

Layers of possibilities



REALIZATION OF STRATEGY

of the KGHM Group to 2030 with
an outlook to 2040 in 2023

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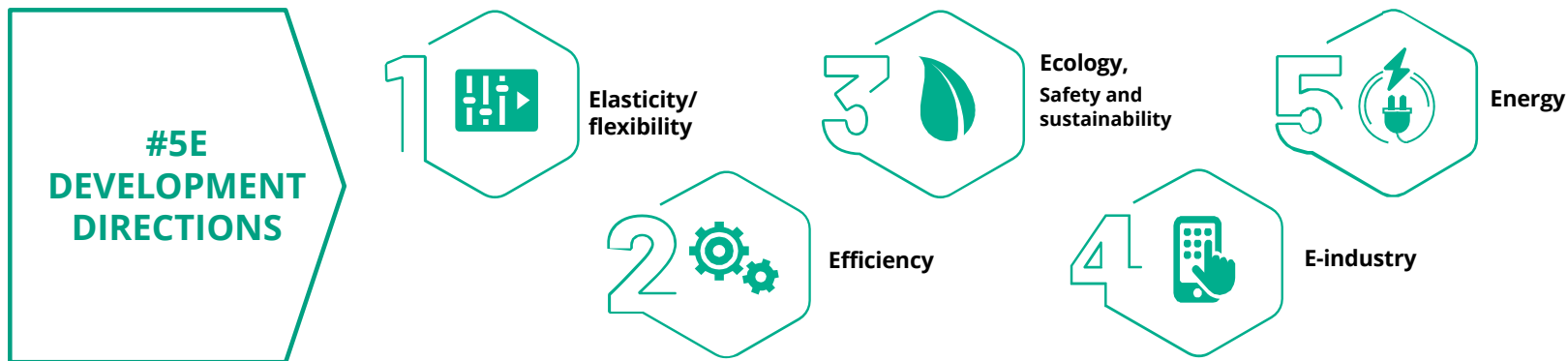
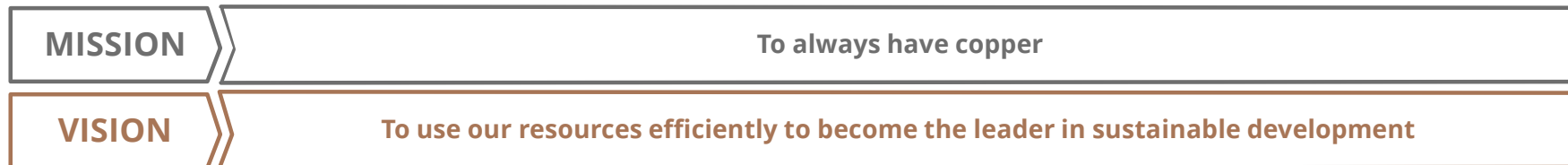


Strategy of the KGHM Polska Miedź S.A. Group









Strategy of the KGHM Group to 2030 with an outlook to 2040

In 2023 the Company consistently advanced its mission and vision, based on the adopted development directions: Flexibility, Efficiency, Ecology, E-industry and Energy.










Advancement of key strategic performance indicators in 2023

Strategy pillar	Strategic measure of success (strategic KPI)	2020 (base year)	Goal 2030	2023
Core business	 Domestic copper production	approx. 560 kt of electrolytic copper	Approx. 600 thousand tonnes of electrolytic copper (including production based on a higher amount of purchased materials and copper from recycling).	592.4 kt
	 International copper production	approx. 150 kt of payable copper	Higher production by the international assets of KGHM by extending their life-of-mine, developing assets in the mine projects portfolio held and increasing the resource base thanks to advancement of the International Exploration Strategy.	118.5 kt
	 Silver production	approx. 1 320 tonnes of silver (top three)	Maintain the Company's position amongst the world's top-three producers of silver (approx. 1200 tonnes of silver annually).	1 428.3 tonnes
New activities	 Energy produced	694 GWh (22% of consumption)	Min. 50% of consumption (approx. 1.5 TWh)	578 GWh (~18% of consumption)
	 Reduction in estimated CO₂ emissions resulting from electricity consumed	approx. 1.6 mn tonnes of eCO ₂	1.0 mn tonnes of eCO ₂	1.76 mn tonnes eCO ₂
	 Diversification of the commercial offer in terms of metals	2%	10%	2.3%

1) Average ROCE from the last 3 years.

