiveness assessment as required in the “Best Practice for GPW Listed Companies 2021”, which came into effect on 1 July 2021 (previously as required in the “Best Practice for GPW Listed Companies 2016”).

Risks occurring in various areas of the KGHM Polska Miedź S.A. Group’s operations are continuously identified, assessed and analysed in terms of their possible mitigation. Each key risk factor in the KGHM Polska Miedź S.A. Group undergoes 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 Finance Management.

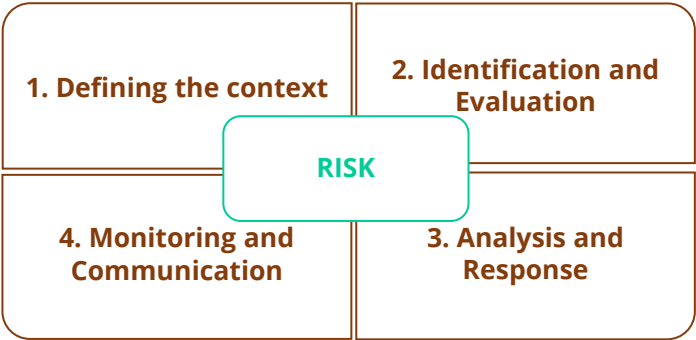
In order to standardize the approach to the systematic identification, assessment and analysis of compliance risk, defined as compliance with the requirements arising from the applicable legal (external and internal) regulations or voluntarily assumed legal obligations and standards (including ethical

standards), the Compliance Management Policy in the KGHM Polska Miedź S.A. Group and the Compliance Management Procedure and Methodology in KGHM Polska Miedź S.A., as adopted by the Management Board of KGHM Polska Miedź S.A., have been in effect since 2020. The compliance management process, which is linked to the corporate risk management process in the KGHM Group, is an important business tool for preventing events which could result in sanctions.

In 2021, the Company launched the implementation process of a comprehensive business continuity management system. It will enable a more detailed definition of the scope of corporate risk management activities undertaken for risks of catastrophic scale and low probability of occurrence. This is reflected in the Business Continuity Management Policy in the KGHM Polska Miedź S.A. Group and the Compliance Management Procedure and Methodology in KGHM Polska Miedź S.A. The documentation prepared for the comprehensive business continuity management system sets out the principles and requirements for building KGHM's resilience to catastrophic events by streamlining and unifying the approach to business continuity risk management for the core production business and for preparing for unexpected events.

The corporate risk management process adopted in the KGHM Group is inspired by the solutions adopted in the ISO 31000 standards, by best practice in risk management and the unique characteristics of the KGHM Group, and it is composed of the following stages:

Enterprise risk management process



STAGE 1
Definition of Context

The first step in the process consists of three actions: identification of the external context, the internal context and the risk management context.

The external context is the environment, in which the KGHM Polska Miedź S.A. Group is pursuing its Strategy. Identification of the context requires an update of the understanding of the social, political, legal, regulatory, financial, economic and technological aspects of the environment that affect the business activity. At this stage, based on the results of a scenario analysis, the key drivers of transition to a low-emission economy are also examined along with the pathways of climate change and weather patterns that are processed at further stages of the process.

Identification of the internal context requires an analysis of (strategic/business) goals, planned and implemented changes in the organizational structure, new areas of the business activity, projects, etc. The final action within this step is to define the risk management context, which comprises setting or updating goals, scope, responsibility as well as procedures and methodologies applied in the risk management process.

<p style="text-align: center;">STAGE 2</p> <p style="text-align: center;">Identification and Assessment</p>	<p>At this stage of the process, the risks that could affect the achievement of goals at the level of the KGHM Polska Miedź S.A. Group are identified and assessed. The main task at this stage is to prepare a complete list of threats, which might facilitate, hamper, accelerate or delay the attainment of goals. Each identified risk is systematised by categories and subcategories in the form of a Risk Model, which serves the KGHM Polska Miedź S.A. Group as a standardised risk taxonomy.</p> <p>When identified, each corporate risk is subjected to assessment using the Risk Assessment Matrix, which provides scaled assessment ranges for the dimensions of impact, vulnerability and probability. Risk may bring diverse effects and therefore, in order to ensure as a broad identification of the potential impact as possible and to restrict the subjectivism of the assessment, the following impact assessment dimensions have been defined:</p> <ul style="list-style-type: none"> - Finance – impact of the effects of a given risk in the financial dimension through the application of value ranges. - Strategy – assessment the risk impact on the attainability of strategic goals. - Reputation and Stakeholders – risk impact on the Company's reputation, brand trust, investor relationships, stakeholder relationships, including effectiveness of the activities related to building responsible business and sustainable development. - Health and Safety – direct impact on people's health & safety and life. - Natural Environment – risk materialization impact on the natural environment, ecosystem's activity and the time needed to restore the balance that has been disturbed. - 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. - Business Continuity – assessment of the impact of risk on business interruptions causing severe/irreversible consequences and loss of access to information that is critical for the business. <p>The risk identification and assessment results are presented graphically, i.e. in the form of Risk Maps. They outline the risk profile and support the key risk selection process.</p>
<p style="text-align: center;">STAGE 3</p> <p style="text-align: center;">Analysis and Response</p>	<p>The aim of this stage is to expand the knowledge and gain an understanding of the specific nature of the key risks selected at the previous stage. Cause and effect analyses and an in-depth description of risk management methods are supposed to enable the decision to continue or change the present method. A directional decision is called a Risk Response. A change of the method requires specification of Corrective Actions, that is organizational, process, systemic and other changes aimed at mitigate the key risk.</p> <p>Applicable Key Risk Indicators (KRIs), that is sets of business process parameters or environment parameters reflecting changes of a given risk profile, are also defined at this stage.</p>
<p style="text-align: center;">STAGE 4</p> <p style="text-align: center;">Monitoring and Communication</p>	<p>The aim of this stage is to ensure that the applied Risk Response Plan is efficient (ad-hoc and periodic reports), new risks have been identified (Risk Register update), changes in the internal and external environments and their impact on the business activity have been found, and appropriate measures have been taken in response to incidents (Incident Information update).</p> <p>An efficient, well planned and properly executed risk monitoring enables flexible and quick reactions to the changes occurring in the external and internal environments (e.g. risk escalation, changes in the measures related to risk response, or risk assessment parameters, etc.).</p> <p>The execution of the stage provides the assurance that risk management in the KGHM Polska Miedź S.A. Group meets the expectations of the KGHM Polska Miedź S.A. Management Board, the Audit Committee of the KGHM Polska Miedź S.A. Supervisory Board and other stakeholders by delivering reliable information about risk, ensuring continuous improvement and aligning the quality and efficiency of the Risk Response to the requirements of the external and internal contexts.</p>

Risk management organizational structure of KGHM Polska Miedź S.A.

Supervisory Board (Audit Committee)
Performs annual assessment of the effectiveness of the risk management process and monitors the level of risk factors and ways to address them.

Management Board
Has ultimate responsibility for the risk management system and for supervision over its individual elements.

First line of defence	Second line of defence				Third line of defence
Management	Risk Committees				Audit
<p>Managers are responsible for identifying, assessing and analysing risk factors and for the implementation, within their daily duties, of responses to risk.</p> <p>The task of the management staff is ongoing supervision of the application of appropriate responses to risk within the tasks realised, to ensure the expected level of risk is not exceeded.</p>	Support the effectiveness of the risk management process.				<p>The Internal Audit Plan is based on assessing risk and subordinated business goals, assessed is the current level of risk factors and the degree of efficiency with which they are managed.</p> <p>Internal Audit Rules</p> <p>Executive Director for Audit</p> <p>Reporting to the President of the Management Board</p>
	Corporate Risk and Compliance Committee	Market Risk Committee	Credit Risk Committee	Financial Liquidity Committee	
	Manages corporate risk and continuously monitors the key risk	Manages risk of changes in metals prices (e.g.: copper and silver) as well as exchange and interest rates	Manages counterparty default risk	Manages risk of loss of liquidity, understood as the ability to pay financial liabilities on time and to obtain financing for operations	
	Corporate Risk Management Policy	Market Risk Management Policy	Credit Risk Management Policy	Financial Liquidity Management Policy	
	Compliance Management Policy				
	Business Continuity Management Policy				
Corporate Risk and Compliance Management Department	Executive Director for Finance Management				
Reporting to the Management Board	Reporting to the Vice President of the Management Board (Finance)				

2.1. CORPORATE RISK – KEY RISKS AND MITIGATION

The holistic approach to risk management is consistent with the growth strategy, continuous aspiration for operational excellence and with the principles of sustainable and responsible business. It has been designed to support the KGHM Polska Miedź S.A. Group in building a resilient corporate structure. The Risk Model is a tool used to identify risk in the KGHM Polska Miedź S.A. Group. In 2021, actions were taken for the risk taxonomy to incorporate climate change, as suggested by TCFD Recommendations (recommendations of the Task Force on Climate-Related Financial Disclosures). The Risk Model, whose structure is based on the sources of risk, is divided into 6 categories: Technological, Value Chain, Market, External, Internal and Climate. Several dozen sub-categories have been identified and defined covering particular areas of the operations or management. The KGHM Polska Miedź S.A. Group acts with due diligence when taking measures for minimizing risk exposure by reducing vulnerability to the individual risk factors and probability of materialisation of the events which might be triggered by such factors. However, threat identification and assessment is always accompanied by the uncertainty about the effectiveness of the applied and intended preventive measures, in particular in an area outside the direct control of the KGHM Polska Miedź S.A. Group.

In reference to Article 49a of the Accounting Act, it must be stated that, 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.



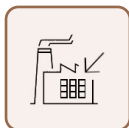
Value Chain

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.



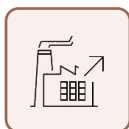
Market

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 the description of key risks inherent in the activity of the KGHM Polska Miedź S.A. Group in 2021, broken down into individual categories along with means for their mitigation, including identification of the specific risk for the Parent Entity and the KGHM INTERNATIONAL LTD. Group. The key risk is future uncertain events exerting the greatest impact on the attainment of the business goals of the KGHM Polska Miedź S.A. Group taking into account the assessment of vulnerability, i.e. the organisation's ability to reduce the probability that a risk materializes and mitigate its effects.

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

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 equipment 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 mix 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. Action is taken on an ongoing basis to ensure technical working order of maintenance and service systems. An overhaul policy and emergency procedures are in place and suppliers are monitored on an ongoing basis within the scope described in instructions and contracts. 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 linked to potential ineffectiveness of the mechanisms controlling these processes.

In 2021, a significant factor affecting the exposure to the risk was the general uncertainty in financial markets associated with successive waves of the pandemic, the dynamics of business and the pace of economic recovery from the recession caused by the COVID-19 pandemic.

Mitigation

Forecasts related to specific areas of the operations prepared by appropriate specialised units and ensuring the uniformity of operating plans with strategic plans. Regular 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. The assessment of key risks affected by the coronavirus pandemic was subjected to particular analysis, through ongoing monitoring of selected information in the production, sales, supply chain, personnel management and finance areas, in order to support the management processes in the conditions of increased uncertainty caused by the 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.

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.

(KGHM INTERNATIONAL Group)

Risk of insufficient understanding of the parameters and characteristics of deposits, both in exploration projects (estimation of inputs to deposit valuation models) and in ongoing production.

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 a particular project.

Preliminary modelling data are collected in accordance with geological documentation held and prepared based on existing law as well as reviewed and consulted internally with experienced staff. Detailed analyses are performed on the results of on-going work, with a project's initial assumptions being updated. Incurring expenditures on prospecting and evaluation enables the assessment of ore resources and research into geological-mining conditions, aimed at planning subsequent mining activities.

(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. The risk factors are related to the management of and control over the facility, maintenance of the technological regime and satisfaction of environmental requirements. Another source of risk are

Operating the storage facility in accordance with the operating instructions.
Cooperation with a team of international experts (TIE) and a General Designer.
Applying observational methods based on the assessment of geotechnical parameters obtained through evaluation of the

external factors attributable to administrative bodies and the requirement to maintain the necessary administrative decisions for the functioning of the facility. Some risk exposure is also linked to the possible unscheduled shutdowns resulting from infrastructure breakdowns, which may impact the continuity of operation of the Core Production Business.

(KGHM Group)

Risk of unavailability of the necessary power sources.

The KGHM Group is exposed to the risk of unavailability of power sources necessary for its operations. Potential disruptions in the supply of key power sources is related mainly to risks affecting external suppliers and breakdowns of their transmission infrastructure. This risk also entails the possibility of power supply being suspended as a result of seasonal, prolonged droughts, resulting in temporary reduction of water levels in rivers, which in turn may restrict the operations of power plants supplying KGHM. Amongst internal factors, the most important involve questions of maintaining operations, utilisation and investments and modernisation work.

monitoring results, which enables a conclusion regarding the behaviour of the facility being operated.

Systematic supervision and control over the entire Żelazny Most Tailings Storage Facility, including regular detailed analysis of risk of all the factors affecting its stability.

Ensuring back-up power/gas systems and on-going assessment of the security of the power network. Conducting a number of investment projects to strengthen 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 (POE). 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.

(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).

Preventive management of key infrastructure elements affecting production continuity. Appointment of a task and expert teams in the area of counteracting infrastructure breakdowns. 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 Group launched the implementation process for a comprehensive business continuity management system consistent with the ISO 22301 standard. It establishes a procedural framework at the whole organization level, under which a common approach will be used to build solutions ensuring business continuity and enabling its recovery.

(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, TC/RCs, selling premiums and costs of services and utilities (especially energy utilities). This risk is also related to the estimation of costs of provisions for the restoration of mining terrain based on existing law for the territories in which the KGHM Group operates.

In 2021, a significant factor affecting the exposure to the risk was the general uncertainty in financial markets associated with successive waves of the pandemic, the dynamics of business and the pace of economic recovery from the recession caused by the COVID-19 pandemic.

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, securing the Company against changes in the USD/PLN exchange rate and metals prices (mainly copper). Creating multi-year plans and budgets enabling the achievement of profitability under conditions prevailing on the market. The assessment of key risks affected by the coronavirus pandemic was subjected to particular analysis, through ongoing monitoring of selected information in the production, sales, supply chain, personnel management and finance areas, in order to support the management processes in the conditions of increased uncertainty caused by the pandemic.

(KGHM Group)

Risk of disruptions of the continuity of sales and service processes (also due to the COVID-19 pandemic)

Due to its extensive sales and service structure, the KGHM Group is at risk of disruptions of the continuity of these processes caused primarily by external factors. The sources of the risk is changes in the demand for individual product ranges and in individual geographic markets, production limitations, disruptions in transport and logistics (in particular in international transport), force majeure (extreme weather events) and limitation of the business activity as a result of the introduced legal regulations at the national and international levels. The risk substantially contributes to decreased revenues of the KGHM Group and, what follows, lower operating profits.

In 2021, a significant factor affecting the exposure to the risk was the general uncertainty in financial markets associated with successive waves of the pandemic, the dynamics of business and the pace of economic recovery from the recession caused by the COVID-19 pandemic.

Ongoing monitoring of customers' situation, which enables a dynamic response to customer needs (such as regular conference calls, employee availability and mobilization, use of various information exchange channels and reaction to the occurring disruptions), analysis of the situation affecting customers' activity and logistics in individual countries of consumers and transit routes, dynamic formation of the sales structure (changes in sales in individual product ranges, among customers from individual sectors and in individual geographic markets enabling a response to demand changes, if any, in individual sectors of consumption). Customer portfolio diversification resulting in the possibility to neutralize the reduced number of orders from some consumers through additional sales to others, the presence in the spot market (it enables immediate product allocation as part of the current demand among counterparties) apart from the main strategy, which relies on long-term and annual contracts based on a long-term business relationship.

In 2021, the COVID-19 pandemic had the most significant impact on the Group's ancillary activity involving hotel and spa services. A range of safety procedures were introduced to protect patients, hotel guests and employees of the companies against SARS-CoV-2 virus infections. KGHM Polska Miedź S.A.'s spa and hotel companies have obtained financing from the Polish Development Fund under the Anti-Crisis Shield 1.0 for large enterprises and the Anti-Crisis Shield 2.0 for MSME sector. The companies have restored full provision of commercial and health care services in keeping with the sanitary regime and the statutory restrictions regarding the permitted occupation. Over the longer term, the main factor normalizing the situation in the hotel and spa industry will undoubtedly be the progressing vaccination campaign.

Category - Market

Risk and description of risk factors

(KGHM Group)

Market risk related to volatility in metal prices, 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, a significant factor affecting the exposure to the risk was the general uncertainty in financial markets associated with successive waves of the pandemic, the dynamics of business and the pace 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 derivative instruments. Natural hedging is also applied. Information on the impact of COVID-19 on the activity of the Company and the Group is described in detail in Section 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 More on market risk 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

(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 is a risk that the buyers might not pay the price for the products on time.

In 2021, a significant factor affecting the exposure to the risk was the general uncertainty in financial markets associated with successive waves of the pandemic, the dynamics of business and the pace of economic recovery from the recession caused by the COVID-19 pandemic.

This risk is actively managed by the Parent Entity, in accordance with the Credit Risk Management Policy. Exposure to credit risk is limited by evaluating and monitoring the financial condition of customers, setting credit limits and applying creditor security. The companies of the KGHM Group have for many years cooperated with a large number of customers, leading to the geographic diversification of trade receivables. Information on the impact of COVID-19 on the activity of the Company and the Group is described in detail in Section 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 Extended 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

(KGHM Group)

Liquidity risk.

Loss of liquidity risk is defined as the capacity to pay financial liabilities on time and raise funds to finance operations.

In 2021, a significant factor affecting the exposure to the risk was the general uncertainty in financial markets associated with successive waves of the pandemic, the dynamics of business and the pace of economic recovery from the recession caused by the COVID-19 pandemic.

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 activity of the Company and the Group is described in detail in Section 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 More on the loss of liquidity risk 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

Category – External risks

Risk and description of risk factors

(KGHM Group)

Risk of reduced production due to seismic tremors and associated roof collapses or destressings 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 involves 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 rock bursts and roof 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

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 to take over production on a limited basis.

infrastructure, along with production downtimes resulting in reduced production.

(Parent Entity)

Risk of reduced production or slower progress of preparatory work as a result of gas-related geodynamic hazards and 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 resulting in reduced 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 that can take over production on a limited basis are being prepared.

(Parent Entity)

Risk of reduced production due to unfavourable climate conditions in mines.

KGHM is exposed to a specific risk related to the underground climate, limiting activities or increasing costs, involving geological conditions, the temperature of the air sent into the mines and underground mining conditions.

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. Ongoing monitoring of the microclimate parameters and introduction of remote control and visualisation and surveillance systems (CCTV cameras) in workplaces with particularly adverse climate parameters. Reduction of external and internal losses and relative humidity and increase in airing intensity. The use of shortened working time.

