

KGHM Group responsible supply chain policy



KGHM Polska Miedź S.A. Capital Group (KGHM) has over 60 years tradition in mining and smelting business. As a company we are committed to the highest standards of products' manufacturing, business ethics and business conduct in our day to day operations. We follow these rules throughout our value chain, which is reflected in the Code of Ethics of the KGHM Group. KGHM confirms its commitment to comply with the basic principles of human rights, labor standards, environmental protection and anti-corruption. We are also involved in the activities of international organizations for corporate social responsibility and supporting sustainable development. KGHM is fully aware that the selection of responsible suppliers is crucial for conducting activities oriented towards sustainable development.

We do not tolerate, support, contribute to or benefit from:

- any forms of torture, cruel, inhuman and degrading treatment,
- any forms of child labour or of forced or compulsory labour,
- minorities discrimination,
- violations of international humanitarian law,
- war crimes, genocide or any crimes against humanity,
- violating the rights of indigenous peoples,
- money-laundering and financing of terrorism,
- all forms of corruption and other activities related to economic crime, including financial fraud,
- degradation of cultural and natural heritage sites,
- violating health and safety rules,
- violating the right of association,
- direct or indirect support to illegitimate non-state armed groups, or public or private security forces which illegally control mines, sites, traders or other intermediaries, and transport routes through the supply chains; or illegally tax or extort money or minerals through the supply chains,
- non-compliance with taxes, fees, and royalties due to governments related to mineral extraction, trade, and export from Conflict-Affected and High-Risk Areas (CAHRAs),
- money laundering or terrorism financing,
- contribution to conflict,
- other serious human rights abuses.

In addition, for conducting our business in responsible and sustainable way we consider it important to include in our activities growing significance of ESG factors (environment, social and corporate governance) and we expect similar approach from our counterparties. We find following as key ESG factors:

- compliance with environmental, health, safety, and labour regulation in country of operation and/or company policy,
- environmental management, including:
 - air, water, land pollution and incident management plans
 - water stewardship, especially in water scarce and stressed areas
 - unauthorised sourcing from World Heritage Sites and protected Areas,

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- compliance with environmental, health, safety, and labour regulation in country of operation and/or company policy,
 - storage, handling, and disposal of hazardous chemicals, including mercury and cyanide,
 - management of labour issues, including remuneration, working hours, collective bargaining, discrimination, diversity, disputes and safeguarding of workers,
 - community engagement and management programmes (land acquisition and community resettlement, cultural heritage sites and indigenous people, closure planning and safeguarding of vulnerable populations),
 - management of business integrity and ethical conduct and supporting the implementation of relevant initiatives such as the Extractive Industry Transparency Initiative (EITI).

KGHM expects all its suppliers to abide by these rules and reserves that it does not enter into business relations with entities that act in a manner inconsistent with them.

To ensure the highest standards regarding obtaining metals from conflict-affected and high risk areas, KGHM has adopted risk-based due diligence, which allows to identify high-risk business relationships based on the criteria set out in the The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, The LBMA Responsible Gold Guidance, The LBMA Responsible Silver Guidance and Joint Due Diligence Standard for Copper, Lead, Nickel and Zinc implemented in KGHM's Smelting/Refining Divisions.

It is a duty of the Management Board of KGHM to exercise full control over the responsible supply chain.

An internal responsible supply chain management system has been set up, which includes:

STEP 1 - ESTABLISH STRONG COMPANY MANAGEMENT SYSTEM:

- adopting a company policy regarding due diligence for supply chains,
- setting up an internal management structure to support supply chain due diligence,
- establishing a strong internal system of due diligence, controls and transparency over supply chains, including traceability and identification of other supply chains actors and their verification,
- strengthening company engagement with counterparties and, where possible, assist supplying counterparties in building due diligence capacities,
- establishing a company-wide communication mechanism to promote broad employee participation and risk identification to management,
- principles of documentation storage and employee trainings conducting.

STEP 2 – IDENTIFY AND ASSESS RISKS IN THE SUPPLY CHAIN:

- identifying risks in supply chain,
- assessing risks in the light of the standards of their supply chain due diligence system,
- reporting risk assessment to designated Senior Management.

STEP 3 – DESIGN AND IMPLEMENT A MANAGEMENT SYSTEM TO RESPOND TO IDENTIFIED RISKS:

- Devising a strategy for risk management of an identified risk,

- Including measurable steps to be taken and achieved, monitoring of performance, periodic reassessment of risk and regular reporting to designated senior management, where a management strategy of risk mitigation is undertaken.

STEP 4 – ARRANGE FOR AN INDEPENDENT THIRD- PARTY AUDIT OF THE SUPPLY CHAIN DUE DILIGENCE IN THE LIGHT OF ADOPTED SUPPLY CHAIN STANDARDS

STEP 5 – REPORT ON SUPPLY CHAIN DUE DILIGENCE

KGHM also established the following e-mail addresses: conflict.minerals@kghm.com (for minerals) and procurement@kghm.com (for other deliveries), allowing any employee, supply chain actor or stakeholder to voice concerns over the supply chain.

President of the Management Board

of KGHM Polska Miedź S.A..



Tomasz Zdzikot