Advancement of key strategic performance indicators in 2023

Strategy pillar	Strategic measure of success (strategic KPI)	2020 (base year)	Goal 2030	2023
Supporting activities	 Recycling of scrap	Approx. 124 kt of copper scrap	Approx. 350 kt of copper scrap	143.5 kt (dry weight)
	 Revenues from sales on foreign markets of selected Group companies	Base year 2020 Base year=100% Revenues from sales on foreign markets in the base year 2020.	147% vs base year for the companies Zanam, Nitroerg, PeBeKa 163% vs base year for the company DMC	109% vs base year for the companies: ZANAM, NITROERG, PeBeKa; 154% vs base year for DMC
Health	 LTIFR	7.31	Aiming at 0 accidents	5.98
	 TRIR	0.52	Aiming at 0 accidents	0.37
	 Level of support for the area of Health carried out by the KGHM Polska Miedz Foundation	Approx. PLN 11.5 mn	Approx. PLN 7 mn	PLN 19.15 mn (combined for institutions and individuals)
Prosociality	 Support for the fair transformation of the mining sector	n/a	Potential employment of approx. 500 miners annually	n/a ¹⁾
	 Number of volunteer projects advanced	25	30	310 (incl. 58 projects in the KGHM Group)

1) Not applicable. The EU's energy policy against the backdrop of the war in Ukraine and the approaching energy crisis is forcing countries to make further use of coal-based power sources.

Key action in individual areas of the Strategy in 2023 (1/3)



FLEXIBILITY

- Continuation of the Strategic Program Hybrid Legnica Smelter and Refinery (incl. realisation of the „digital twin” concept, along with receipt of a building permit for the Scap Turnover base at the Legnica Smelter and Refinery.
- Continuation of actions involving extension of the Company's value chain, including those related to the delivery and commissioning of the infrastructure necessary for the production of cast gold and silver bars in the Głogów Copper Smelter and Refinery.
- Continuation of exploration projects with respect to exploring for and evaluating copper ore deposits in Poland and other concessions for exploration and evaluation, including the Puck project.
- Continuation of development projects in the international assets.
- Financial stability was ensured by basing the financing structure of the KGHM Group on long-term instruments, reducing the cash conversion cycle and managing market and credit risk in the KGHM Group.



EFFICIENCY

- The Company exceeded its production goals for 2023 in all of the main product lines. Mined production in domestic assets amounted to 445 kt of copper in extracted ore. Production of electrolytic copper and metallic silver in KGHM Polska Miedź S.A. was the highest in recent years, amounting to 592.4 kt of electrolytic copper and 1 403 t of silver, respectively.
- Copper production in the international assets in 2023 was lower than the budgeted targets.
- Advancement of the Deposit Access Program continued (the GG-1 shaft reached a depth of 1 348 m).
- Development of the Żelazny Most Tailings Storage Facility continued (development of the Southern Quarter and the Tailings Segregation and Compacting Station was advanced on an ongoing basis). Depositing and building up the dams in the Southern Quarter was carried out.
- R&D initiatives to enhance the efficiency of the core production business of the Company were conducted.
- Activities regarding the intellectual property of the Company were carried out.
- Use of external financing for R&D&I projects continued.

Key action in individual areas of the Strategy in 2023 (2/3)



ECOLOGY, SAFETY AND SUSTAINABLE DEVELOPMENT

- The Program to adapt the technological installations of the Company to the requirements of BAT conclusions for the non-ferrous metals industry and to restrict emissions of arsenic (BATAs) was concluded at the Głogów Copper Smelter and Refinery and Legnica Copper Smelter and Refinery. The objectives of the Program were achieved: cutting-edge technologies were applied, modern infrastructure was built, and arsenic and mercury emissions were reduced. The arsenic emission ratio from metallurgical production decreased by 82% in 2023 vs. 2018.
- The Cedyňa Wire Rod Plant was granted the prestigious Copper Mark certificate.
- Implementation work of the environmental management system at the Head Office of KGHM Polska Miedź S.A. based on the ISO 14001 standard was completed.
- Environmental declarations for KGHM Polska Miedź S.A. products were prepared and verified, presenting the results of environmental and carbon footprint analyses.
- Allocations of free CO2 emission allowances for 2023 for KGHM Polska Miedź S.A. were acquired.
- A number of pro-environmental activities were carried out, including: the balance of greenhouse gas emissions in all scopes for 2022 for the KGHM Group was prepared, work on the Decarbonisation Program of KGHM Polska Miedź S.A. was launched and a feasibility study was commenced on the construction of an evaporated salt plant at the Głogów Copper Smelter and Refinery in order to reduce the salinity of process waters.
- The Occupational Health and Safety Improvement Program was continued (LTIFR: 5.98; TRIR: 0.37).