(Parent Entity)

Risk of losing functionality of mining areas as a result of 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 drainage equipment, human error (actions contrary to the project or technology) or mistaken geological conclusions.

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. Review 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. In order to minimize the risk of uncontrolled inflow of water underground, the Group continues the project entitled "Construction of the main drainage system in the area of the SW-4 shaft", which ultimately should increase the capacity of draining the mine.

(KGHM Group)

Risk of exceeding permitted emission limits specified in relevant permits

The KGHM Group is exposed to the risk of impact on various components of the natural environment resulting from the mining of copper ore, followed by its processing at all stages of the production process, which could lead to the breaching of permissible emissions limits.

Undertaking actions under the Air Protection Programs and R&D work. Execution of the Program to adapt the technological installations of KGHM to the requirements of BAT Conclusions for the non-ferrous metals industry and to restrict dust emissions.

(Parent Entity)

Risk of restrictions to the ability to sell sulphuric acid (due to loss of market/customers and/or a drop in demand, also 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 the exposure to risk was the situation on the fertilizer market in connection with the COVID-19 pandemic.

Increase the number of internal storage facilities at the metallurgical plants as well as of warehouses in the port in Szczecin. Search for new sales markets. Long term contracts. Payments to customers and incur transport costs. Search for alternative ways to manage the acid and utilise it in the Concentrators. In 2021, ongoing actions were taken to address the situation on the fertilizer market resulting from the COVID-19 pandemic, i.e. fluctuating demand from counterparties.

(KGHM Group)

Risks associated with disruptions in the supply of strategic materials and components affecting the continuity of the Core Production Business (also as a result of the COVID-19 pandemic)

The KGHM Group is exposed to the risk of disruptions in the management of the supply chain resulting mainly from external factors causing an increase in the sensitivity of the supply chain. These factors include, but are not limited to: unpredictable variations in supply and demand, changes in supplier bases, technological changes, changing buffers in inventory and lead

Constant contact with suppliers is maintained to enable a quick reaction to delays through the supplier and supply direction diversification strategy employed in the KGHM Group and application of alternative solutions, e.g. substitutes, changes in production/assembly schedules. Moreover, a business continuity plan has been developed for the KGHM Group in the event that production is limited, halted, or it is temporarily put on standby. An ongoing monitoring of suppliers and inventories is performed. In connection with the COVID-19 pandemic, regular measures are taken to eliminate the rare instances of delays on the side of suppliers due to unavailability of components, logistics limitations

times, dependence on suppliers, as well as logistical disruptions, force majeure and fluctuations in currency exchange rates and metal prices.

In 2021, a significant factor affecting the exposure to the risk was the general uncertainty in financial markets associated with successive waves of the pandemic, the dynamics of business and the pace of economic recovery from the recession caused by the COVID-19 pandemic.

(KGHM Group)

Risk of failure to adhere to established principles and standards of conduct 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 procurement, sales and investment processes. Threats are in the form of potential losses by the KGHM Group resulting from the intentional actions of external entities, e.g. collusion over minimum pricing, the insufficient technical and economic potential of contractors, falsification of documentation, fictional contractors, conflicts of interest. Other important risk factors include threats as regards all types of improprieties related to breaching anti-corruption and ethical standards by employees of the KGHM Group (such as corruption, conflicts of interest, abuse, discrimination, illegality, nepotism) and human rights violations (such as child labour, forced labour, modern slavery, women's rights).

or delays at the side of the manufacturers of materials and machinery or parts.

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. Compliance management as part of a comprehensive compliance management system.

In connection with the implementation of the ISO 37001 standard, in 2021 the KGHM Polska Miedź S.A. Group adopted the new Anticorruption Policy. To ensure the implementation of the existing Anticorruption Policy, the Group updated and developed new anti-corruption regulations, which are consistent with the above standard. They are currently being implemented in all entities of the KGHM Group.

In 2021, the Group started to develop the "Human Rights Policy at KGHM Polska Miedź S.A.", which will ultimately supplement and consolidate the human rights issues consistent with the sustainable development model that are included in the Company's other policies and guidelines, such as e.g. the Code of Ethics, the Code of Conduct, the OHS Policy, the Climate Policy, the Responsible Supply Chain Policy.

(KGHM Group)

Risk of non-compliance with the requirements (general law, 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 volatile legal environment (including environmental and tax requirements) may be higher operating costs or restriction of such activities. The risk of interruptions to operations or the need to reorganize work due to new legislation may have a substantial impact on the operations of the KGHM Group (such as the risk of transitioning to the low-carbon economy, circular economy).

Active cooperation with the academic community, which issues opinions on changes to legal acts, and the on-going providing of positions and opinions with respect to numerous areas subject to legislative change (including as part of membership of national and international organisations). Cooperation with renowned law firms and the creation of specialised organisational units which monitor the regulatory environment. Taking pre-emptive actions in order to adapt to organisational, infrastructural and technological changes. In order to standardize the approach to ensuring compliance defined as observance of the requirements arising from the applicable legal (external and internal) regulations or voluntarily assumed legal obligations and standards (including ethical standards), the Compliance Management Policy in the KGHM Polska Miedź S.A. Group and the Compliance Management Procedure and Methodology in KGHM Polska Miedź S.A. are in place. A consistent compliance system in the KGHM Polska Miedź S.A. Group is an element of effective management as part of corporate governance through e.g. a more efficient response and readiness for regulatory changes, care for reputation and ethical culture building in the organisation as well as awareness raising and enhancement of the sense of responsibility for compliance among employees.

Category - Internal risks

Risk and description of risk factors

Mitigation

(KGHM Group)

A detailed allocation 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

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 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 industrial illnesses as a consequence of the effect of the working environment on people. Enhanced exposure to risk is also related to external factors in terms of sub-contractors and their safety culture.

(KGHM Group)

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 organization and its products or services. Risk of ineffective management of relations with stakeholders, which affects the willingness of the environment and the taking of actions towards the KGHM Group. In extreme cases, the materialisation of this risk may lead to the blocking of development plans. Risk associated with raised expectations and awareness of stakeholders as regards sustainability and corporate social responsibility, which could lead to increased operating and investment costs and, in extreme cases, to limitation of the business activity. The changing consumer requirements involve also a focus on the production method rather than merely the quality and price of the final good.

(KGHM Group)

Risk of not being able to secure appropriate staff to achieve the Group's business goals (including lack of sufficient HR resources to maintain continuity of operations of the Core Production business because of 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, the COVID-19 pandemic and its effect on the availability of, in particular, the key employees needed to maintain the continuity of operations of the Core Production Business.

(KGHM Group)

Risk that the confidentiality, integrity or availability of informational assets which have been collected, stored or processed on IT resources may be compromised, as well as cybernetic threats.

The KGHM Group, due to its well-developed IT structure, is exposed to the risk of a breach in the confidentiality, integrity, authenticity 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

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 current Strategy. Actions performed in the self-improvement cycle in order to continuously seek and prepare for implementation the catalogue of initiatives aimed at further improvement of OHS, to advance the long-term goal of the Company, "Zero accidents due to human and technical errors". Optimisation of health care for employees, in particular following workplace accidents and systematic searching for new organisational and technical initiatives to enable the achievement of a higher level of safety of employees in the Divisions of KGHM Polska Miedź S.A. The Group regularly identifies threats and evaluates professional risk, including the risks linked to the SARS-CoV-2 virus pandemic.

Implementation of the CSR Strategy, close collaboration with public administration authorities. Meetings and negotiations with stakeholders, information campaigns, conferences, publications. Cooperation with academic and trade institutions and authorities in order to meet the highest standards of communication and PR management. Care and due diligence in identification of expectations and requirements of the external stakeholders. Establishment of trade and business relationships with entities that declare care about environmental protection and comply with the regulations applicable in this regard.

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 KGHM Group's business goals.

The solutions already implemented in the KGHM Group are regularly analysed and assessed in terms of ensuring employee safety and additional solutions are introduced to mitigate the risk of transmission of SARS-CoV-2 virus among the staff. Maintenance of the validity of the procedures of conduct in case of the necessity to limit or discontinue the production, assumptions for new work systems preventing contact between individual shifts and lists of employees/specialists required and their replacements, who are required to maintain continuity of operation of the Core Production Business. Maintenance of the procedure of conduct in case SARS CoV-2 infections are detected among employees in accordance with the guidelines of the competent government institutions.

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 loss of the confidentiality, integrity, authenticity or availability of informational assets which have been collected, stored or processed on IT resources. On-going monitoring of the usefulness of existing infrastructure as well as the analysis of and planning for the implementation of ICT 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.

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 loss of reputation of the KGHM Group.

In 2021, the Group launched the work to implement automatic monitoring of information flow, which is provided by the modern Data Loss Prevention (DLP) system, and to build a dedicated Security operation Centre (SOC) division. The main task of the new unit will be the first line of support, open 24 hours a day, for handling cybersecurity incidents.

(KGHM Group)

The risk of exceeding project/program budgets and schedules, deviating from defined scopes and failing to meet defined quality parameters as a result of the improper management of portfolios and projects. Risk related to the operational management and development of 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 methodical 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.

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 risks

Risk and description of risk factors

Mitigation

(KGHM Group)

Physical climate risk related to negative climate changes.

The KGHM Group is exposed to climate risk related to the adverse impact of factors resulting from specific events, in particular ones related to acute and chronic weather events resulting from climate change, such as storms, floods, fires or heat waves as well as permanent changes in weather patterns, which may disrupt the value chain and the business continuity of the KGHM Group. The risk is associated with the changes in the conditions of running business activity due to climate changes and adaptation to such changes.

Development and publication of the KGHM Polska Miedź S.A. Climate Policy as a guidance document, which presents the Company's climate ambitions and states the scope of process and organizational changes needed to achieve them. The overriding objective of the KGHM Climate Policy is for the Parent Entity to achieve climate neutrality by 2050 with respect to Scope 1 GHG emissions – direct emissions related primarily with the production activity, and Scope 2 emissions – indirect emissions associated with the consumption of electricity and heat purchased on the market, while reducing them as much as possible. 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. The reduction objectives for the entire KGHM Group will be announced publicly no later than in H1 2023.

(KGHM Group)

Climate risk arising from transitioning to a low-carbon economy that is resilient to climate change.

The KGHM Group is exposed to market risks associated with the necessity for the economy to adapt to gradual climate changes, in particular by using low-emission solutions. The transition risk category includes issues related to legal requirements, how clients and other stakeholders perceive climate issues, technological progress towards a zero-emission economy, as well as changes in demand for and supply of certain products and services whose production has an adverse impact on climate.

The risk is associated with the changes in the conditions of running business activity due to climate changes and adaptation to such changes.

Planning to define in detail the method for achieving the intended reduction targets and for presenting all capital expenditures related to the implementation of GHG emission reduction measures, in the form of the KGHM Group's Decarbonisation Program.

The KGHM Group Strategy takes into account the global trends that drive the environmental challenges and the planned changes to introduce mechanisms incorporating the climate context as part of the Strategy update, implementation and monitoring processes.

The implemented and continuously improved efficient risk management system encompassing also climate risk management allowing for risk categorisation, identification, assessment and management as well as plans for its mitigation.

The implemented and continuously improved efficient compliance management system encompassing also compliance risk management with requirements in the climate area.

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

Preparation of changes in key business and management processes – in particular those linked to or affecting the Parent Entity's reduction of greenhouse gas emissions, through e.g.: changes in the corporate governance area and changes in measures, with the goal of introducing an emission measurement process in the KGHM Group that fully conforms to the GHG Protocol, and implementing the first measures that can be used to monitor how the business model's resilience to climate change is improving.

2.2. 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 these measures, 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 indirect emissions by 2030 and achieving climate neutrality by 2050), which are consistent with the Climate Policy of the KGHM Polska Miedź S.A. Group.

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

Mitigation



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

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.

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.

Ongoing monitoring of the microclimate parameters and introduction of remote control and visualisation and surveillance systems in workplaces with particularly adverse climate parameters.



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:

1. temperature (warm/cool)
2. average temperature
3. 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.

Systematic limitation of energy consumption under the implemented, ISO 50001-compliant Energy Management System and Energy Savings Program (POE). 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 (SMRs).

Diversification and efforts towards sustainable development through building own power capacity from low-emission sources is one of the main Pillars of the newly-adopted Strategy of the KGHM Polska Miedź S.A. Group to the year 2030 with an outlook to 2040, and one of its elements is for KGHM Polska Miedź S.A. to achieve the position of one of the leading producers of environmentally-friendly electricity supporting Poland's energy transition.

Efficient risk management system for long-term/strategic risk, encompassing also climate risk management allowing for risk categorisation, identification, assessment and management as well as plans for its mitigation.

Subcategory – TRANSITION-RELATED RISKS

Risk and description of risk factors

Mitigation



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

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).

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 e.g. 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 membership of national and international organisations). Taking pre-emptive actions to adapt to organisational, infrastructural and technological changes.



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 organization and its products or services. Risk of ineffective management of relations with stakeholders, which affects the willingness of the environment and the taking of actions towards the KGHM Group.

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.

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

Establishment of trade and business relationships with entities that declare that they care about environmental protection and comply with the regulations applicable in this regard.

Increased awareness of climate change in the 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.



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

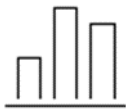
The EU's ambitious climate targets and the existing pressure on the implementation of new low-carbon solutions and the search for reduction of CO₂ emissions in order to achieve the approved emission goals may have a direct impact on KGHM's activities. The need to make the necessary investments and/or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

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.



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. The changing consumer requirements involve also a focus on the production method rather than merely the quality and price of the final product.

At the same time, KGHM 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.

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.

3. ETHICAL FOUNDATIONS

The rules, methods and tools presented below are the key ethical foundations used to ensure the systematic application of due diligence in the KGHM Polska Miedź S.A. Group and the Parent Entity KGHM Polska Miedź S.A.

3.1. VALUES OF KGHM POLSKA MIEDŹ S.A.

KGHM's values bind all employees, regardless of their position in the organisation or nationality, and are a guidepost for all decisions and actions taken.

KGHM 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 smelters, in Poland or in other parts of the world. KGHM builds its global position in the world as a reliable producer, trusted business partner and a company pursuing a sustainable development policy. All 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:

1. Protecting the lives and health of our employees is our priority.
2. Respect for the natural environment, in particular the resources we mine in a responsible manner
3. The Company cares for the local communities within which it operates and maintains a dialogue with.
4. 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.
2. Taking initiative and making extra efforts for the benefit of KGHM.

3. Solid work using the right tools.

Accountability

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

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

Courage

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

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

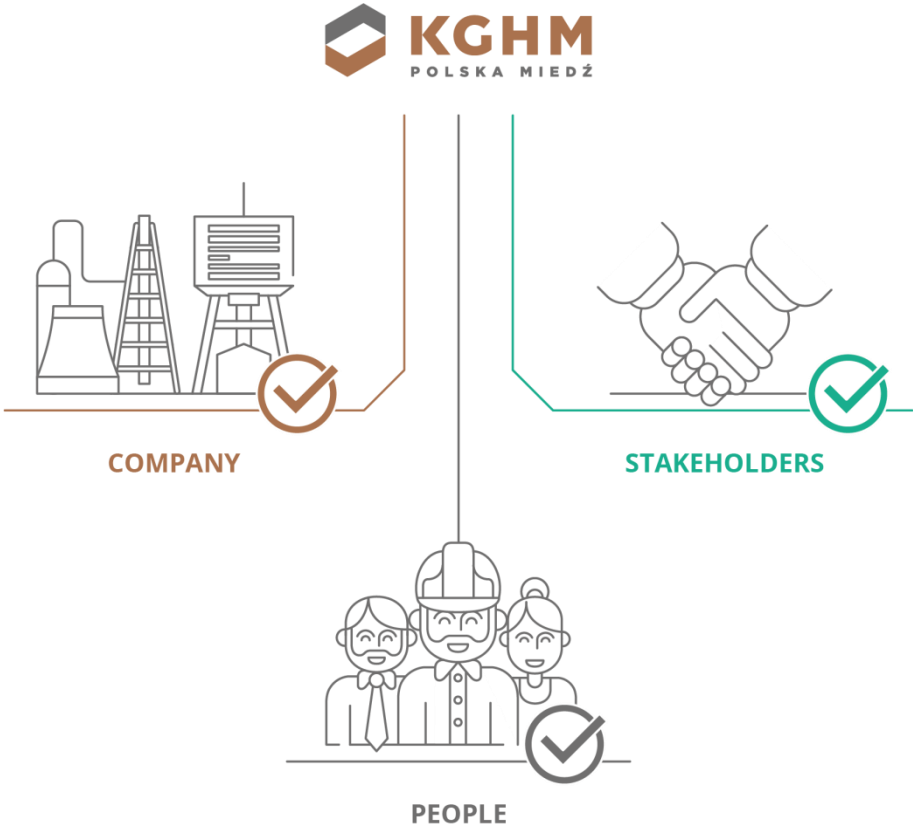
Teamwork

Teamwork is the basis for the Company's success:

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

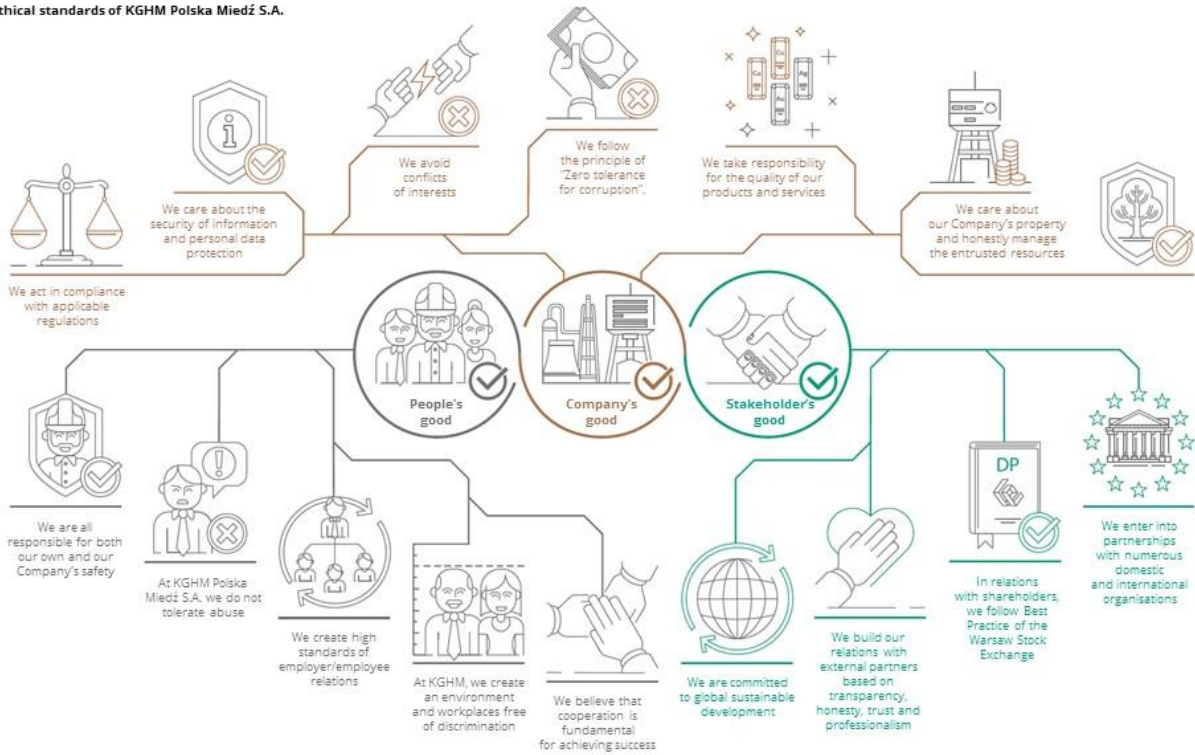
The fundamental Ethical Standards are implemented through the principles of ethical conduct, which are described in the diagrams below:

Key Ethical Standards translating into principles of conduct in KGHM Polska Miedź S.A.



