



**THE MANAGEMENT BOARD'S REPORT ON THE  
ACTIVITIES OF KGHM POLSKA MIEDŹ S.A.  
AND OF THE KGHM POLSKA MIEDŹ S.A.  
GROUP IN 2023**

**Lubin, April 2024**

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## Significant events in 2023 and to the date of signing of this report

| Date   | Event  | Section  |
|--|--|----------|
| <b>Change in macroeconomic conditions</b>                            |  |          |
| 2023   | A 4% decrease in average annual copper prices with a 7% increase in silver prices  | 1.1.6    |
| 2023   | A decrease in average annual USD/PLN exchange rate: by 6%  | 1.1.6    |
| <b>KGHM Polska Miedź S.A. on the Warsaw Stock Exchange</b>           |  |          |
| 2023   | A decrease in the share price of KGHM Polska Miedź S.A. by 3% from PLN 126.75 to PLN 122.70  | 1.5.3    |
| <b>Changes in the composition of KGHM Polska Miedź S.A.'s bodies</b> |  |          |
| 9 January 2024   | Information on the resignation of Marek Świder from the function of Vice President of the Management Board (Production) of the Company   | 3.3      |
| 12 February 2024   | Information on the announcement of candidates to the Supervisory Board of the Company by a shareholder   | 3.3      |
| 13 February 2024   | Information on changes in the composition of the Supervisory Board and the Management Board of the Company   | 3.3      |
| 6 March 2024   | Information on the resignation of Zbigniew Bryja from his function in the Supervisory Board and on changes in the composition of the Management Board of KGHM Polska Miedź S.A.  | 3.3      |
| 29 March 2024  | Information on the resignation of Mirosław Kidoń from the function in the Management Board of KGHM Polska Miedź S.A.   | 3.3      |
| <b>Impairment of assets</b>  |  |          |
| 10 January 2024  | Information on the occurrence of indications of possible impairment or indications that the impairment loss recognised in prior periods was reduced for the domestic and international assets of the KGHM Polska Miedź S.A. Group.   | 7.4, 8.4 |
| 22 March 2024  | Information on the results of the conducted tests for impairment   | 7.4, 8.4 |
| <b>Allocation of profit</b>  |  |          |
| 11 May 2023  | Proposal of the Management Board regarding the allocation of profit for 2022 (recommended dividend payout of PLN 200 million)  | 1.5.4    |
| 21 June 2023   | Decision of the Ordinary General Meeting of KGHM Polska Miedź S.A. to pay a dividend in the amount of PLN 200 million, representing PLN 1.00 per share   | 1.5.4    |
| <b>Significant agreements</b>  |  |          |
| 3 January 2023   | Agreement with Nexans France - contract for the delivery of copper cathodes in the years 2023-2027   | 2.6      |
| 28 February 2023   | Agreement with Vale International SA for the purchase of Salobo copper concentrates in the years 2023-2027   | 2.6      |
| 7 August 2023  | Agreement with the NKT Group for the sale of copper wire rod in the years 2023-2027  | 2.6      |
| 6 November 2023  | 5-year framework agreement for the sale of copper cathodes to China Minmetals in the years 2024-2028   | 2.6      |
| <b>Changes in the structure of the Group</b>                         |  |          |
| 13 March 2023  | Concluding of an agreement for the sale of 100% of the shares of KGHM TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH SPÓŁKA AKCYJNA   | 1.1.3    |
| 10 October 2023  | Acquisition of shares in INVEST PV7 sp. z o.o., as part of a preliminary contingent agreement for the purchase of shares in four special purpose vehicles from Projekt Solartechnik Fund Fundusz Inwestycyjny Zamknięty  | 1.1.3    |
| <b>Other</b>   |  |          |
| 6 January 2023   | Notification dated 5 January 2023 on an increase of the share in the number of votes of Allianz OFE, Allianz DFE and Drugi Allianz OFE to a level above 5%   | 1.5.1    |
| 8 March 2023   | Update of the Climate Policy by the Management Board of KGHM Polska Miedź S.A.   |          |
| 16 May 2023  | Notification dated 15 May 2023 on an increase of the share in the total number of votes of Allianz OFE, Allianz DFE and Drugi Allianz OFE to a level above 5%  | 1.5.1    |
| 19 June 2023   | Adoption of a decision regarding the development of a feasibility study on the evaporated salt plant   | 4.3.2    |
| 28 December 2023   | Approval by the Supervisory Board of the Budget of KGHM Polska Miedź S.A. and of the Budget of the KGHM Group for 2024   | 6.6      |
| 7 February 2024  | Information on the consent of the Management Board of KGHM Polska Miedź S.A. to conclude with Bank Gospodarstwa Krajowego a revolving credit agreement in the amount of USD 450 million for a financing period of up to 60 months, with an option to extend it by a subsequent 24 months | 7.5      |