E-INDUSTRY

- The advancement of projects to automate the production lines of the Mining Divisions of the Company continued (including the implementation of initiatives connected with testing electric battery-powered mining machinery).
- The system for locating and identifying machinery and people in the underground mines was integrated and extended.
- Activities were continued in the area of digital transformation, ICT security and cybersecurity as part of the KGHM 4.0 Program.

Key action in individual areas of the Strategy in 2023 (3/3)



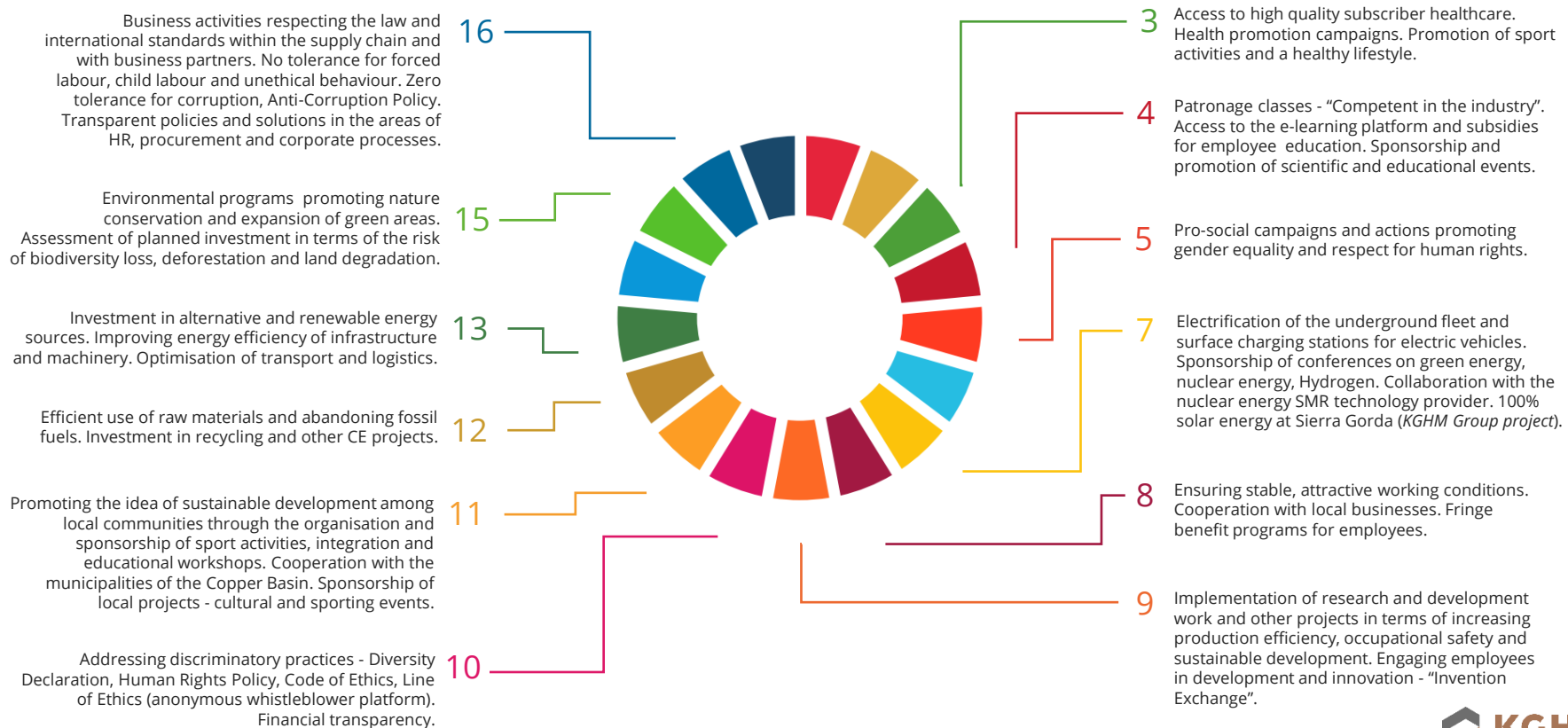
ENERGY

- Projects aimed at increasing production of energy from own sources were continued, using photovoltaic farms, wind farms and nuclear energy.
- RES projects on own land - technical conditions of connection and the building permit for the Głogów Copper Smelter and Refinery Photovoltaic Power Plant (7.5 MW) were obtained, and the procedure for issuing technical conditions of connection was initiated for a number of Photovoltaic power plant projects: Warta-Bolesławiecka (88 MW), Piaskownia Obora (50 MW), Tarnówek (3 MW), Kalinówka (2 MW) and Polkowice (3.5 MW), design work was resumed and activities were initiated for obtaining technical conditions of connection for 4 wind power plant locations as part of the Radwanice-Żukowice project (30-40 MW).
- RES acquisition projects - the acquisition of the Żuki photovoltaic farm (5.2 MW) was completed, a preliminary contingent agreement was signed for the acquisition of 100% of the shares in the company owning the Jerzmanowa photovoltaic power plant project (20 MW), final negotiations were conducted on the acquisition of shares in special purpose companies owned by the Solartechnik Project holding photovoltaic power plant projects with a total capacity of 47 MW.