Division of ethical conduct rules

Ethical standards of KGHM Polska Miedź S.A.



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 of the KGHM Polska Miedź S.A. Group sets forth the framework of the compliance management system and the approach encompassing the whole organisation, based on recognised international standards and best industry practices. The solution selected to build the compliance system has been adapted to the unique nature of the Group's operations and is an important business tool used to prevent occurrences that might result in sanctions being imposed on the Group. It enables systematic identification, assessment and analysis of the risk of non-compliance or possible illegality with the generally applicable law, internal corporate regulations and voluntarily adopted legal obligations and standards, including ethical norms, to ensure that the process produces a design and an implementation of measures ensuring compliance.
Competition Law Policy in the KGHM Polska Miedź S.A. Group	The goal of the Competition Law Policy is to create a functional framework for a system that will enable the KGHM Polska Miedź S.A. Group to remain in conformity with the competition laws which are applicable in all the countries in which it operates. In this way, the Group accepts the commitment to compete in the markets in a legal and ethical manner and to prevent, counteract and detect any violations in accordance with the applicable law.
Procurement Policy in the KGHM Polska Miedź S.A. Group	The goal of the Procurement Policy is to set out the key principles, which should guide all the participants of the procurement process in the KGHM Polska Miedź S.A. Group and adopt general regulations governing this process. The policy sets forth supervisory measures mitigating the risk of irregularities in the procurement process.
Anticorruption Policy in the KGHM Polska Miedź S.A. Group	The Anticorruption Policy defines the basic principles and standards aimed at ensuring compliance with the applicable anti-corruption regulations applicable in the jurisdictions where the KGHM Polska Miedź S.A. Group operates, as well as voluntary anti-corruption commitments. The Group has a zero tolerance policy towards corruption and bribery. The Policy contains a declaration of full commitment by the senior management to activities related to the maintenance and continuous improvement of the implemented Anticorruption Management System satisfying 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 securing the selection of only responsible suppliers and ensuring that the products and services purchased by the KGHM Polska Miedź S.A. Group do not contribute to the financing of terrorism and are manufactured or provided in compliance with basic human rights, labour standards, environmental protection and anti-corruption principles.
Security Policy in the KGHM Polska Miedź S.A. Group	The Security Policy sets forth common principles and goals for the entities and organisational units of the KGHM Polska Miedź S.A. Group related to security and loss prevention. Under the Policy, all Group employees operate in accordance with basic principles: professional integrity, accuracy in the execution of official duties, loyalty to the employer, a results oriented approach, courage, teamwork, accountability, shared responsibility for security and loss prevention and avoidance of actions harmful to the employer.

In order to standardize the approach to ensuring compliance defined as observance of the requirements arising from the applicable legal (external and internal) regulations or voluntarily assumed legal obligations and standards, in 2020 the Management Board of KGHM Polska Miedź S.A. adopted the Compliance Management Policy at the KGHM Polska Miedź S.A. Group and the Compliance Management Procedure and Methodology at KGHM Polska Miedź S.A. A consistent compliance system in the KGHM Polska Miedź S.A. Group is an element of effective management as part of corporate governance through for example a more efficient response and readiness for regulatory changes, care for reputation and ethical culture building in the organisation as well as awareness raising and enhancement of the sense of responsibility for compliance among employees. In 2021, work was conducted to improve the effectiveness of the compliance system, among others to select complementary IT solutions indispensable for the process. The work to support and raise the standards of the compliance function will be continued in 2022.

In order to improve the standards of compliance with the competition law, in 2020 the Management Board of KGHM Polska Miedź S.A. adopted Instructions to prevent violations under competition law, which expand on and detail the Competition Law Policy in the KGHM Polska Miedź S.A. Group, which was updated in 2019. In December 2021, training was conducted for Local Competition Law Representatives in the KGHM Polska Miedź S.A. Group. The work supporting and raising the standards of compliance with the competition law will continue in 2022.

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

In 2021, the “Responsible Supply Chain Policy in the KGHM Polska Miedź S.A. Group” was updated, among others in order to harmonize the documentation of the responsible supply chain management process to the requirements of the Copper Mark industry standard and to extend the catalogue of unacceptable potential violations by business partners of the KGHM Polska Miedź S.A. Group. Other amendments to the Policy, requested by KGHM’s other organizational units, were aimed at meeting the expectations of the stakeholders. The updated Policy remains an important element of the system for managing the responsible gold and silver supply chain, which is subject to an annual, independent, external assessment to confirm 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. and the Report on an independent assurance service is available on the website at: <https://kg hm.com/en/our-business/products/responsible-supply-chain>.

In 2021, a Copper Mark compliance audit was carried out in KGHM Polska Miedź S.A. as the standard had introduced additional requirements for responsible supply chains of copper and lead. Since the criteria for awarding the Copper Mark have been satisfied in the required scope, the Legnica Copper Smelter and Refinery and the Głogów Copper Smelter and Refinery were awarded the Copper Mark certificate. It is a prestigious award, which confirms that KGHM Polska Miedź S.A. observes the principles of corporate social responsibility and complies with ethical, environmental and organizational standards. Obtaining the Copper Mark was indispensable for KGHM Polska Miedź S.A. to continue its free commercial exchange, in particular to ensure easier maintenance of its registration of cathodes on the London Metal Exchange (LME). Further work was launched in 2021 and will be continued in 2022, on implementing the auditor’s recommendations and further improving the specified areas of the responsible supply chain in order to maintain the certification in the coming 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 key anti-corruption rules in the KGHM Polska Miedź S.A. Group and in the companies of the KGHM Polska Miedź S.A. Group located in Poland and abroad, in 2020, the Management Board of KGHM Polska Miedź S.A. adopted a resolution to implement the 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. The decision was followed by a series of training workshops for employees, including training for prospective internal auditors and Representatives on the Anticorruption Management System in accordance with PN-ISO 37001:2017. In connection with the implementation of the PN-ISO 37001:2017 standard, the new Anticorruption Policy was adopted in the KGHM Polska Miedź S.A. Group in 2021. The implementation team supported by an external expert updated the existing and developed new anti-corruption regulations consistent with the above standard and designed to ensure the implementation of the existing Anticorruption Policy. The new regulations have already been adopted by a resolution of the Management Board of KGHM Polska Miedź S.A. and are currently being implemented in all Group entities. The basis for the Anticorruption Management System is Corruption Risk Management, which is based on identification and assessment of corruption risks in individual processes pursued by Group entities. The accepted procedures regulate the corruption risk management process in the Group, which includes management of corruption risk related to Supervised Organisations and Business Partners. They define detailed standards of handling corruption activities, including conflict of interest, giving and accepting business gifts, contacts with public officials or events that may constitute corrupt offers. They also define the liability for violating the Anticorruption Policy and anti-corruption 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 entities of the KGHM Polska Miedź S.A. Group, domestic and international. In 2019, the Procedure for Disclosing Improprieties and Protecting Whistleblowers in the KGHM Group was updated, adapting it 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 improprieties representing an abuse of regulations applied in the KGHM 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 protection of Whistleblowers.

In 2019, an additional channel for whistleblowers was launched on the corporate website – the “KGHM Ethics Line” available for both employees and third parties, including contractors and customers, in four languages – Polish, English, Spanish and Russian. The Platform supports anonymous reporting of irregularities and is an alternative channel for other forms of contact – telephone lines, e-mail boxes and

mailing addresses. According to the applicable internal regulations, all reports must be reviewed and investigated. In 2021, an investment project was launched to develop an IT tool to support handling and reviewing reports from Whistleblowers. The work is scheduled to end and the production version of the tool to be made available at the end of 2022. The development of the tool is another step in enhancing the process and responding to changing legal requirements connected with the entry into force of Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law. Work is also underway to update internal normative acts on the receipt of reports from and protection of Whistleblowers, with the purpose of ensuring compliance with the EU Directive and national regulations on the protection of whistleblowers (currently a bill).

Entities of the KGHM Group implemented the Internal Control Procedure for the Security and Loss Prevention Section at KGHM Polska Miedź S.A. 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 monitoring of transparency of procurement processes.

The reviewing of business partners, including in terms of corruption risk and possible conflicts of interest, is conducted in accordance with the "Procedure of review in procurement, sales and investment proceedings" implemented in 2019 and pursued by the Security Department at KGHM Polska Miedź S.A.

In 2020, the Group developed and published the "ABCs of Conflict of Interest. Ethics Manual of KGHM Polska Miedź S.A.". The publication presents a concise description of the conflict of interest and the company's regulations for preventing this phenomenon. It contains a questionnaire, with which any employee may check for themselves whether the issue of 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 on problems of conflict of interest was prepared and started on an educational platform for employees of KGHM Polska Miedź S.A. Every year, educational and information campaigns and competitions are organized, publications are prepared for employees concerning ethics and corruption prevention.

The KGHM Group also implemented an Anti-Personal Abuse Procedure, enabling the effective prevention of personal abuse in the workplace. In the area of preventing personal abuse, discrimination and violation of employee rights, the employer is supported by Ethics Committees appointed in KGHM Group entities, which investigate suspicions of breaches of ethical standards in place in the KGHM Group.

The work to support and raise ethical and corporate governance standards will continue in 2022.

3.3. 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:

- defined procedures and control mechanisms,
- standardization of procedures and processes in the aforementioned area across the KGHM Group,
- effective prevention of abuse that can lead to losses for the KGHM Group,
- effective detection of committed abuse, inspection and control activities and implementation of corrective mechanisms,
- counteracting corruption, and
- improving the ethical awareness of employees.

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 anti-corruption 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. In 2018, a specialized training course was carried out, addressed to senior management and their representatives (40 people). 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 organization and performance of training sessions on ethics and anti-corruption 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):

Because of the decision of the Management Board 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 also 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 updated Anticorruption Manual was published in an electronic version,
- An "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.

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

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

The idea of adopting and pursuing the Code of Conduct and the Code of Ethics was presented in 2018 and is continuously repeated to KGHM Polska Miedź S.A. employees via the company's internal portal (Intranet: "KGHM to My" at extranet.kghm.com). The Codes are distributed in the printed version during training sessions held by the Ethics and Anticorruption Representatives in all Divisions and Companies of the KGHM Polska Miedź S.A. Group. The Code of Conduct and the Code of Ethics are published for the general audience on www.kghm.com, in the Investors/Corporate Governance/Code of Ethics and ESG Code of Conduct tab: <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 Improprieties 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 anti-corruption Procedures Unit, and locally, in each of the entities from the KGHM Group, to Ethics and

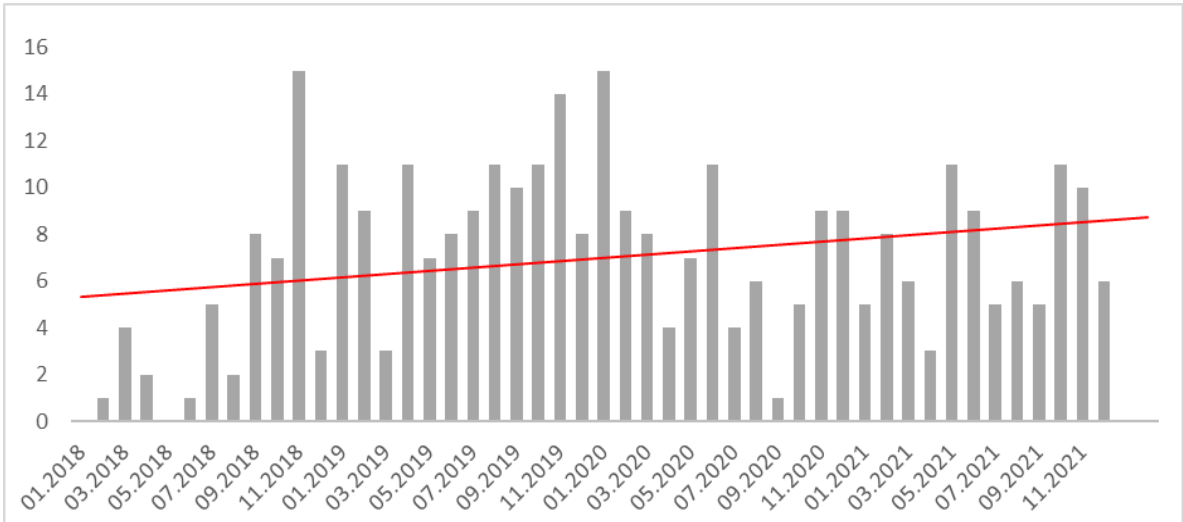
Anticorruption Representatives. All the reports are subject to central registration at KGHM Polska Miedź S.A., where they are verified and sent to relevant units dealing with substantive issues to be reviewed there. The process is monitored by an Ethics and Anticorruption Representative in the KGHM Group.

In 2019, the Procedure for Disclosing Improprieties and Protecting Whistleblowers in the KGHM Group was updated, adapting it to the requirements of the amended Act on public offerings and conditions governing the introduction of financial instruments to organized trading, and on public companies. This procedure is aimed at enhancing the effectiveness of uncovering and resolving situations related to the occurrence of improprieties representing an abuse of regulations applied in the KGHM Group, in particular the Code of Ethics of the KGHM Group, the Security Policy, 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 another step in enhancing the process and responding to changing legal requirements connected with the entry into force of Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law. Work is also being done on updating internal normative acts concerning receipt of reports from Whistleblowers and their protection aiming to ensure compliance with the Union Directive and domestic regulations on the protection of persons who report breaches of law (at present, a bill).

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



3.4. 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 Corruption Risk Management,
- connection between the AMS and the 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 anti-corruption 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.

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.

3.5. 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.

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

In each entity from the KGHM Group, persons have been appointed whose duties are to ensure anti-corruption 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 particular control of 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).

3.6. 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 effect in KGHM Polska Miedź S.A. are precisely defined in the "Procurement Policy in the KGHM Polska Miedź S.A. Group" and counterparties are selected in accordance with the principle of equal treatment.

The objectives defined in the Procurement Policy include:

- ensure transparency of the decision-making process,
- monitor all procurement transactions by introducing a uniform management system for procurement processes,
- ensure effectiveness of cost optimization, mainly by standardization of the range of products, optimization of technical specifications, diversification of the market.

The uniform Procurement Policy is in effect in all the Divisions of KGHM Polska Miedź S.A. and all the major Group production assets. The basic assumptions defined in the above document are put into practice with the use of IT tools.

In the area covered by the Procurement Policy in the Group, KGHM Polska Miedź S.A. cooperated with 3248 suppliers in 2021 (the number of bidders participating actively in our proceedings), of which 2203 suppliers were selected to perform deliveries.

The percentage of foreign counterparties is relatively small. The number of foreign suppliers in 2020 was 168 and 104 respectively corresponding to the categories above, which makes up about 5% of all the Company's counterparties.

KGHM cooperates with all types of suppliers: counterparties, intermediaries, wholesalers. They include suppliers of raw materials, sub-assemblies, manufacturers of end products, distributors. Furthermore,

within the Group, KGHM Polska Miedź S.A. uses services of the Logistic Operator – specialized companies performing procurement functions (Mercus Logistyka, KGHM Metraco, Energetyka).

In 2021, there were no significant changes in sources of procurement of materials for production, commodities and services for KGHM Polska Miedź S.A. There was no dependence on one or more suppliers.

KGHM Polska Miedź S.A. reinforces its position as a reliable and ethical business partner, caring for the company's image also in social issues. In the area of procurement to which this Policy applies, the Company also makes efforts to ensure that the contractors cooperating with it satisfy the requirements of business ethics and are socially responsible counterparties.

The copper smelters and refineries of KGHM Polska Miedź S.A. produce electrolytic copper from own concentrates or purchased copper-bearing materials (copper concentrates, copper scrap, blister copper). Production of electrolytic copper from purchased copper-bearing materials was 196.2 thousand tonnes in 2021, which made up 34% of the total production of electrolytic copper.

The production came mostly from copper scrap (135.4 thousand tonnes of Cu; 23% of the total production of electrolytic copper), whose supplier for the KGHM smelters is KGHM Metraco S.A. – a wholly 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 aforelisted 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.

3.7. 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 have been subjected to abuse and the employee(s) committing actions or behaviour displaying the features of abuse. The case is examined by the Ethics Committee of the relevant entity of the KGHM Group. Employees are familiarized with the content of the procedure at the time of hiring and periodically, as part of classroom and e-learning training courses.

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.

3.8. 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 documentation directly connected with the Policy includes the following records:

- 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.

3.9. 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.

3.10. 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.

3.11. 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. Audits conducted by the Security and Loss Prevention Section comprise the identification and uncovering of fraud, improprieties, abuse, corruption, personal abuse and breaches of the Group's Code of Ethics and allows for monitoring transparency of procurement processes and inspecting them.

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

GRI 205-3 Confirmed incidents of corruption and actions taken

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

4. ACTIVITY IN THE LABOUR AND HUMAN RIGHTS AREA

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 the business. Climate change and economic changes in the world, especially recently, 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. As a global company operating across the world's markets, KGHM applies standards of work and employee relations as stipulated by local law, as well as by international institutions, 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 of the Company's place of operation.

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.

The guiding principles in the above area 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:



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. The annual average employment in KGHM Polska Miedź S.A. was 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.

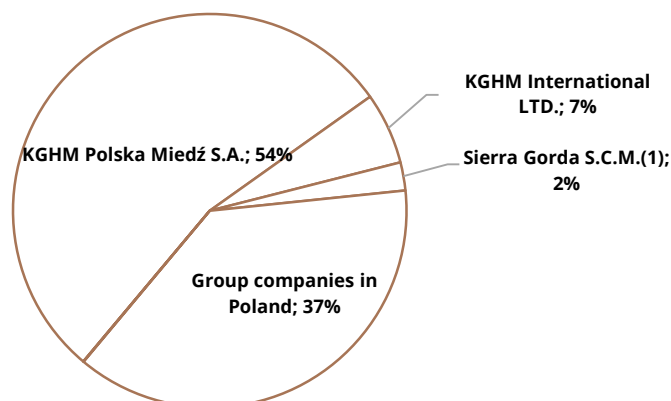
In 2021, the companies of the Group employed 34,286 people on average, i.e. 0.5% more than in the prior year. The employment structure is presented below:

Average employment in the Group

	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)
Domestic Group companies	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 the Group in 2021.