## Aggregated data of the Company and the Group for the years 2016-2023

### Basic items of the consolidated financial statements

|  |        | 2023    | 2022   | 2021   | 2020   | 2019   | 2018   | 2017   | 2016    |
|--|--------|---------|--------|--------|--------|--------|--------|--------|---------|
| Revenues from contracts with customers                                   | PLN mn | 33 467  | 33 847 | 29 803 | 23 632 | 22 723 | 20 526 | 20 358 | 19 156  |
| Profit/(loss) for the period   | PLN mn | (3 691) | 4 774  | 6 155  | 1 797  | 1 421  | 1 658  | 1 525  | (4 449) |
| Adjusted EBITDA <sup>1</sup>   | PLN mn | 5 362   | 9 024  | 10 327 | 6 623  | 5 229  | 4 972  | 5 753  | 4 666   |
| Total assets   | PLN mn | 51 383  | 53 444 | 48 027 | 42 780 | 39 409 | 37 237 | 34 122 | 33 442  |
| Liabilities  | PLN mn | 22 753  | 21 298 | 20 889 | 21 699 | 19 207 | 18 012 | 16 337 | 17 531  |
| Earnings per share (EPS) <sup>2</sup>                                    | PLN    | (18.49) | 23.86  | 30.78  | 9.00   | 7.11   | 8.29   | 7.84   | (21.86) |
| Share price of the Company at the end of the period                      | PLN    | 122.70  | 126.75 | 139.40 | 183.00 | 95.58  | 88.88  | 111.20 | 92.48   |
| Net debt/EBITDA <sup>3</sup>   |        | 1.1     | 0.8    | 0.6    | 0.9    | 1.5    | 1.6    | 1.3    | 1.6     |
| Payable copper production <sup>4</sup>                                   | kt     | 710.9   | 733.1  | 753.7  | 709.1  | 701.6  | 633.9  | 656.4  | 676.9   |
| Payable silver production <sup>5</sup>                                   | t      | 1 428   | 1 327  | 1 366  | 1 353  | 1 417  | 1 205  | 1 234  | 1 207   |
| C1 payable copper production cost <sup>6</sup>                           | USD/lb | 2.87    | 2.20   | 1.96   | 1.59   | 1.70   | 1.81   | 1.59   | 1.41    |
| Cash expenditures on property, plant and equipment and intangible assets | PLN mn | 4 776   | 4 118  | 3 890  | 3 457  | 3 232  | 2 875  | 2 796  | 3 251   |

### Basic items of the separate financial statements

|  |        | 2023    | 2022   | 2021   | 2020   | 2019   | 2018   | 2017   | 2016    |
|--|--------|---------|--------|--------|--------|--------|--------|--------|---------|
| Revenues from contracts with customers                                   | PLN mn | 29 084  | 28 429 | 24 618 | 19 326 | 17 683 | 15 757 | 16 024 | 15 112  |
| Profit/(loss) for the period   | PLN mn | (1 153) | 3 533  | 5 169  | 1 779  | 1 264  | 2 025  | 1 323  | (4 085) |
| Adjusted EBITDA  | PLN mn | 3 563   | 5 470  | 5 474  | 4 458  | 3 619  | 3 416  | 4 160  | 3 551   |
| Total assets   | PLN mn | 48 896  | 47 995 | 43 458 | 39 342 | 35 989 | 34 250 | 30 947 | 30 100  |
| Liabilities  | PLN mn | 20 078  | 18 320 | 17 618 | 18 616 | 16 100 | 15 205 | 13 691 | 14 200  |
| Earnings per share (EPS) <sup>7</sup>                                    | PLN    | (5.77)  | 17.67  | 25.85  | 8.90   | 6.32   | 10.13  | 6.62   | (20.42) |
| Electrolytic copper production   | kt     | 592.4   | 586.0  | 577.6  | 560.4  | 565.6  | 501.8  | 522.0  | 535.6   |
| Metallic silver production   | t      | 1 403   | 1 298  | 1 332  | 1 323  | 1 400  | 1 189  | 1 218  | 1 191   |
| C1 payable copper production cost  | USD/lb | 2.98    | 2.38   | 2.26   | 1.62   | 1.74   | 1.85   | 1.52   | 1.3     |
| Cash expenditures on property, plant and equipment and intangible assets | PLN mn | 3 074   | 2 731  | 2 407  | 2 422  | 2 366  | 1 907  | 1 991  | 2 604   |

### Macroeconomic data (average annual)

|                            |          | 2023  | 2022  | 2021  | 2020  | 2019  | 2018  | 2017  | 2016  |
|----------------------------|----------|-------|-------|-------|-------|-------|-------|-------|-------|
| Copper prices per the LME  | USD/t    | 8 478 | 8 797 | 9 317 | 6 181 | 6 000 | 6 523 | 6 166 | 4 863 |
| Silver prices per the LBMA | USD/oz t | 23.35 | 21.73 | 25.14 | 20.54 | 16.21 | 15.71 | 17.05 | 17.14 |
| Exchange rate              | USD/PLN  | 4.20  | 4.46  | 3.86  | 3.90  | 3.84  | 3.61  | 3.78  | 3.94  |