- Development of SMR technology - a fundamental decision for the construction of a power plant with SMR reactors was obtained from the Minister of Climate and the Environment, a contractor for a pre-feasibility study for the implementation of the investment was selected, work on a detailed site analysis for the power plant was completed as part of the preparation of the preliminary site assessment report, and a general opinion on selected technical assumptions for the NuScale NPM-20 reactor technology was obtained from the President of the National Atomic Energy Agency.
- Off-shore projects - the necessary qualifying minima were not achieved in the adjudication proceedings conducted by the Ministry of Infrastructure for the off-shore sites applied for jointly with Total Energies.
- In 2023, 18.36% of the need of KGHM's Divisions for electricity was supplied by its own sources.



Sustainable development - commitments and initiatives of KGHM Polska Miedź S.A.

Advancement of Sustainable Development Goals in 2023



Initiatives and awards

- Another metallurgical facility of KGHM Polska Miedź received *The Copper Mark* certificate, testifying to its responsible production practices
- Creation of an ESG unit responsible for sustainability issues and the development of an ESG strategy
- Calculation and publication of the carbon footprints of key products
- Continued recognition as part of the *FTSE4Good Index Series*
- Training for management and ESG coordinators in the 26 companies of the KGHM Group
- A cycle of ESG webinars for employees involved in reporting
- Continuation of employee satisfaction surveys
- Organisation of conferences and workshops dedicated to neurodiversity
- Purchase of solar power farms
- Decision made to attempt to report non-financial information for 2023 under ESRs



CLIMATE CRISIS
AWARENESS



7.42 points (out of a possible 10)
KGHM Polska Miedź S.A.
Recognised as a **Climate Aware Company for 2023**



Special award THE BEST OF THE BEST
Special distinction THE BEST OF THE BEST
Special distinction for **Most progress in improving integrated reports**

THE CLEAN200

KGHM was the sole company¹⁾ amongst those identified by **THE CLEAN200** by Corporate Knights & As You Sow