¹⁾ Sierra Gorda S.C.M. – employment proportional to share in the company (55%)

In 2021, the average headcount in the companies of the KGHM Polska Miedź S.A. Group in Poland decreased as compared to 2020 by 135 FTEs (or by 1%). This change mainly affected blue-collar positions and was caused by adjusting employment to performed production tasks.

In 2021, the average headcount in the international companies of the KGHM Polska Miedź S.A. Group increased as compared to 2020 by 226 FTEs (or by 8.1%). The increased headcount was found in the companies operating under the DMC brand in connection with their involvement in the performance of new projects in Canada and Chile.

4.1. 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 rules for international delegation of employees and improve the functioning of the mobility process, the International Mobility Policy in the KGHM Polska Miedź S.A. Group was introduced on 27 April 2020. The Group also adopted the Procedure for Implementing the International Mobility Policy 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. To address problems associated with acquiring 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, the 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 substantive and financial support to schools and universities offering education in railroad professions. The support given to schools aims to reconstruct vocational education in the railroad industry and to provide qualified personnel to the Company in the future.

In connection with the regulations, recommendations and restrictions introduced by the 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 organization, 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 US:

- 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, a module concerning employee well-being for the purpose of easing the quarantine of employees and their families,
- Introduction of a campaign and projects in connection with the COVID-19 pandemic regarding employee safety, information about the pandemic situation, preventive measures, information for external companies about the current pandemic situation in the company and the applicable procedures.

4.2. 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.

4.3. RELATIONS WITH TRADE UNIONS

KGHM Polska Miedź S.A.

In 2021, talks with trade unions continued at KGHM Polska Miedź S.A. The most important event in relationships with trade unions was entering into an agreement on shaping salaries and wages and employee benefits in February 2021 for that year. The major item of the agreement was the execution of an addendum to the Company Collective Bargaining Agreement for Employees of KGHM Polska Miedź S.A. increasing, among others, the base salary rate by 5.2% from 1 January. Another point of agreement was the setting of the minimum level of employee redeployment at 15%.

In the period of restrictions related to the COVID-19 epidemic, some meetings were held as teleconferences. Apart from regular topics following from provisions of the Company Collective Bargaining Agreement for Employees of KGHM Polska Miedź S.A., the talks were about actions taken by the Company in the area of employees' safety and health protection.

During the salary and wage negotiations with trade unions held from 25 to 27 January 2022, two documents were agreed on and signed: the agreement on shaping salaries and wages and employee benefits as well as an addendum to the CCBA, introducing the following elements for shaping salaries and wages in 2022:

- a 10% increase in basic monthly salary rates,
- employee redeployment at the level of 15%,
- disbursement of one-off benefit in the gross amount of PLN 2 thousand per employee on condition that:
 - the production level planned for H1 is achieved
 - the average price of copper stays at a level not lower than the one assumed in the budget.

In compliance with Best Practice of companies listed on the Warsaw Stock Exchange, KGHM Polska Miedź S.A. discloses expenditures related to the functioning of the trade unions in the Company. In 2021 they amounted in total to PLN 12 095 619, including remuneration plus overhead of trade union activists released from the obligation to work of PLN 11 477 698, resulting from the Act dated 23 May 1991 on trade unions (DZ.U.2019.263 dated 2019.02.12).

Polish companies of the KGHM Polska Miedź S.A. Group

Apart from a few exceptions, there are trade unions in the Polish companies of the Group. In 2021, talks were held in the companies about salaries and wages, rules of bonuses, the amount of contribution for the Employee Retirement Scheme and social issues. In most cases, the talks ended in the execution of agreements, signing addenda to the Company Collective Bargaining Agreements and amendments to the remuneration rules. In companies exposed to consequences of the COVID-19 pandemic, agreements were entered into with trade unions about the economic downtime and remuneration of employees in that period.

In 2021, one collective dispute in the group of Polish companies was started but not resolved – in “Energetyka” sp. z o.o. On the other hand, the collective dispute opened in previous years in MERCUS Logistyka sp. z o.o. was not resolved either. The above dispute can be described as follows:

- “Energetyka” sp. z o.o. – on 15 April 2021, a collective dispute was started by the Company Trade Unions. In view of the disagreement in the negotiations, the dispute was continued with the participation of a mediator appointed on 1 June 2021. As a result of conducted mediation, the parties resolved the dispute by entering into an agreement regarding the object of the dispute on 25 June 2021.
- MERCUS Logistyka sp. z o.o. – in 2021, the collective dispute initiated in 2019 was not resolved. Within the dispute, no talks were continued in 2021 – they were postponed, while agreements were entered into on new issues reported during the year, both concerning remuneration or not.

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, employees’ interests are represented by a trade union on in the Sudbury Basin in Canada, whereas employees employed in Robinson mine, Carlota mine and in the Ajax and Victoria projects do not have their trade union representations. In the Sudbury Basin, United Steelworkers Local 2020 (USW Local 2020) trade union represents 95 employees.

In the companies of the KGHM INTERNATIONAL LTD. Group in South America, employees working in the Franke mine have their trade union representation. In the area of the mine, there are two independent trade unions which associate altogether 295 employees.

Employees employed in the companies operating under the DMC Mining Services brand do not have any trade union representation.

In 2021, in the Sudbury Basin, cooperation with USW Local 2020 was continued to ensure that the Collective Agreement, which will be in effect until 30 June 2023, is observed. In the previous year, a lot of time was devoted to consultations and cooperation with the Union to ensure safety to the employees of

KGHM INTERNATIONAL LTD. while crossing the line of the employees' strike in the neighbouring Vale mine and provide access to the Levack mine. Throughout the year, numerous talks were held with USW Local 2020 on caring for the employees' safety during the intensification of the COVID-19 pandemic and the increase of infections in the region. Relationships of KGHM INTERNATIONAL LTD with USW Local 2020 are very important for continued operation of KGHM INTERNATIONAL LTD. in the Sudbury Basin and both parties make every effort to ensure smooth communication full of mutual respect. Furthermore, KGHM INTERNATIONAL LTD. supports the First Nations in the Sudbury Basin through commitments included in the Impact Benefit Agreements and Understanding Agreement, by sharing information about the environment, potential business opportunities and job offers with each group of indigenous peoples which has signed an agreement and also by continuing to reply to any questions and doubts, thus strengthening contacts between the ethnic peoples in the region and KGHM INTERNATIONAL LTD.

In the Franke mine, parties to a collective bargaining agreement negotiated an agreement on the working time system outside the scope of the basic working time standard.

Sierra Gorda S.C.M.

In Sierra Gorda S.C.M., there are three trade unions which associate 1282 employees. Relationships between Sierra Gorda SCM and its three trade unions are maintained in a very constructive and positive working atmosphere. An effective cooperation is achieved by, among others, weekly meetings on various organizational matters.

In 2021, early processes of collective negotiations with all the three unions were conducted with success. Finishing the negotiations successfully in a complex pandemic and social situation, facing increasing copper prices, was a historical milestone in Sierra Gorda S.C.M. and also a situation rarely encountered in the Chilean mining industry. Sierra Gorda S.C.M. enjoys an opinion of a company holding a dialogue and respecting trade union representations.

4.4. 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

Competent in the mining-metallurgical sector. KGHM – a key partner in professional education

Competent in the Mining-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.

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 @HR Questions

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 (Speaking for KGHM employees)- #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 social media by promoting the personal brands of KGHM employees and managers.

Digitization 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.

KGHM Polska Miedź S.A. and Polish companies of the KGHM Polska Miedź S.A. Group

Engagement survey	In 2021, for the first time at KGHM, an engagement survey was performed covering the entire Head Office and Divisions of the Company. A strategic partner of the survey was the University of Warsaw. The participation among our employees was at the level of 54.9 %.
Implementation of leadership standards “Engaging Leader” in Divisions of KGHM Polska Miedź S.A.	In 2021, within the initiative, an analysis of the findings of the survey of focus groups was performed to look for key competences for development among the managerial staff in the Divisions. As a follow-up of the analysis, development programs were launched, dedicated individually to individual managers or groups of managers.
Executive MBA in Innovation Management Development Program	<p>Referring to the idea of building and developing professional competences of the managerial staff, KGHM started 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.</p> <p>The program allows users to have access to resources of the biggest research laboratory in the Silicon Valley in the field of innovation development and implementation.</p>
Post-graduate Studies – Copper Leaders	A survey of family responsibility of business performed at KGHM showed how important it is to make it possible for employees to grow. The survey resulted in the organization of prestigious post-graduate management studies for middle-level managerial staff. The project was named Post-graduate Studies – Copper Leaders and is based on MBA standards, discussing comprehensively the role of leader in managing change, projects, human resources and finance.
Leader Academy – KGHM Giants	In October 2021, a pilot program dedicated to the lowest-level managers was started, covering managerial competences. The Academy responded to the challenge of helping in the unstable pandemic situation by detecting symptoms of depression and first aid methods.
4E Skills Academy	2021 was the year of continued activities addressed to the Company’s managers connected with operationalization of the strategy. The project is a response to the current business situation and aims to strengthen leadership competences which are decisive from the perspective of future competences. Two editions of the Academy were completed, including the first, which was conducted online. The topic was #Siła_4E (Power of 4E), or the main pillars of KGHM’s strategy and their importance in the period of pandemic. The second one “Let’s talk about the company” initiated the engagement survey, touching on issues connected with creating a motivating work environment and the role of manager in the process.
Onboarding training program for new employees	In 2020, a breakthrough process of onboarding training was launched and it was continued in 2021. Periodic training courses (also online) for newly engaged employees for them to get to know the company, induct into the organization quickly and proceed smoothly to perform tasks. The training addresses topics related to the Mission, Vision and Strategy of the Company, the object of activity and the production process, the rules of movement around the organization, HR matters.
E-learning language courses	The 2021 pandemic year established as a regular feature foreign language courses for all the KGHM employees and their families. English, German and Spanish courses are offered on dedicated language platforms, available at any time and at any place.
Management of career paths and recruitment in KGHM Polska Miedź S.A.	<p>KGHM Polska Miedź S.A. secures highly qualified personnel through the process of internal and external recruitment. It protects the KGHM brand as an employer of first choice for current and prospective employees.</p> <p>In a dialogue with the labour market, the image of a good employer is strengthened by emphasizing in the job offers the organization culture based on values and benefits for employees, i.e. a rich package of benefits for parents, training and the opportunity to learn foreign languages, medical care subscription, life insurance, Employee Retirement Program.</p>

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.

4.5. MANAGEMENT OF CAREER PATHS AND RECRUITMENT IN KGHM POLSKA MIEDŹ S.A.

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.

4.6. 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, while deeply caring for the employee's health, 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 transformed. Unified processes and tools are implemented to support long-term development of skills, new solutions for employee performance and assessment management, as

well as modern project, program and portfolio systems. In view of the 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 possibility of pursuing educational programs to develop professional, managerial and specialist skills,
- the opportunity to improve 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

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:

- MBA studies - 18 people,
- doing group postgraduate management studies under the name "Copper Leaders" in cooperation with the University of Warsaw - 41 people,
- individual post-graduate studies - 47 people,
- higher courses of study - 18 people.
- 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 organized 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.

Executive MBA in Innovation Management Development Program

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 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 considerable decline in the employee's attachment to the employer in global markets, KGHM anticipated the trend by offering a wide range of employee benefits which keep the employee in the work establishment, investing in their talents and potential, caring for their health and financial security, but also making it possible for their families to use non-salary benefits, such as, for example, free language courses for the employee's associate. Remote participation in the courses brought benefits mostly to employees on blue-collar positions, working within a multi-shift work system.

The 2021 pandemic year established as a regular feature foreign language courses for all the KGHM employees and their families. English, German and Spanish courses are offered on dedicated language platforms, available at any time and at 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 threats, corruption,

lack of transparency in relationships with clients, irresponsible energy management, failure to comply with Circular Economy principles 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.

4.7. OCCUPATIONAL SAFETY

The life and health of employees and workplace safety in general is the top priority in the hierarchy of values of the KGHM Polska Miedź S.A. Group. For several years the Company has advanced its vision of “Zero accidents due to human and technical errors, zero occupational illnesses among our employees and contractors”. In 2021, the implementation of the Employee Safety Improvement Program – “Think About The Consequences” was continued as well as a Program to prevent the most common hazards to workplace safety by utilizing innovative technologies in accordance with the Company’s updated strategy till 2023.

The Company has high occupational safety and health standards confirmed by ISO 45001:2018 certificate that apply equally to its employees and the employees of other service providers operating on the premises of KGHM Polska Miedź S.A. All work stations have identified threats. The Company has assessed the professional risk and updates it on an ongoing basis. 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 promptly implements new legal requirements and regulations in the area of 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 (rock bursts, distressings, tremors, roof collapses) was lower by 44 (a drop from 194 to 150). The vast majority of workplace accidents (about 96.4%) qualified as light injuries, whose major causes were, in order of frequency, contact with (being hit by) moveable/ immoveable objects, loss of balance by employees, and rock falls.

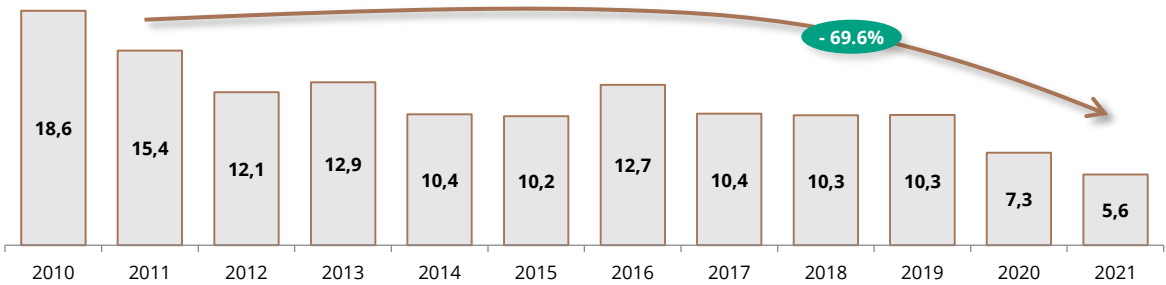
Mining activities KGHM Polska Miedź S.A. are inherently accompanied by natural hazards. They primarily result from mining tremors and their potential effects in the form of rock bursts, roof collapses and rock

mass destressing. These factors affect employee safety, as their occurrence can lead to serious or even fatal injuries as well as damage to underground machinery, equipment and infrastructure and also production downtimes. For many years, the Company has been undertaking numerous preventive actions in its mines, including systematic seismological observations, ongoing assessment of the rock mass and identification of areas of elevated roof collapse hazard. The Company selects the sizes, shapes and numbers of chambers and intra-chamber pillars, designs the most favourable direction of advancing mine work and the optimum order of extracting ore from deposits to minimize local concentrations of stress in the rock mass. It also applies pro-active methods of preventing uncontrolled roof collapses and rock falls, which involve provoking dynamic events through mass blasting of mining faces and through blasting to release stress in the orebody or its roof.

In 2021, a total of 15 workplace accidents were recorded in the mines of KGHM Polska Miedź S.A., which were caused by natural hazards inherent in the rock mass. These incidents represented 12.6% of all workplace accidents in the mines during this period. KGHM Polska Miedź S.A. is continuously improving its safety record in the mining of the copper ore deposit.

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). So far, this has been the best result in the Company's history, achieved as a result of the attitude and commitment of all the company employees. Changes in the LTIFR_{KGHM} ratio over time are presented in the figure below.

LTIFR_{KGHM} in the Parent Entity



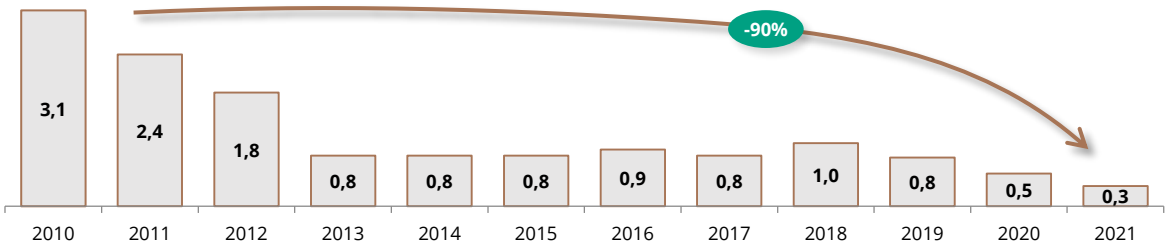
*workplace accident within the meaning of the Act of 30 October 2002 on Social Insurance Against Work Accidents and Occupational Diseases (Journal of Laws 2002 No. 199 Item 1673, as amended).

In 2021, despite the continuing difficult conditions caused by the pandemic, KGHM INTERNATIONAL recorded once again the best occupational health and safety performance in its history, thus improving the performance from 2020. In 2021, a total of 11 workplace accidents were recorded in the mines supervised by KGHM INTERNATIONAL LTD. in Canada and the United States, compared to 19 in 2020; the TRIR was 1.00.

In Chile, KGHM Polska Miedź S.A. conducts mining operations through two entities, which have separate OHS management systems adjusted to the legal requirements and mining conditions in that country. These systems encompass both the employees in these entities as well as sub-contractors, and are aimed at achieving the long-term vision “Zero harm”. KGHM Chile SpA, which oversees the Franke mine and also engages in its own exploration and other undertakings, recorded 1 workplace accident in 2021 (vs. 4 in 2020) and the TRIR was 0.12. The Sierra Gorda SCM joint venture recorded 9 workplace accidents in 2021 (compared to 11 registered in 2020), with the TRIR of 0.20.

In 2021, the entities in which KGHM Polska Miedź S.A. conducts mining operations in Canada, the United States and Chile, recorded in aggregate 13 fewer workplace accidents (down from 34 in 2020 to 21 workplace accidents). The consolidated TRIR (Total Recordable Incident Rate) for these operations was 0.32. It was 0.20 lower than in 2020 and 90% lower than the figure recorded in 2010, which is shown in the chart below.

TRIR in KGHM INTERNATIONAL LTD

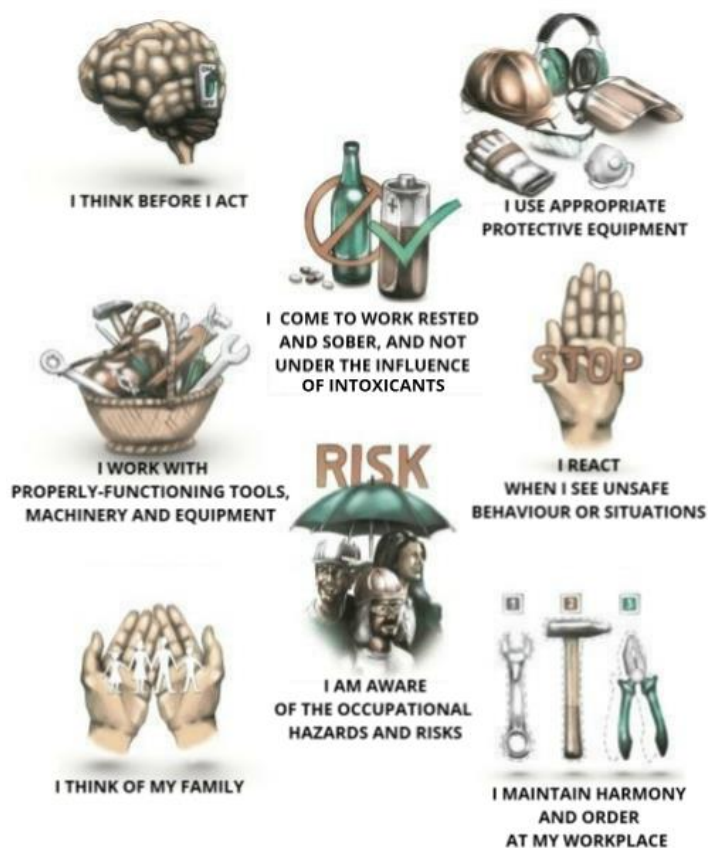


* TRIR (Total Recordable Incident Rate) calculated using accepted methodology as the number of accidents at work meeting the conditions of registration as defined in the ICMM (International Council on Mining & Metals) standard, in total for the employees of KGHM INTERNATIONAL LTD., KGHM Chile SpA and Sierra Gorda S.C.M. and sub-contractors for these entities, per 200,000 worked hours.

OHS GOLDEN RULES

KGHM Polska Miedź S.A. has prepared and applies the Golden Rules of OHS, as presented below:

The Golden Rules of OHS in effect in KGHM Polska Miedź S.A.



LABOUR SAFETY COUNCIL OF KGHM POLSKA MIEDŹ S.A.

The Occupational Safety Council in KGHM Polska Miedź S.A. was established at the initiative of the KGHM Polska Miedź Management Board and representatives of trade unions on 13 March 2013. The Council operates on the basis of principles of mutual trust and cooperation. The Occupational Safety Council is an opinion-making and advisory authority with respect to matters of occupational safety and health. The Council consists of 40 persons, including representatives of the employers (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 the 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.

4.8. SELECTED GRI STANDARD PERFORMANCE INDICATORS SHOWING ACTIVITY IN THE LABOR AREA IN THE KGHM POLSKA MIEDŹ S.A. GROUP AND KGHM POLSKA MIEDŹ S.A.

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 Number of new hires and employee turnover

		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			
	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

5. ACTIVITY RELATED TO SOCIAL ISSUES

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.

5.1. 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 has not changed the Company's existing approach to its business activity. KGHM continues to uphold its responsible approach and long-term thinking about the future of its business.

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. 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 at the same time is a key employer in the region, a major tax payer, and also a driver of educational, cultural and health-related activities for the people of the regions where it operates. KGHM's social responsibility is also reflected in its support of local initiatives through sponsorship and donations, both by companies in the Group as well as by the KGHM Polska Miedź Foundation. KGHM in recent years has placed particular emphasis on supporting families.

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 some 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 November and December 2021, an opinion survey was conducted among the employees of KGHM Polska Miedź S.A. For each questionnaire completed, PLN 6 was donated to orphanages designated by the employee. As a result, more than PLN 61,000 was donated to the most needy in the Copper Basin region.

Despite the pandemic, pro-family activities were continued in 2021. The activities were adapted to the epidemic situation and were conducted for the most part in an online format:

- More than 3,700 pupils and 1,300 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.

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).

KGHM supports local municipalities for example in the preparation of their development strategies, and among other topics it supports their growth through payment of taxes, hiring residents of local communities and by implementing 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.

From the perspective of the local people, the prevailing belief is that KGHM has a strong positive impact on the life and development of the region. 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.

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 and thyroid diseases, cancer diagnostics: prostate cancer, breast ultrasound, promotion of healthy nutrition, sports and cultural activities for children, youth, adults and seniors, equipment for the hospital, schools and voluntary fire brigade 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, Pęcław 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-metallurgical sector” programme continued in 2021. It 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:

- First place – Zespół Szkół Technicznych i Ogólnokształcących w Legnicy (Complex of Technical and High Schools in Legnica),
- Second place – Zespół Szkół im. Narodów Zjednoczonej Europy w Polkowicach (United Nations School Complex in Polkowice),
- 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.

5.2. 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 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 as a result 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.

5.2. SUPPORT OF THE PUBLIC BY THE KGHM POLSKA MIEDŹ S.A. GROUP DURING THE COVID-19 CORONAVIRUS PANDEMIC

KGHM Polska Miedź S.A. as well as all of the international mines of the 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 figure below:

We care, we act, we protect – effectively fighting the spread of the coronavirus



- | | | |
|---|--|--|
| <ul style="list-style-type: none"> ▪ Covid patient care at the hospital MCZ in Lubin ▪ Temporary hospital in Legnica ▪ Mobile vaccination points for employees of KGHM and others ▪ Protective procedures | <ul style="list-style-type: none"> ▪ Thermal cameras ▪ Disinfectant liquid ▪ Masks in common-use areas ▪ Personal safety measures when travelling into/out of the mines ▪ Limits in employee transport vehicles | <ul style="list-style-type: none"> ▪ 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, 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 Voivodship ul. Piękna 49 00-672 Warsaw	12.02.2021	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	Tarnowskie Góry County Tarnowskie Góry Municipality Silesian Voivodship ul. Pyskowicka 47-51 42-600 Tarnowskie Góry	12.02.2021	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)	Capital City of Warsaw County Capital City of Warsaw Municipality Mazovian Voivodship ul. Batalionu Ak. Włochy 20B/11 02-482 Warsaw	16.02.2021	"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
Caritas Diecezji Łomżyńskiej (Caritas of Łomża Diocese)	Łomża County Łomża Municipality Podlaskie Voivodship ul. Rybaki 1 18-400 Łomża	23.02.2021	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,	90,000

			Aquapump, sollux lamp and ultrasound inhaler.	
Fundacja Uniwersytetu Medycznego we Wrocławiu (Foundation of the Medical University of Wrocław)	Wrocław County Wrocław Municipality Dolnośląskie Voivodship ul. J. Mikulicza- Radeckiego 5 50-345 Wrocław	10.03.2021	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 Gaworzycach)	Polkowice County Gaworzycy Municipality Dolnośląskie Voivodship ul. Szkolna 211 59-180 Gaworzycy	23.03.2021	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. Iwazkiewiczza 5 59-220 Legnica	02.06.2021	Subsidised rehabilitation of patients following COVID-19. Cardiology consultation, pulmonology, dietetics, psychology, rehabilitation, neurology, rehabilitation consults. Deadline until 06.2022	100,000
Zakład Opiekuńczo-Lecznicy dla Dzieci im. Jana Pawła II prowadzony przez Zgromadzenie Sióstr Maryi Niepokalanej w Jaszczkole (John Paul II Care and Treatment Centre for Children run by the Congregation of Mary Immaculate Sisters in Jaszczkole)	Wrocław County, Kąty Wrocławskie Municipality Dolnośląskie Voivodship Jaszczkole 21 55-080 Kąty Wrocławskie	10.06.2021	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 half-ball, costs of 4 steppers, 4 balls, 4 sensory cushions, an equipment trolley, 4 Redcord Trainer Mastery apparatuses, 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 has so far 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 November 2020. The hospital can take more than 50 patients.

5.3. FOUNDATIONS, SPONSORSHIP AND CSR ACTIVITIES IN THE KGHM POLSKA MIEDŹ S.A. GROUP

KGHM is a “good neighbour and trustworthy investor”. It supports local communities, social organizations and institutions related to science, culture and sport. It promotes an active lifestyle and helps people in need. One of the pillars of our efforts in the area of corporate social responsibility is the KGHM Polska Miedź Foundation which is engaged in pro publico bono and charitable activities. It helps in performance of socially useful projects, and it supports the people who are experiencing hardships.

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:

- individuals in the field of health care and natural disaster relief;
- 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:

- Health and Safety,
- Sports and Recreation,
- Culture and Tradition,
- 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 the country and abroad,
- promotion and organisation of volunteering,
- activities for families, maternity, parenthood, dissemination 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. This resulted in significant improvement in the quality and effectiveness of the pro-health activities engaged in. 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 also involved 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:

- providing free legal assistance and increasing the legal awareness of the public,
- activities aimed at professional and social integration and reintegration of people at risk of social exclusion,
- activities for the integration of immigrants,
- promotion of employment and professional activation of unemployed persons and persons threatened with job loss,
- activities supporting economic development, including the development of entrepreneurship,
- activities supporting the development of technology, invention and innovation, as well as the dissemination and implementation of new technical solutions in economic practice,
- activities supporting the development of local communities,
- science, higher education, education and upbringing,
- promotion and protection of human rights, freedoms and civil liberties, as well as activities supporting the development of democracy,
- provision of free-of-charge civic advice,
- promotion and protection of consumer rights,
- 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.

Science and education is the area of comprehensive actions of the KGHM Polska Miedź Foundation to support the development of education, science, and economy based on knowledge, innovation, social capital, and the learning society. 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 spent on 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 organized 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 most funds will be allocated to the performance of the planned actions for promoting the Company and the region on the one hand and for supporting valuable cultural, sports, scientific, and social initiatives and undertakings contributing to Lower Silesia marking its presence on the map of Poland and Europe on the other hand.

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.

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 perceived as 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.

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:

Amounts in PLN	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	

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 has been a Patron of Sport for many years. It 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 Rivalry” 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. The support is provided by the employer to employees for their personal development and pursuit of their passions, and joint engagement in socially significant actions enhances integration and job satisfaction. 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 value 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 the 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.

5.4. SELECTED INDICATORS ILLUSTRATING ACTIVITIES IN THE AREA OF SOCIAL ISSUES IN THE KGHM POLSKA MIEDŹ S.A. GROUP AND KGHM POLSKA MIEDŹ S.A.

Selected indicators for 2021 illustrating activities in the area of social issues:

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 <http://www.fundacjakghm.pl/>

6. ACTIONS AIMED AT PROTECTING THE NATURAL ENVIRONMENT, INCLUDING THE CLIMATE, AND IMPLEMENTATION OF A CIRCULAR ECONOMY

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

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 Climate Policy of KGHM Polska Miedź S.A. 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.

In contrast, the interim target is to reduce combined Scope 1 and Scope 2 emissions by 30% by 2030 compared to 2020 emissions. The reduction objectives for the entire KGHM Group will be announced publicly no later than in H1 2023. These objectives and the means of achieving them are shown in the figure below:

Greenhouse gas emissions reduction goals of KGHM Polska Miedź S.A. and main directions of decarbonisation

MAIN DIRECTIONS OF DECARBONIZATION:

- Reduction of indirect emissions Scope 2:**
 - Development of own emission-free and low-carbon sources
 - Improving energy efficiency in production branches and streamlining technological processes
 - Purchase of energy from RES via PPA contracts¹
- Gradual reduction of direct emissions Scope 1:**
 - Hydrogen doping in technological processes
 - First implementations in the field of electromobility

MAIN DIRECTIONS OF DECARBONIZATION:

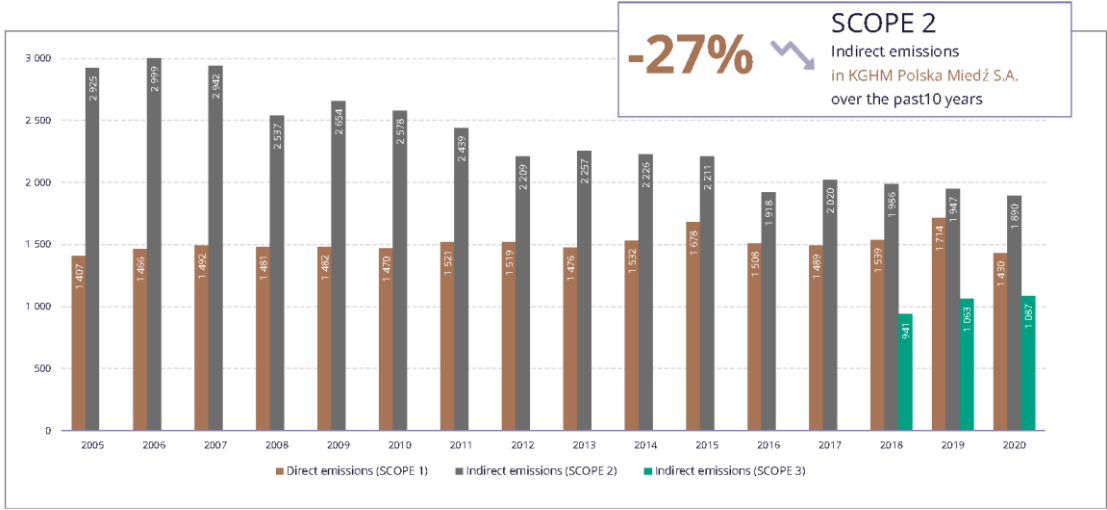
- The total reduction of indirect emissions Scope 2:**
 - Electricity and heat exclusively from emission-free and low-emission sources (own sources)
- Maximum reduction of direct emissions:**
 - Hydrogen technologies
 - Use of CCU and CCS technologies²
 - Electromobility
 - Implementation of advanced technologies within the production line
- The potential offset of other emissions**

2030: 30% emission reduction | 2050: climate neutrality

1. PPA – Power Purchase Agreement, an agreement for the supply of electricity between two parties
 2. CCS/CCU – Carbon Capture, Storage and Utilization Technologies, technologies for capturing, storing and utilizing carbon dioxide
 Source: KGHM

Regardless of the above targets, the process of reducing CO₂ emissions in KGHM Polska Miedź S.A. has been ongoing in the Company for over 15 years, as shown in the figure below.

Greenhouse gas emissions by KGHM Polska Miedź S.A. [thousand tonnes eCO₂]



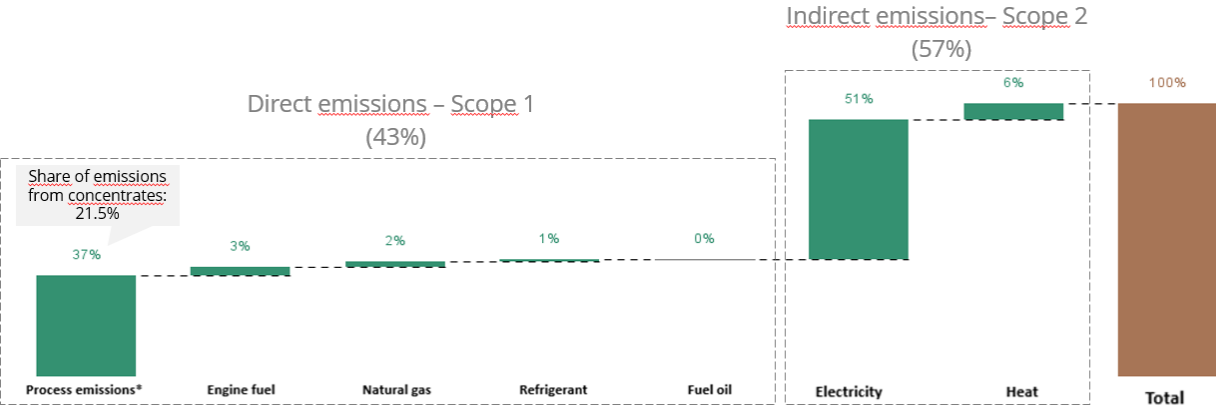
Decarbonisation Programme of the KGHM Group

The decarbonisation programme of the KGHM Group, in which the total investment expenditures related to the realisation of activities limiting the level of greenhouse gas emissions will be determined, will be a consequence and will detail the manner of achieving the objectives of the Climate Policy.

In terms of its Scope 1 and Scope 2 emissions, KGHM Polska Miedź S.A. annually emits approx. 3.3 million tonnes of CO₂ equivalent (data for 2020, calculations in accordance with the GHG Protocol methodology), of which approximately 40% are Scope 1 emissions and 60% Scope 2 emissions. Scope 1 emissions are direct emissions primarily related to the Company’s production activities – in particular, emissions from smelting processes, emissions related to the use of motor fuels by mining vehicles and machinery in mines, and emissions related to the generation of energy from our own sources using natural gas. Scope 2 emissions are indirect emissions associated with the use of electricity and heat purchased on the market.

These emissions are shown in the diagram below.

Greenhouse gas emissions in the divisions of KGHM Polska Miedź S.A. in 2020 [kt eCO₂]*



- The largest source of emissions arising from the production activities of KGHM Polska Miedź S.A. are emissions resulting from the utilisation of electricity purchased by the Company on the market – due to the continuing clear dominance of coal in the generation of power in Poland
- Process emissions, which account for 37% of total GHG emissions by the divisions of KGHM Polska Miedź S.A., dominate in direct emissions, of which a dominant share is due to hydrocarbons in the mined ore, which are released to the atmosphere during metallurgical processes

Information on Scope 1 and Scope 2 greenhouse gas emissions for 2021 for KGHM Polska Miedź S.A. and for the entire KGHM Group will be published in the Integrated Report for 2021.

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 Non-Financial Report of KGHM Polska Miedź S.A. and KGHM Polska Miedź S.A. Group for 2021

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 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.

6.2. 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. 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 (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).

One of the important projects which will bring the Company closer to achieving energy independence is the implementation of small nuclear power reactor technology (SMR - Small Modular Reactor). KGHM is working with the technology supplier NuScale Power to build a power plant consisting of 4-6 modules, each with the capacity of 77 MWe, 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 work on implementing the technology in Poland. NuScale's design is based on the well-known concept of small high-pressure light water reactors, whose modular, integrated form enables the structure to be simplified and construction costs reduced.

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, and
- cooperate with partners and suppliers in the procurement of material goods and services having regard to energy efficiency as an important selection criterion.

The principles adopted in the Energy Policy of KGHM Polska Miedź S.A. are compiled with by all employees of the Company, as well as other persons and entities performing tasks needed for its operation. As a result of the Energy Policy, the Company pursues activities designed to manage the energy used by KGHM rationally and in compliance with the law, including:

- specification of procedures for the investment and procurement process,
- energy overhauls in KGHM Divisions and the Head Office, performed in accordance with the approved methodology,
- actions to achieve the approved energy objectives,
- implementation of the regulations: Legal and other requirements in the field of power generation and evaluation of their conformity for the purposes of the Energy Management System at KGHM Polska Miedź S.A.

GRI 302-1 Energy consumption in 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

Total 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

6.3. 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.