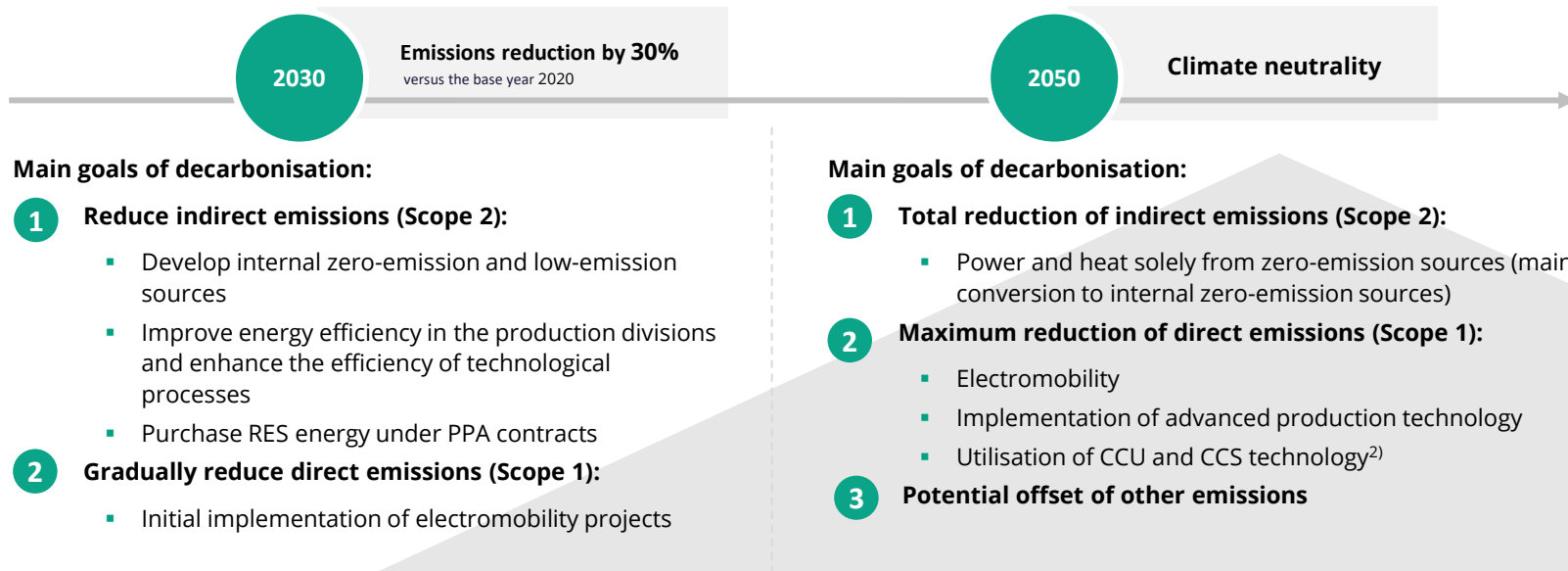
**GLOBAL
ESG
MONITOR**

In the TOP10 of WIG20 companies with a high level of ESG reporting transparency: **High Transparency** per Global ESG Monitor²⁾

1) Amongst 6 000 global entities
2) Publication of result in 2023

Climate neutrality by 2050

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

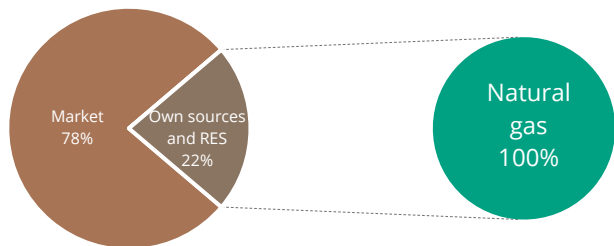


Details regarding **capital expenditures** on actions to restrict greenhouse gas emissions will be included and announced as part of the **Decarbonisation Program** of the KGHM Group

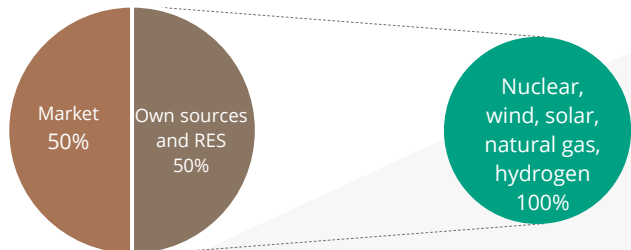
By 2030 the increase in share of RES will lead to a substantial reduction in CO₂ emissions

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

2020 – base year (2.9 TWh):



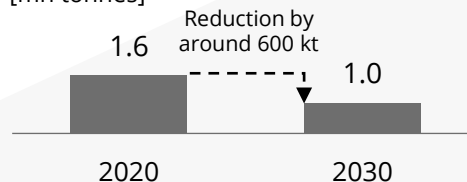
2030 - goal:



2023:

Own generation sources, including RES, covered 18.36%¹⁾ of KGHM Polska Miedź S.A.'s total power needs.