6.4. 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:

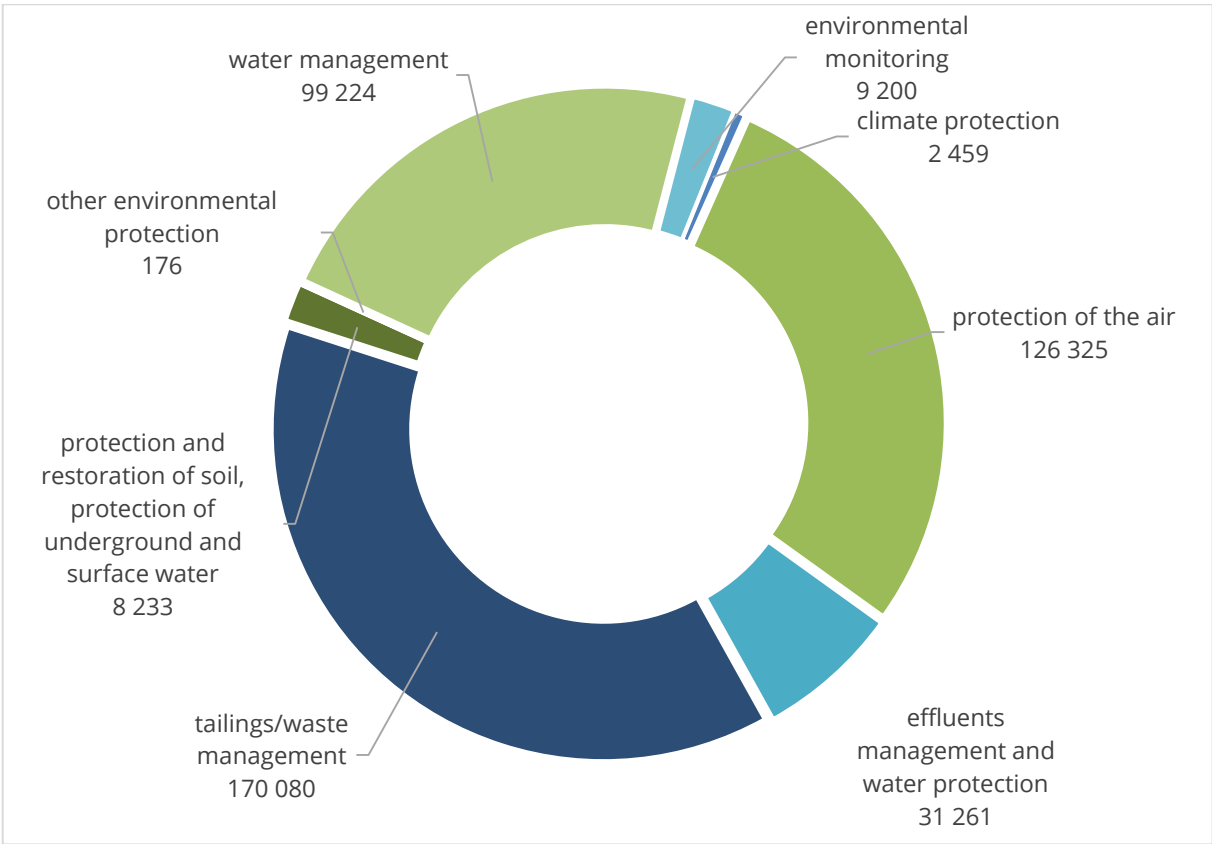
- ensure continuous prevention and mitigation of adverse impact on the environment and climate, through improvement and technological development of processes, modernization and replacement of machinery and prevention of pollution and breakdowns,
- ensure rational use of natural resources, such as land, 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.

6.5. ENVIRONMENTALLY-FRIENDLY 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. This is shown on the diagram below.

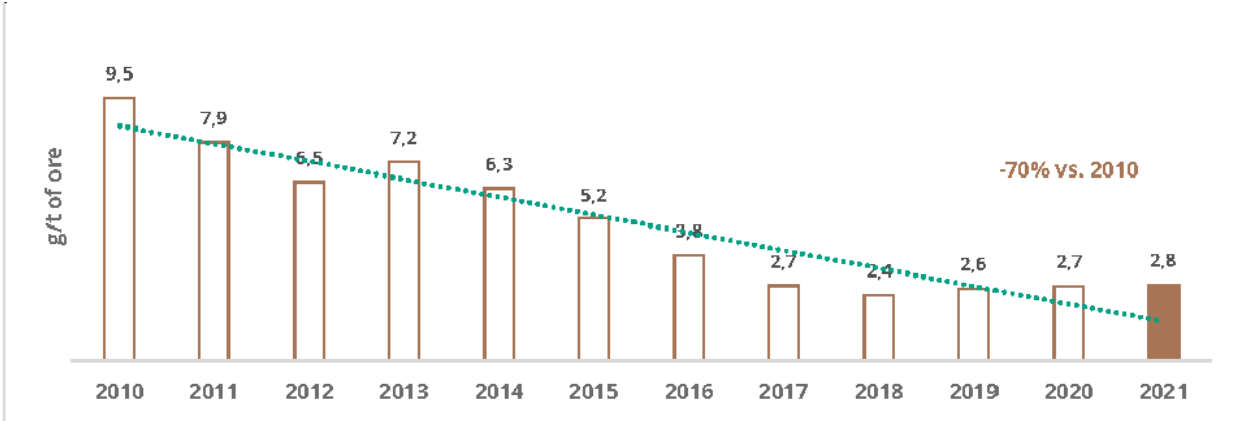
Value of capital expenditures for environmental protection in 2021 [PLN thousand]



6.6. PROTECTION OF THE AIR

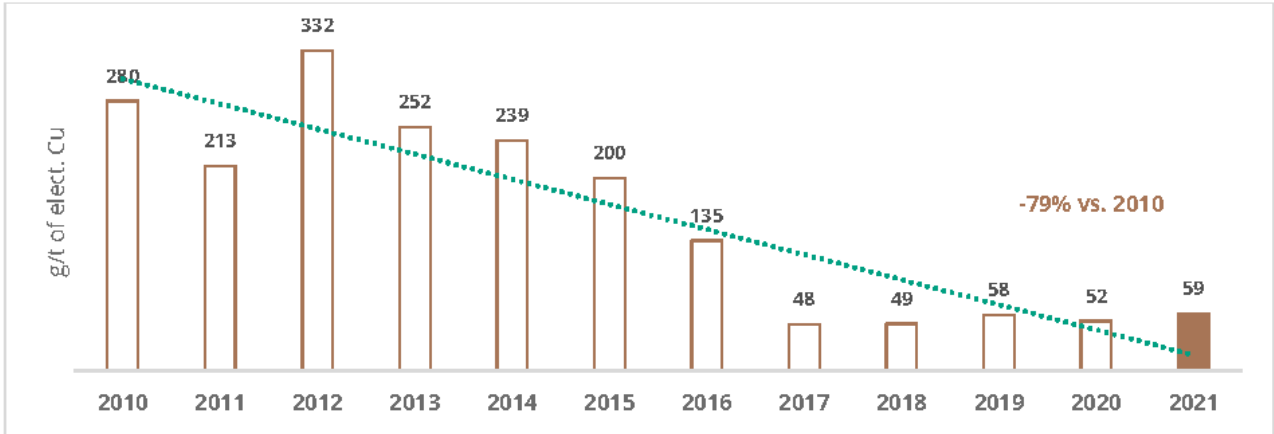
KGHM Polska Miedź S.A. conducts its core business being aware of its responsibility for the environment, including for air quality. Many years of investments in this area are reflected in the reduction of air emissions that are critical for the Company’s operations, which is shown on the chart and descriptions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

Dust emissions from mining production, in g/t of ore



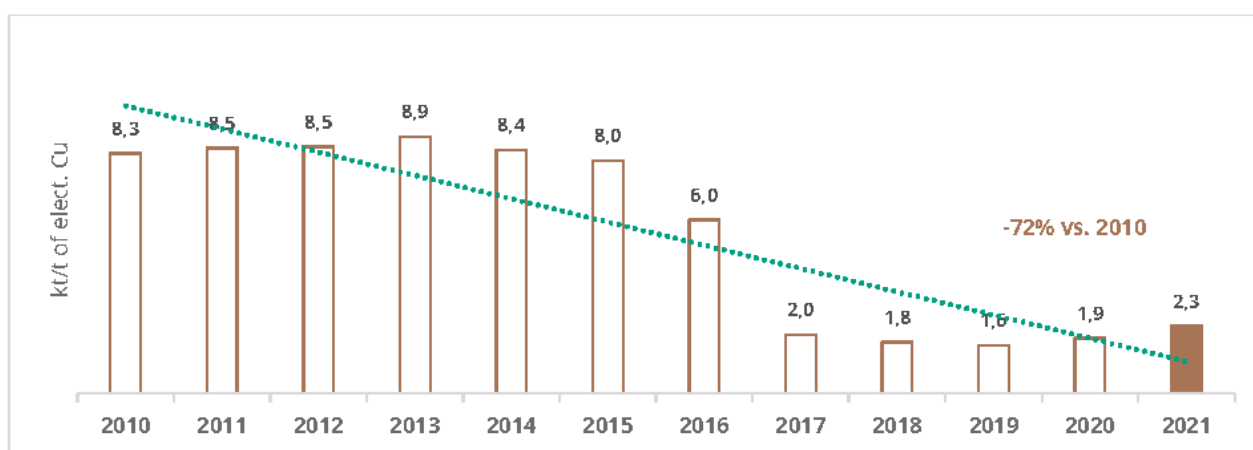
Dust emissions from mining production continue to decrease in spite of the growing output. The continuous reduction of emissions from underground mining production is made possible by a proper organization of the mining process and replacement of mining machinery and equipment driven by combustion engines 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, in g/t of electrolytic copper



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

Emission of SO₂ in 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.

6.7. 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-leaded slag into the flash furnace at the Głogów II Smelter and Refinery was built,

- a warehouse and storage area for lead-bearing materials at the Głogów II Smelter and Refinery was built,
- a gas desulphurization installation from the Kaldo furnace at the Precious Metals Unit at the Głogów Smelter and Refinery was built,
- bypass gas pipelines for flash furnaces at the Głogów Smelter and Refinery were constructed - the installations will ensure treatment of gases in the Sulphuric Acid Plant installations in case of a failure of the flash furnaces,
- an installation for removal of dust from gases from flash furnace slag and copper outfall at the Głogów II smelter was built,
- a desulphurization and dust removal installation for technological gases from converters at the Głogów II Smelter and Refinery was modernized.

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 desulphurization and dust removal installation for technological gases from converters at the Głogów 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 desulphurization 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.

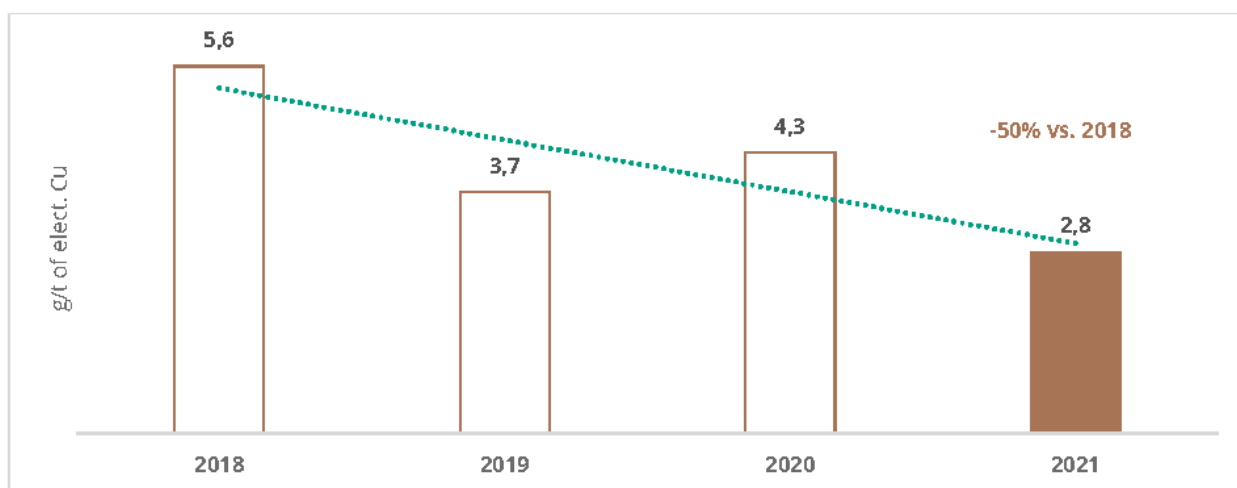
Results of investment projects completed by 2021 in the area of unit adaptation to meet the requirements of the BAT Conclusions for the non-ferrous metals industry.

Name of task/initiative	Expected adaptation to BAT 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 2019 Dust - below 1 (mg/Nm ³), As - below 0.05 (mg/Nm ³), average 0.02 (mg/Nm ³)	Dust – decrease by 97% As – decrease by 84%
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%
P-1 Sealing of conveyor belt tightening stations for carrying copper concentrate and ore blending warehouse	BAT 8 and BAT 25: Specify the required means of adaptation to prevent fugitive emissions from preliminary processing of natural, primary and secondary materials and their transport, or to reduce such emissions.	October 2019 Sealed conveyor systems were applied for transport and handling of dust generating concentrates, as well as fluxes and fine materials; mounting of roofs over conveyors for handling non-dust emitting solids (compliance with BAT8a, BAT8b, BAT25)	
PG Installation of ground de-lead slag feeding into flash furnace	BAT54: Specifies methods to reduce the amount of copper production primary and secondary waste materials to be stored BAT90: Specifies the required adaptation method to prevent diffuse emissions from pre-treatment of raw materials, primary and secondary materials or to reduce the emissions (for lead production).	December 2020 The installation enables air-sealed transport of the waste material, i.e. de-lead slag, to flash furnace for metal recovery (compliance with BAT54). A pneumatic transport system applied for dust-generating materials (compliance with BAT90a).	
P-31 Building a warehouse and storage area for lead-bearing materials	BAT 90 Specifies the required adaptation method to prevent diffuse emissions from pre-treatment of raw materials, primary and secondary materials or to reduce the emissions (for lead production).	March 2021 An enclosed feed preparation building was built and the Feed Preparation Yard was equipped with water showers and an enclosed leachate collection system to reduce dust from feed preparation operations for the Lead Production Facility.	
P-30 Building a gas desulphurization installation from the 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),	

Name of task/initiative	Expected adaptation to BAT 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-22 Building an installation for removing dust from gases from flash furnace slag and copper outlets at the Głogów II Smelter	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% vs. 2018.

Arsenic emissions from metallurgical production, in g/t of electrolytic copper



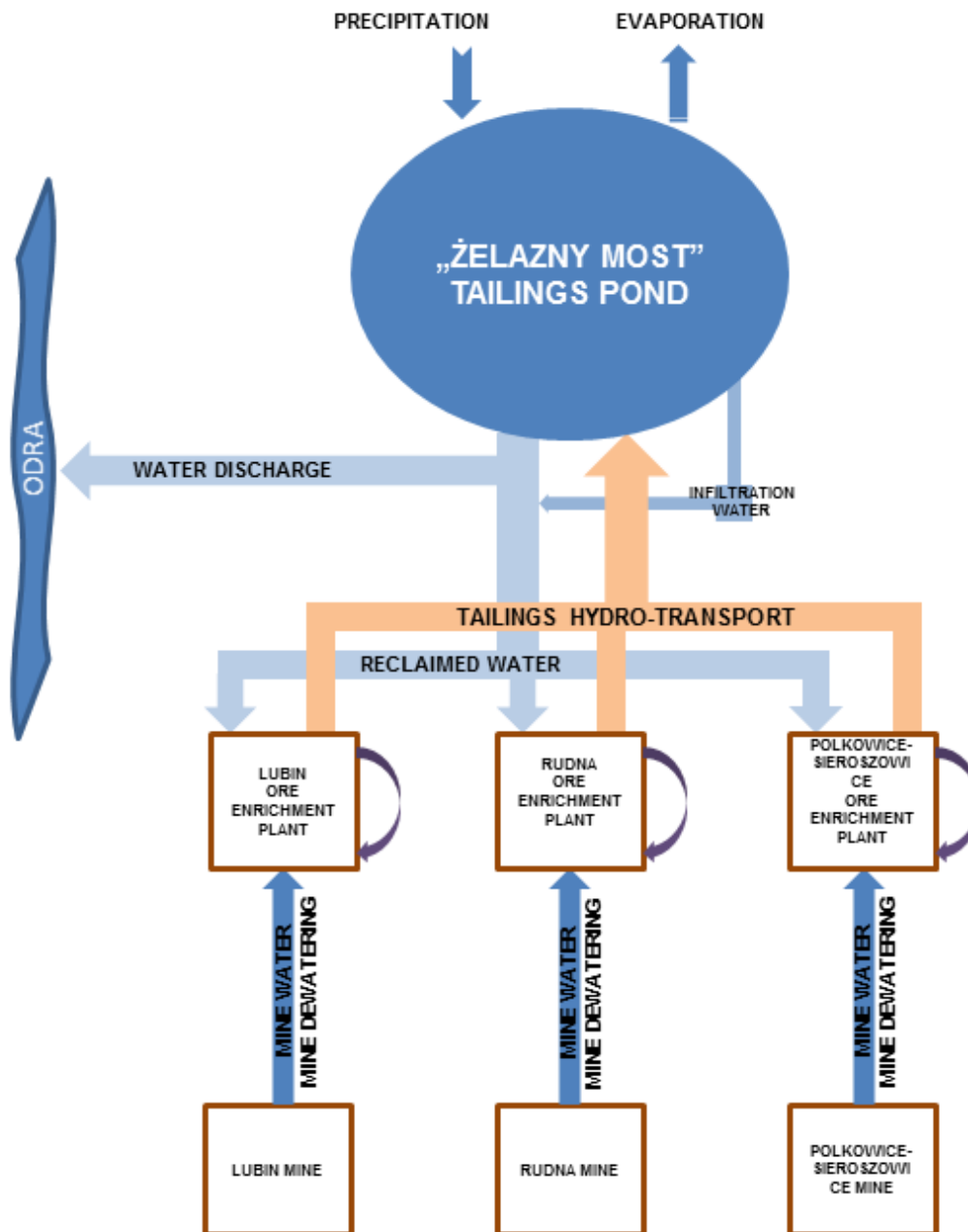
6.8. WATER AND WASTEWATER MANAGEMENT

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

WATER IN THE ORE ENRICHMENT PROCESS (FLOTATION)



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 wastewater is 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 wastewater 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.