Estimated CO₂ emissions due to electricity consumption
[mn tonnes]



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

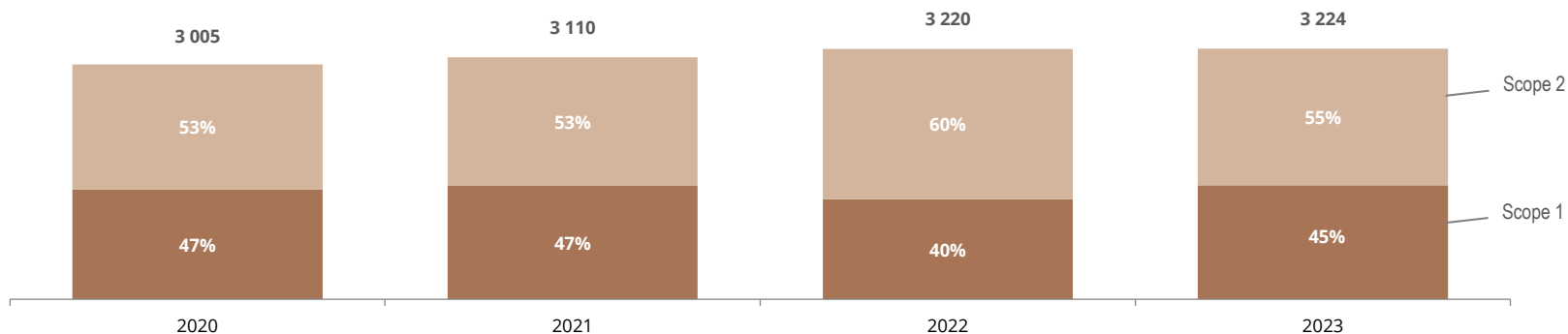


100% of electricity generated by **RES** in the **Sierra Gorda mine** since January 2023

1) In 2023, lower power generation by the CCGT units compared to the base year 2020 in a similar manner was due to the need for a maintenance shutdown of the CCGT block in Polkowice in the first quarter of 2023 due to unfavourable macroeconomic conditions, which meant that the price of electricity generated by the block was higher than could be realised in terms of purchasing energy from the market. The Company Energetyka provided an alternate source of heating from carbon-based sources during the block's shutdown.

Greenhouse gas emissions (Scope 1 and Scope 2) of KGHM Polska Miedź S.A.

Greenhouse gas emissions in the producing assets of KGHM Polska Miedź S.A. in the years 2020-2023 (thousand tonnes of CO₂e) pursuant to the location-based method



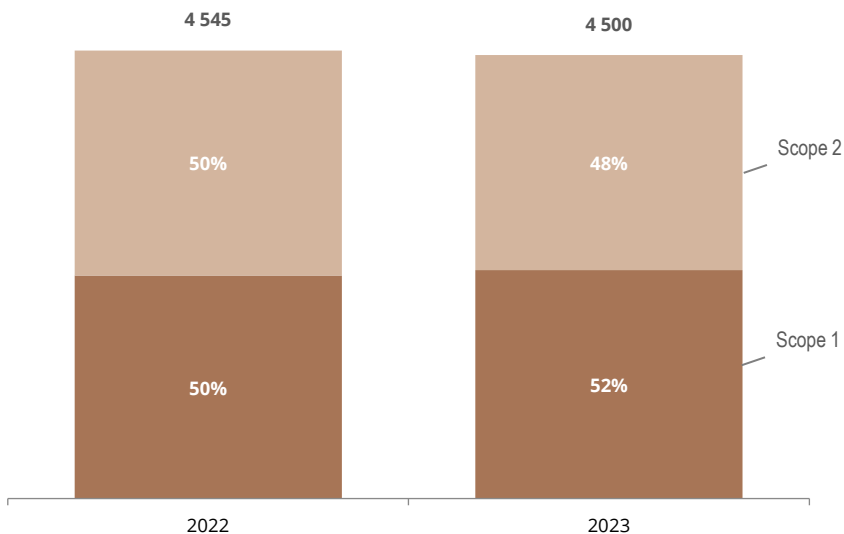
In 2023 Scope 1 and 2 greenhouse gas emissions of KGHM Polska Miedź S.A. amounted in total to 3 224 thousand tonnes of CO₂e (tonnes equivalent of carbon dioxide) of which nearly 45% were Scope 1 (i.e. arising from sources owned or controlled by KGHM, such as emissions from combustion in Company boilers, furnaces and vehicles), while 55% of emissions were Scope 2 (arising from the use of purchased or acquired electricity, technological steam, heat or cooling consumed by KGHM).

In comparison to 2022, Scope 1 emissions increased by 13.7% due to the longer working time of the CCGT Gas-Steam Blocks, while Scope 2 emissions decreased by 8.9% (pursuant to the location-based method) and by 2.4% (pursuant to the market-based method).