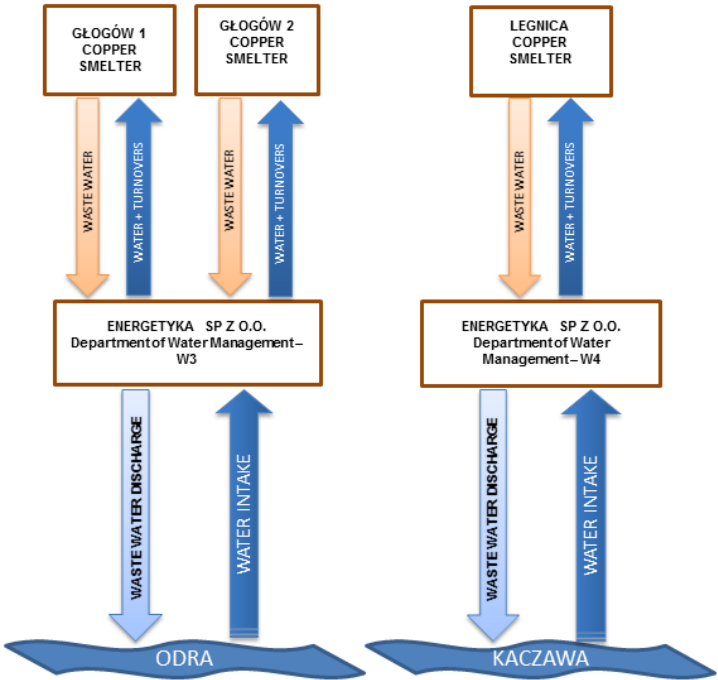
KGHM Polska Miedź S.A. has two operational smelters/refineries: the Legnica Copper Smelter and Refinery and the Głogów Copper Smelter and Refinery. Both smelters/refineries consume significant amounts of water (approximately 11 million m³ per year), which is supplied by Energetyka, a KGHM Group company. 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 wastewater treatment plants operating to meet the needs of the Głogów and Legnica Smelters/Refineries specialise in the removal of heavy metals, including arsenic, mercury and cadmium compounds, which are especially problematic. The wastewater treatment technology relies mainly on neutralisation

processes supported by coagulants and flocculants. Because of the high quality of wastewater, approximately 30% of the global stream is reused for production processes in the smelters. Approximately 8 million m³ of the remaining treated wastewater is discharged to the Odra river (in the case of the Głogów Smelter and Refinery) and to the Pawłówka stream, which feeds the Kaczawa river (in the case of the Legnica Smelter and Refinery). The process is shown in the diagram below. The table presented under the diagram presents the measures linked to water management in KGHM Polska Miedź S.A. in 2021:

Water in the electrolytic copper production process

WATER IN THE ELECTROLYTIC COPPER PRODUCTION PROCESS



Water management by KGHM Polska Miedź S.A. in 2021

WATER WITHDRAWAL		[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 ($\leq 1,000$ 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 (WASTEWATER) DISCHARGE		
		[m³]
Water (wastewater) discharge by destination	Surface water	27,815,093
	Ground and soil	0
	Sea	0
	Water provided to third parties	9,530,140
Total water (wastewater) discharge	Surface water + groundwater + seawater + third party water (total)	37,345,232
Water (wastewater) discharge – fresh and other water	Fresh water ($\leq 1,000$ mg/l of total dissolved substances)	9,614,815
	Other water ($> 1,000$ mg/l total dissolved substances)	27,730,418
WATER CONSUMPTION		
		[m³]
Water consumption	Total water consumption	4,548,449

6.9. WASTE MANAGEMENT INCLUDING CIRCULAR ECONOMY

Striving towards a circular economy is one of the priorities of the KGHM Polska Miedź Group. The KGHM Polska Miedź S.A. Group implements the roadmap published on 24 September 2019 for the development of 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. effluents 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, 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 can not 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.

Waste recovery

The possible directions and methods of recovery of waste generated by the Company's installations depend on its material properties and environmental aspects of its use.

In the material recovery of waste, waste is used in whole or partially in mining technologies, as a structural or building material, material for reclamation and for filling in post-mining voids, or as raw material for the production of abrasives. Metal-bearing waste is subject to processes to recover and recycle the metals and metal compounds it contains.

The following post-processing waste produced by the Company is recovered as structural and building materials:

- shaft slag from the Legnica Copper Smelter and Refinery and poured slag from the Głogów Copper Smelter and Refinery (with the addition of granulated slag) - used as high quality aggregates in road construction. This way, all the shaft slag and poured slag produced at KGHM is used. In 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 Źelazny 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 Źelazny 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 Źelazny 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 primary consumers are the largest construction companies specializing in road construction.

The waste generated during copper production is a valuable metal-bearing raw material and therefore large volumes are either fully utilized or stored with a view to recovery in the future. 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.

A high quality copper scrap processing unit was installed within the core production line of the Legnica Copper Smelter and Refinery, which is the first stage for the Hybrid Smelter being designed in Legnica. Ultimately, it will be supplemented with the Scrap Trading Base, where the feedstock will be prepared for remelting at the Legnica Copper Smelter and Refinery and the Głogów Copper Smelter and Refinery. As part of the first stage of the Hybrid Smelter in Legnica, the copper scrap processing technology with the use of a Revolving Casting-Refining (RCR) furnace was applied. The applied RCR furnace permits remelting copper scrap with an average 95% Cu content with the optimum efficiency up to 90 thousand tonnes of anode copper per year. The total production of anode copper at the Legnica Copper Smelter and Refinery in 2021 was 161.2 thousand tonnes, including 64.35 thousand tonnes produced by 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.

6.10. 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:

- Kozióróg in Czerna PLH020100 (2.7 km - Głogów Copper Smelter and Refinery),
- "Łęgi Odrzańskie" PLH020018 (11 km - Tailings Division, 2 km - Cedynia Wire Rod Plant, 7 km - Głogów Copper Smelter and Refinery),
- "Pątnów Legnicki" PLH020052 (9 km - Legnica Copper Smelter and Refinery),

Nature reserves:

- 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: 15053 trees
- English oak: 7002 trees
- European hornbeam: 3600 trees
- Tilia cordata: 1615 trees

In 2021, the following were planted at the Głogów Copper Smelter and Refinery:

- a total of 248 trees, 2120 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 Glogowski, 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 wooden structures, i.e. substitute habitats for insects nesting in clay, cleaning works - systematic removal of illegal waste by third parties.

6.11. MANAGEMENT OF CHEMICAL SUBSTANCES

As one of the leading European non-ferrous metals producers, KGHM POLSKA MIEDŹ S.A. follows principles of responsible chemical substance management introduced by the EU Regulations REACH and CLP.

KGHM Polska Miedź S.A. has successfully implemented the REACH system into its operations to ensure compliance with the REACH Regulation and continuity of KGHM’s product supply to its customers. At present, REACH is bread and butter of our everyday operations. Under the REACH system, the Company has registered all the substances introduced into trade with the European Chemicals Agency. Pursuing its REACH implementation strategy, KGHM Polska Miedź S.A. has become a member of a number of REACH consortia which manage the registration process for the substances and semi-finished products introduced by the consortium members. At present, KGHM Polska Miedź S.A. is a member of six REACH substance consortia:

- REACH Copper Consortium,

- European Precious Metals Federation
- Lead REACH Consortium,
- Nickel REACH Consortium,
- REACH Selenium and Tellurium Consortium,
- REACH Copper Compounds Consortium.

In 2021, the consortia worked on the revised edition of the registration dossiers for substances and semi-finished products, taking account of the newest research results and the most recent guidelines of the European Chemicals Agency. The consortia undertook activities in the area of harmonised classification for copper, lead and silver; permit procedures for lead; endocrine properties of copper and permissible concentrations of lead and copper in the work environment. In connection with the “EU chemicals strategy for sustainability”, presented in October 2020, the European Commission commenced a review of REACH and CLP regulations. The consortia work with the Eurometaux association to analyse the assumptions for amendments in the regulations and take an active part in the broad consultations in this respect. The purpose of the new strategy for chemicals is to increase safety and achieve a zero-level pollution for a toxic-free environment, postulated in the European Green Deal. The new strategy poses many challenges and is widely discussed all across Europe.

In 2021, the Company's costs of cooperation with the consortia amounted to EUR 154 thousand. The main item was the fee payable to the European Precious Metals Federation related to the analyses of metallic silver and updates of the registration dossier.

In view of the changing requirements of the REACH Regulation, the Company has updated its substance properties cards, which are provided to customers.

6.12. ENVIRONMENTAL PROTECTION IN KGHM INTERNATIONAL LTD.

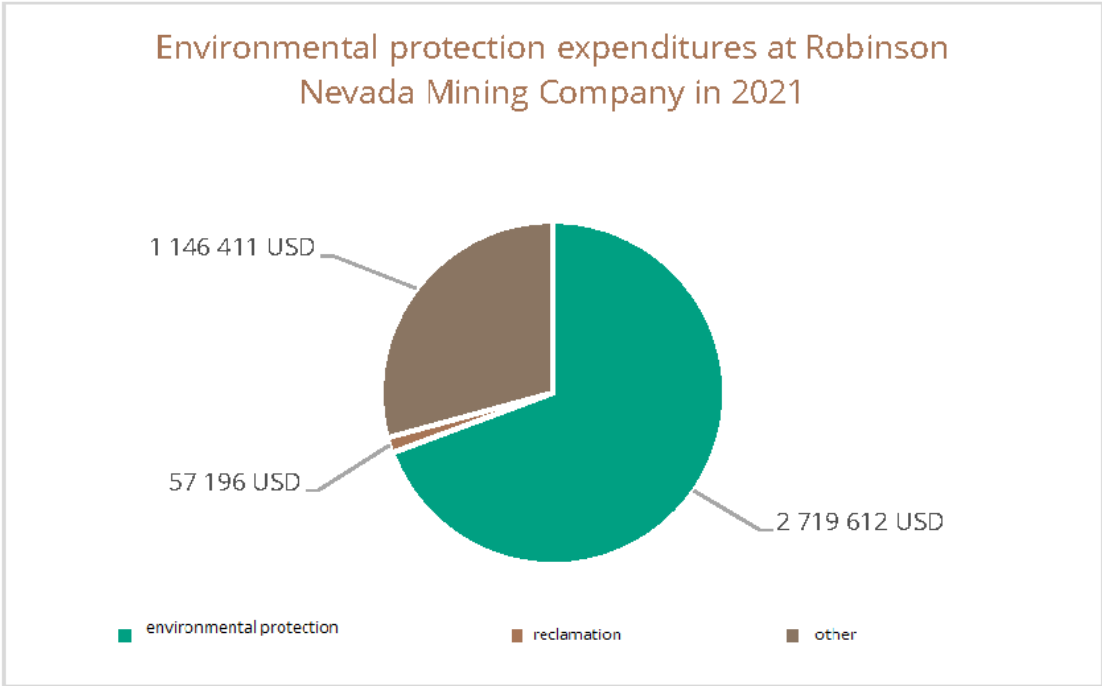
In 2021, the mines operating within KGHM International LTD. met all the legal requirements and cooperated with regulators in order to achieve the best possible outcomes for the environment as well as for their operations. No irregularities occurred in connection with the mining activity that would lead 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.

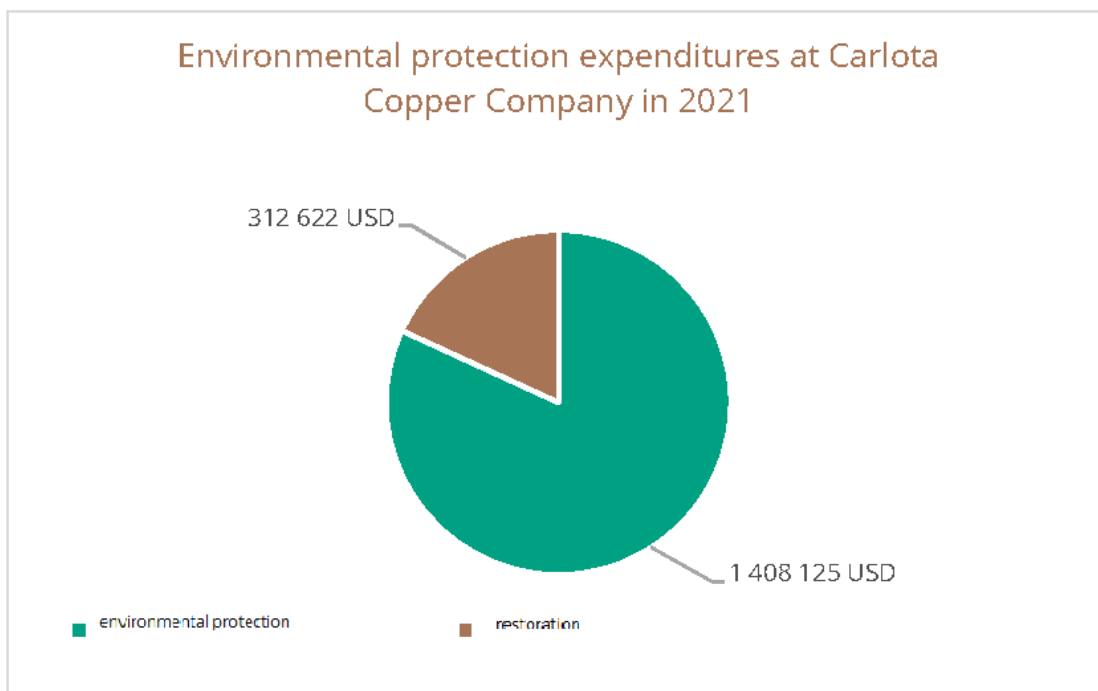
The Robinson Nevada Mining Company (RNMC; Nevada, USA) mine spent more than USD 2.7 million on environmental protection: waste management, environmental fees and consultants. Additionally, approximately USD 1.1 million was allocated for mitigation measures, which accompanied plans to expand the flotation 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.

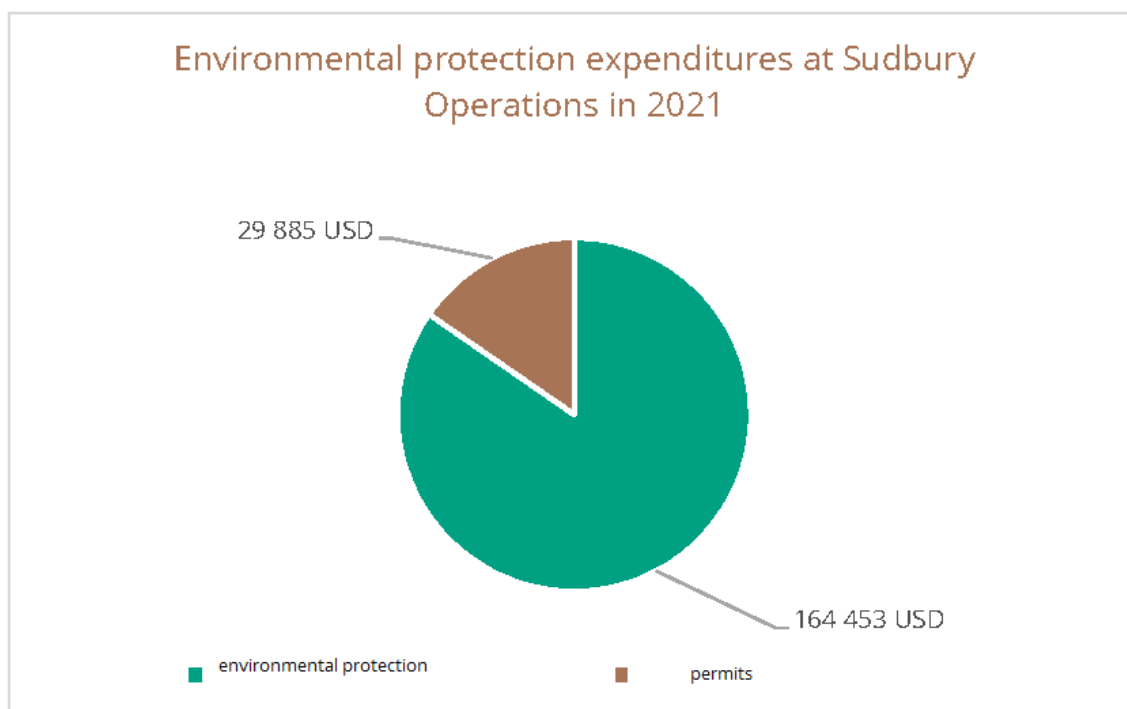
Overall, RNMC spent about PLN 15 million for environmental protection measures.



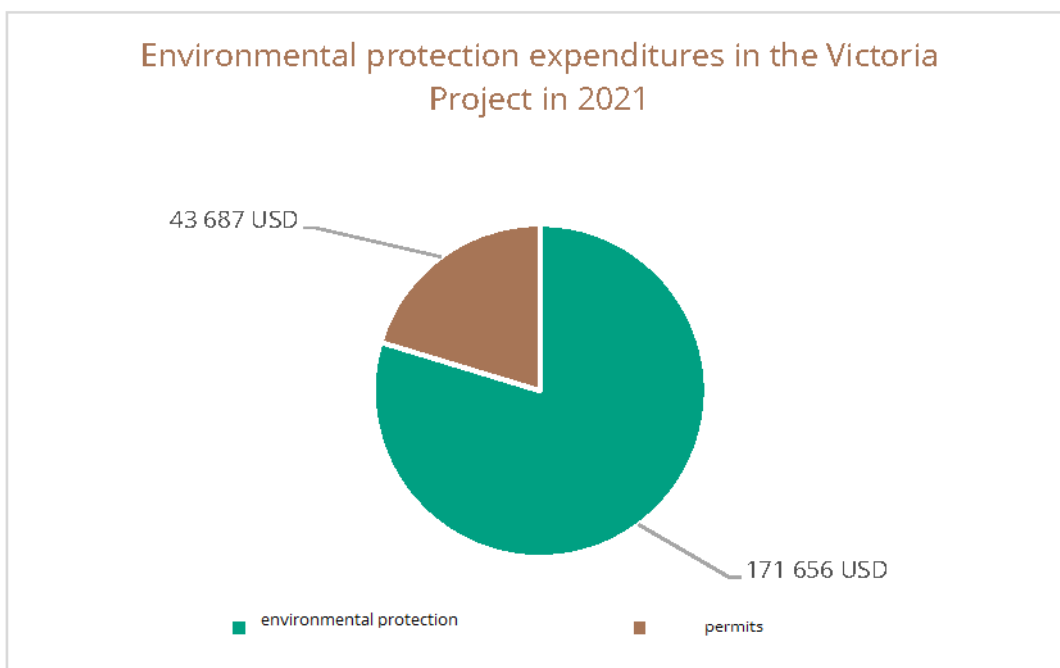
In 2021, Carlota Copper Company (Carlota; Arizona, USA) allocated USD 1.6 million, or nearly PLN 7 million, for environmental protection. The actions were focused on environmental monitoring and renewal of permits. Work was also conducted to prepare the restoration process, which included testing of evapotranspiration covers, collection of necessary data and cooperation with consultants.