Total Scope 1 and 2 emissions in 2023 increased by 7.3% (pursuant to the location-based method) and by 10% (pursuant to the market-based method) compared to the base year, while compared to 2022, emissions increased by 0.12% (pursuant to the location-based method) and by 4.1% (pursuant to the market-based method).

Greenhouse gas emissions (Scope 1 and Scope 2) by the KGHM Polska Miedź S.A. Group

Greenhouse gas emissions by the KGHM Polska Miedź S.A. Group in the years 2022-2023
(thousand tonnes of CO₂e) pursuant to the location-based method



In 2023, Scope 1 and 2 greenhouse gas emissions by the KGHM Polska Miedź S.A. Group amounted in total to 4 500 thousand tonnes of CO₂e (tonnes equivalent of carbon dioxide) of which nearly 48% were Scope 1 emissions (arising from sources such as emissions from combustion in Company boilers, furnaces and vehicles), while 52% of emissions were Scope 2 (arising from the use of purchased or acquired electricity, technological steam, heat or cooling consumed).

In comparison to 2022, Scope 1 emissions increased by 2.5% due to the longer working time of the CCGT Gas-Steam Blocks, while Scope 2 emissions decreased by 4.5 (pursuant to the location-based method) and by 0.1% (pursuant to the market-based method).

Total Scope 1 and 2 emissions in 2023 decreased by 1% (pursuant to the location-based method) and increased by 1.2% (pursuant to the market-based method) compared to 2022.

KGHM Polska Miedź S.A. is in the process of preparing a Climate Policy for the Group along with the setting of reduction goals and the base year.

Employee safety as a strategic priority for the KGHM Group



Safety and development

ISO 45001:2018

We hold an Occupational Health and Safety Management System Certificate.

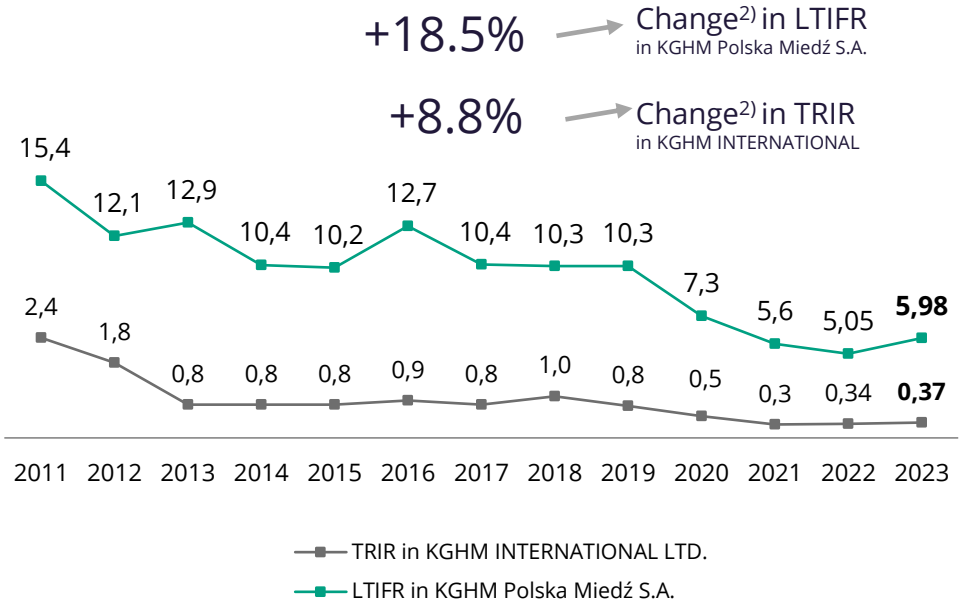
Leader's Gold Card of Workplace Safety

KGHM Polska Miedź S.A. in the years 2020, 2021 and 2022 recorded a decrease in the number of workplace accidents by a further 28.8%, 22.5%, 9.7% respectively (y/y). The Company was again awarded the Leader's Gold Card of Workplace Safety for its OHS achievements.

Accident rates

In 2023 the Company recorded an increase in the number of workplace accidents from 149 to 177. 98% of these were classified as light injuries. In 2023 the Company recorded an increase in the number of group accidents, which affected the accident rate numbers (5 vs 2). Compared to 2020 the number of workplace accidents in the Company was lower by 16.9%.

Accident rates¹⁾



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

2) Average accident rate in 2023 compared to the average for 2022

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