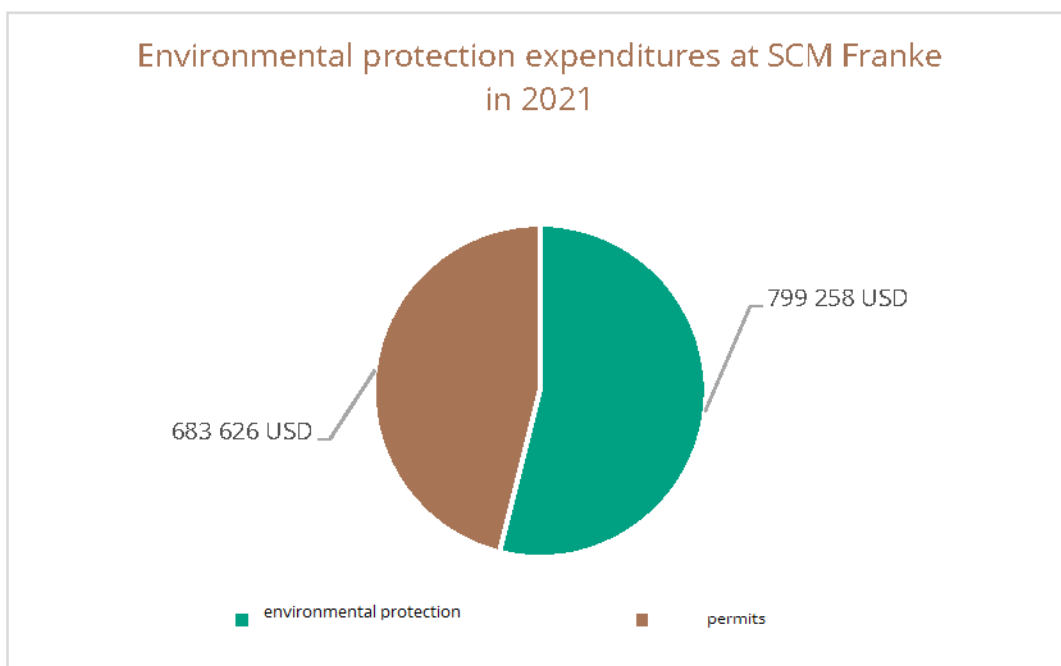
In the Sudbury Basin mines (Ontario, Canada) activities focused on environmental monitoring, water and waste management, and obtaining of permits. Nearly USD 195 thousand, or approx. PLN 750 thousand, was spent for these purposes.



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.



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.

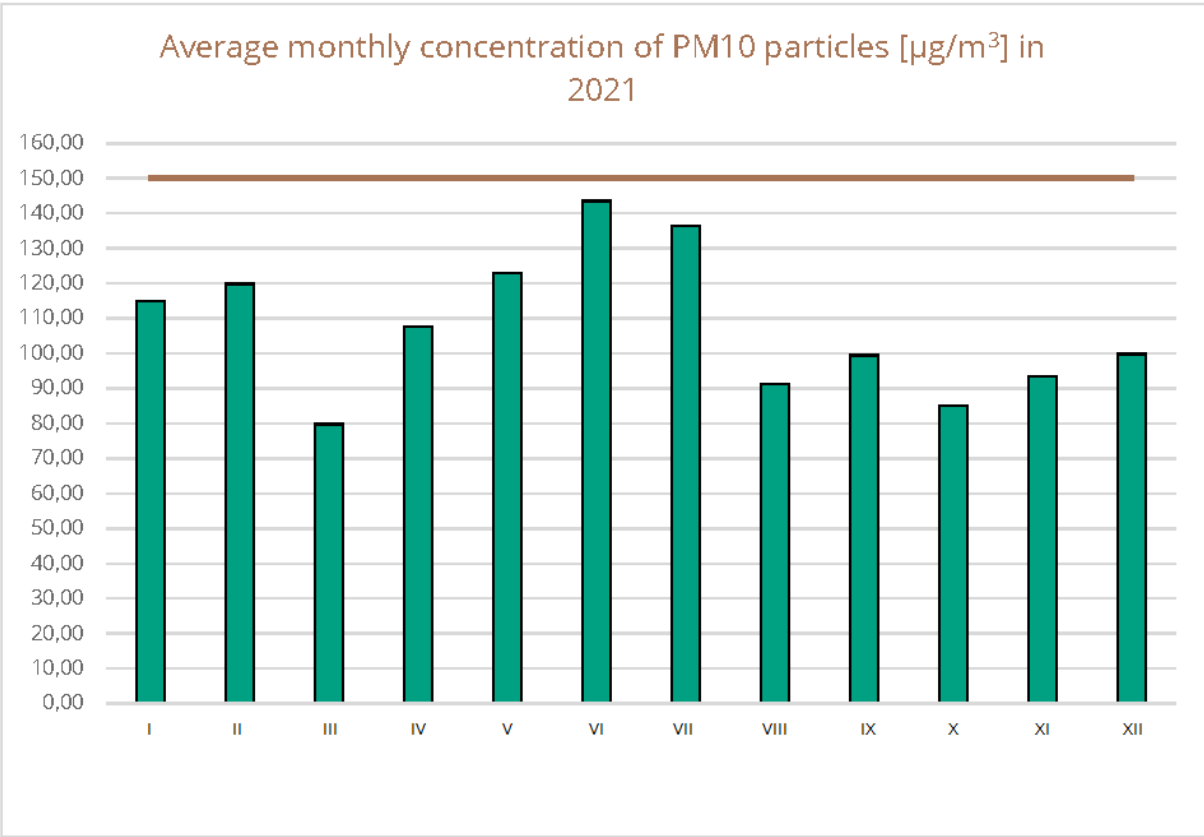


Examples of environmental measures taken by KGHM International LTD.

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.



In 2021, the average monthly concentration of PM10 never exceeded the level of $150 \mu\text{g}/\text{m}^3$, or the threshold for regulating air quality for places of human habitation (formally, this limit does not apply at the site, as it is located in the middle of the Atacama desert). Such good air quality can be achieved thanks to continuous dust limitation efforts: wetting mine roads, spraying water over crushers and conveyors, sealing the conveyors, performing ongoing maintenance of vehicles and machines, etc. Another example of a good approach to air protection is the Carlota mine located in the desert area of Arizona, which has not recorded a single exceedance of PM10 or H_2SO_4 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 wastewater 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 wastewater treatment plant operated at the Victoria project site. Currently, work is underway to build a full-scale permanent wastewater 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.

6.13. ENVIRONMENTAL PROTECTION – DOMESTIC COMPANIES OF THE KGHM GROUP

The domestic companies of the KGHM Polska Miedź S.A. Group in Poland operate in compliance with environmental regulations. The companies that are obliged to do so have valid environmental permits.

Amongst the domestic companies of the Group, the largest environmental impact comes from the activities of "Energetyka" Sp. z o.o. In 2021, this company incurred the highest environmental charges.

They amounted to PLN 2.8 million and mainly comprised payments for water intake and wastewater discharge (PLN 2.5 million), and for pollutant emissions into the air (around PLN 0.3 million).

In 2021, Energetyka Sp. z o.o. advanced investment projects in order to:

- adapt the existing equipment and installations of the Polkowice combined heat and power plant to the emission requirements prescribed by the IED Directive and to BAT Conclusions (completion of an investment project commenced in previous years),
- modernize two steam boilers at the Głogów Division - adaptation to new technological conditions and processes as a result of discontinuation of throat gas burning (the modernization consists of adaptation of the equipment to new fuel for the boiler, from throat gas to natural gas enriched with nitrogen to the extent necessary to ensure the supply of steam reserve for the Głogów Copper Smelter and Refinery and supply of heat to the city of Głogów (completion of an investment project commenced in previous years),
- modernize the industrial effluent distribution chamber and build a wastewater retention reservoir at the Legnica Division - to ensure continuity of production at the Legnica Copper Smelter and Refinery and increase the effectiveness of industrial effluents treatment (continuation of an investment project commenced in previous years),
- build a photovoltaic plant at the Głogów combined heat and power plant – a photovoltaic generator with the rated capacity of 1400 kW connected to KGHM Polska Miedź S.A.'s distribution grid – reducing CO₂ emissions (commencement of an investment project).

In 2021, the second largest amount of environmental fees was incurred by KGHM ZANAM S.A.: PLN 1.3 million, of which PLN 1.2 million was incurred for waste management, up 44% as compared to 2020, in connection with repair, modernization and organization work in the company's facilities and in service 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. Additionally, in 2021, the Casting Unit in Legnica launched an investment project to replace a gas-fired furnace with an electric chamber furnace.

NITROERG S.A. is a Group company that pays low environmental fees (PLN 0.2 million in 2021), but its operations may have a significant environmental impact due to the risk of industrial breakdowns; its line of business includes production of explosives, fuel additives and initiating systems. The plant complies with all requirements for the operation of hazardous facilities.

6.14. SELECTED GRI STANDARDS ILLUSTRATING ACTIVITIES IN THE AREA OF ENVIRONMENTAL PROTECTION IN THE KGHM POLSKA MIEDŹ S.A. GROUP AND KGHM POLSKA MIEDŹ S.A. IN 2021

GRI303-3 – Water withdrawal by the Organisation

WATER management in the KGHM Polska Miedź S.A. Group			
Water withdrawal (303-3)			
		2021*	2020
Water withdrawal by source [m³]	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
	<i>Fresh water (≤1 000 mg/l of total dissolved substances)</i>	170,262	2,465
	<i>Other water (>1.000 mg/l total dissolved solids)</i>	30,681,632	31,031,562
	Water from third parties (total)	462,936	304,596
	<i>Fresh water (≤1 000 mg/l of total dissolved substances)</i>	456,485	98,145
	<i>Other water (>1.000 mg/l total dissolved solids)</i>	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
Water (wastewater) discharge (303-4)			
		2021	2020
Water (wastewater) discharge by destination [m³]	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 (wastewater) discharge [m³]	Surface water + groundwater + seawater + third party water (total)	45,751,620	41,619,526
Water (wastewater) discharge – fresh and other water [m³]	<i>Fresh water (≤1 000 mg/l of total dissolved substances)</i>	18,021,202	16,817,279
	<i>Other water (>1.000 mg/l total dissolved solids)</i>	27,730,418	24,799,629
Water consumption (303-5)			
		2021	2020
Total water consumption [m³]	Total water consumption	21,971,809	60,040,901

(*) - data for 2021 do not include the activity of the Sierra Gorda mine

WATER management in KGHM Polska Miedź S.A.			
Water withdrawal (303-3)			
		2021	2020
Water withdrawal by source [m³]	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
	<i>Fresh water ($\leq 1\ 000$ mg/l of total dissolved substances)</i>	0	0
	<i>Other water (>1.000 mg/l total dissolved solids)</i>	29,599,160	31,031,562
	Water from third parties (total)	12,117,706	11,049,080
	<i>Fresh water ($\leq 1\ 000$ mg/l of total dissolved substances)</i>	12,117,706	11,049,080
	<i>Other water (>1.000 mg/l total dissolved solids)</i>	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 (wastewater) discharge (303-4)			
		2021	2020
Water (wastewater) 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 (wastewater) discharge [m³]	Surface water + groundwater + seawater + third party water (total)	37,345,232	33,685,322
Water (wastewater) discharge - fresh and other water [m³]	<i>Fresh water ($\leq 1\ 000$ mg/l of total dissolved substances)</i>	9,614,815	8,913,666
	<i>Other water (>1.000 mg/l total dissolved solids)</i>	27,730,418	24,771,656
Water consumption (303-5)			
		2021	2020
Total water consumption [m³]	Total water consumption	4,548,449	8,553,469

GRI304-1 – 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

GRI305-1 – Direct greenhouse gas emissions in 2020 in KGHM Polska Miedź S.A (tCO2e)

Greenhouse gas emissions by period	2020
Direct emissions SCOPE 1	1 430 234

GRI305-2 – Indirect greenhouse gas emissions in 2020 in KGHM Polska Miedź S.A (tCO2e)

Greenhouse gas emissions by period	2020
Indirect emissions SCOPE 2	1 890 292
Indirect emissions SCOPE 3	1 086 853

Total greenhouse gas emissions by KGHM Polska Miedź S.A. (tCO2e)	4 407 379
---	------------------

* greenhouse gas emissions by KGHM Polska Miedź S.A. in 2020 were determined in a manner consistent with Commission Regulation (EU) No. 601/2012 of 21 June 2012 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council and reflecting GHG Protocol.

Information on the levels of Scope 1 and Scope 2 greenhouse gas emissions, compliant with GHG Protocol for 2021 by KGHM Polska Miedź S.A. and the KGHM Group, will be published in the Integrated Report for 2021.

Information on the level of Scope 3 greenhouse gas emissions compliant with GHG Protocol for 2021 by KGHM Polska Miedź S.A. and the KGHM Group, will be published in the fourth quarter of 2022.

Determination of the levels of greenhouse gas emissions by KGHM Polska Miedź S.A. and the KGHM Group for the purposes of this Report is not possible due to the lack of indicators for Scope 2 emissions, which for the reporting year will become available only at the end of March, and due to the ongoing process of verification of emissions under the ETS system.

GRI306-2 – Total weight of waste by type and disposal method

		2021	2020
1	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		
2	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		
3	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	

GRI307-1 – Monetary value of fines and total number of non-monetary sanctions for non-compliance with environmental laws and 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	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 organization 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

6.15. 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 expenditure (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:

1. Climate change mitigation, set out in Annex I of Commission Delegated Regulation (EU) 2021/2139
2. 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

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")

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. 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 (formerly the 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)
		PLN million	%
A. Taxonomy-eligible activity	-	514	1,7%
Collection and transport of non-hazardous waste in source segregated fractions	5.5	335	1,1%
<i>Other</i>	-	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 the value 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 financial statements of the KGHM Polska Miedź S.A. Group, in Part 2 "Activity segments and revenue information".

Percentage share of capital expenditure (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 million	%
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%
<i>Other</i>	-	65	1,5%
B. Taxonomy-non-eligible activity	-	3 575	89,8%
TOTAL (A + B)		3 981	100,0%

* The 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 million	%
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%
<i>Other</i>	-	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 heat/cool 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.

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 million	%
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.

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 expenditure (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 million	%
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%
<i>Other</i>	-	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 million	%
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%
<i>Other</i>	-	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 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 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 heat/cool 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

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 mn	PLN 36.8 mn
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		
LTIFR_{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

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

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.

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 Number of new hires and employee turnover

		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			
	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 Miedz S.A. Group	KGHM Polska Miedz S.A.	KGHM Polska Miedz S.A. Group	KGHM Polska Miedz 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.

GRI 203-1 List of donations by the KGHM Polska Miedz 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		20 669,524.66 PLN	

A detailed list of donations granted to institutions is presented on the website <http://www.fundacjakghm.pl/>

VALUES OF 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

Total 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

GRI 303-3 – Water withdrawal by the Organisation

WATER in the KGHM Polska Miedź S.A. Group			
Water withdrawal (GRI 303-3)			
		2021*	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
	<i>Fresh water ($\leq 1\,000$ mg/l of total dissolved substances)</i>	170,262	2,465
	<i>Other water (> 1.000 mg/l total dissolved solids)</i>	30,681,632	31,031,562
	Water from third parties (total)	462,936	304,596
	<i>Fresh water ($\leq 1\,000$ mg/l of total dissolved substances)</i>	456,485	98,145
	<i>Other water (> 1.000 mg/l total dissolved solids)</i>	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
Water (wastewater) discharge (GRI 303-4)			
		2021	2020
Water (wastewater) discharge by destination [m³]	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 (wastewater) discharge [m³]	Surface water + groundwater + seawater + third party water (total)	45,751,620	41,619,526
Water (wastewater) discharge - fresh and other water [m³]	<i>Fresh water ($\leq 1\,000$ mg/l of total dissolved substances)</i>	18,021,202	16,817,279
	<i>Other water (> 1.000 mg/l total dissolved solids)</i>	27,730,418	24,799,629
Water consumption (GRI 303-5)			
		2021	2020
Total water consumption [m³]	Total water consumption	21,971,809	60,040,901

(*) - data for 2021 do not include the activity of the Sierra Gorda mine

WATER in KGHM Polska Miedź S.A.			
Water withdrawal (GRI 303-3)			
		2021	2020
Water withdrawal by source [m³]	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
	<i>Fresh water (≤1 000 mg/l of total dissolved substances)</i>	0	0
	<i>Other water (>1.000 mg/l total dissolved solids)</i>	29,599,160	31,031,562
	Water from third parties (total)	12,117,706	11,049,080
	<i>Fresh water (≤1 000 mg/l of total dissolved substances)</i>	12,117,706	11,049,080
	<i>Other water (>1.000 mg/l total dissolved solids)</i>	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 (wastewater) discharge (GRI 303-4)			
		2021	2020
Water (wastewater) 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 (wastewater) discharge [m³]	Surface water + groundwater + seawater + third party water (total)	37,345,232	33,685,322
Water (wastewater) discharge - fresh and other water [m³]	<i>Fresh water (≤1 000 mg/l of total dissolved substances)</i>	9,614,815	8,913,666
	<i>Other water (>1.000 mg/l total dissolved solids)</i>	27,730,418	24,771,656
Water consumption (GRI 303-5)			
		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 – Direct greenhouse gas emissions in 2020 in KGHM Polska Miedź S.A (tCO2e)

Greenhouse gas emissions by period	2020
Direct emissions SCOPE 1	1 430 234

GRI 305-2 – Indirect greenhouse gas emissions in 2020 in KGHM Polska Miedź S.A (tCO2e)

Greenhouse gas emissions by period	2020
Indirect emissions SCOPE 2	1 890 292
Indirect emissions SCOPE 3	1 086 853

Total greenhouse gas emissions by KGHM Polska Miedź S.A. (tCO2e)	4 407 379
---	------------------

* greenhouse gas emissions by KGHM Polska Miedź S.A. in 2020 were determined in a manner consistent with Commission Regulation (EU) No. 601/2012 of 21 June 2012 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council and reflecting GHG Protocol.

Information on the levels of Scope 1 and Scope 2 greenhouse gas emissions, compliant with GHG Protocol for 2021 by KGHM Polska Miedź S.A. and the KGHM Group, will be published in the Integrated Report for 2021.

Information on the level of Scope 3 greenhouse gas emissions compliant with GHG Protocol for 2021 by KGHM Polska Miedź S.A. and the KGHM Group, will be published in the fourth quarter of 2022.

Determination of the levels of greenhouse gas emissions by KGHM Polska Miedź S.A. and the KGHM Group for the purposes of this Report is not possible due to the lack of indicators for Scope 2 emissions, which for the reporting year will become available only at the end of March, and due to the ongoing process of verification of emissions under the ETS system.

GRI 306-2 – Total weight of waste by type and disposal method

		2021	2020
1	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		
2	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		
3	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 – Monetary value of fines and total number of non-monetary sanctions for non-compliance with environmental laws and 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	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 organization 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