1 Comprises Sierra Gorda S.C.M. proportionally to the interest held (55%).

2 Attributable to shareholders of the Parent Entity.

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

4 Comprises Sierra Gorda S.C.M. proportionally to the interest held (55%).

5 As above

6 As above

7 Attributable to shareholders of the Parent Entity.

# Statement on non-financial information

## 1 ABOUT US

### 1.1 STRATEGY, BUSINESS MODEL AND VALUE CHAIN

[ESRS 2 SBM-1]

#### 1.1.1 INFORMATION ABOUT KGHM

##### Mission and vision

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

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

In 2023, KGHM Polska Miedź S.A. celebrated important jubilees:

70th anniversary of the  
Legnica Copper Smelter and  
Refinery



55th anniversary of the  
Lubin Mine



25th anniversary of the  
Polkowice-Sieroszowice  
Mine Division



20th anniversary of the  
KGHM Foundation



#### 1.1.2 Our comparative advantages

The KGHM Group offers products and services that satisfy the expectations of even the most demanding customers. This is possible thanks to the wide range of the KGHM Polska Miedź S.A. Group's operations, the integrity of its mining and production processes, unique on a global scale, its innovation and financial stability, as well as its long-standing experience.

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<sup>8</sup> Kitco 2023.

<sup>9</sup> World Silver Survey 2023.

Diagram 1. Competitive advantages of the KGHM Polska Miedź S.A. Group



For over a decade, KGHM Polska Miedź S.A. has owned mining assets not only in Poland but also in Canada, the USA and Chile, being part of the elite group of companies which can claim a full value chain, including mining, smelting/refining and processing.

The copper ore resources controlled by KGHM guarantee it an important position in the global mining sector. The Company continues its exploration and evaluation work in many locations in Poland and worldwide. A broad range of exploration work is conducted, i.e. *greenfield* exploration and geological appraisal (exploring new deposits), *brownfield* exploration areas (appraisal of resources which have been partially surveyed and documented) as well as *in-mine* and near-mine exploration (appraisal of areas adjacent to the currently worked assets in order to extend their operational life).

A unique competitive advantage is the fact that the KGHM Group has a fully-integrated process - from ore exploration, mining, ore enrichment, smelting, refining and processing, to the sale of finished products. Fully-integrated subsidiaries, providing complementary services and extending the core business in areas such as mining machinery production, explosives or metal recycling, also add value.

KGHM Polska Miedź S.A. has developed extraordinary human capital, experience, knowledge and skills that will remain one of the fundamental assets for winning a competitive edge in the industry and for creating a strong international position of Poland as an industrial centre. KGHM has unique competence associated with the work carried out at great depths, extracting copper ores and other precious metals from underground mines. The deepest mine object in Poland (owned by KGHM) – the GG-1 shaft in Kwielice – has a depth of 1 348 meters. Consequently, it is the largest underground project in the non-ferrous metals industry in Europe.

KGHM is one of the global top producers of copper (eighth on the list of the world's largest copper producers) and silver (first in the ranking of "the largest silver mines in the world" in the World Silver Survey 2023, second in the category of "the largest silver producers"). Other products are also derived from the processing of copper ore, including crude and refined lead, sulphuric acid, nickel sulphate and selenium. Moreover, the Company is also the only European producer of rhenium from its own resources, a valuable and extremely rare metal used mainly in the aircraft and petrochemical industries.

KGHM Polska Miedź S.A. not only has an extensive product portfolio, but also considerable potential for extending the value chain, which it is gradually tapping into. In cooperation with the Group companies, KGHM implements 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, which is consequently returned for use, in accordance with the Circular Economy concept. By increasing production, the Company at the same time strives to increase the share of highly processed products in the KGHM Group's total sales.



KGHM carries out innovative research and development projects (associated among others with the testing of battery-powered mining machines, the robotisation of production and auxiliary processes, broadband data transmission in the underground mines), which are aimed at increasing the efficiency of processes and the level of work safety.

KGHM builds permanent partnerships with renowned domestic and international companies and institutions. The Company is a member of numerous domestic and international organisations, including employer organisations, economic associations, sector societies, foundations and other entities representing the European mining industry. It engages in ongoing dialogue with technological experts, universities, suppliers, governments, social groups, leaders of industry and citizen social organisations at all stages of the lifecycles of their projects.

The transformation towards sustainable development, which means the commitment to actions for the climate and natural environment, social responsibility and corporate governance, plays an important role in the operations of the KGHM Group. Thanks to its transparent and comprehensive activities and the building of stakeholder relations in these areas, its responsibility and commitment make the Company the winner of many prestigious awards and prizes, granted among others for activities related to its presence on the capital market, communication with investors and CSR initiatives<sup>10</sup>.

One of the pillars of growth of the KGHM Group is to ensure the KGHM Group's financial stability and implement systemic solutions aimed at increasing its value. As part of enhancing its competitive advantage in this respect, KGHM strives to base its financing structure on long-term instruments, shorten the cash conversion cycle and manage the KGHM Group's market and credit risk effectively.

The material impacts, risks and opportunities in our operations and their potential links with the business model and the value chain are presented in sections [2.2.7 Material impacts, risks and opportunities and their interaction with strategy and business model](#) and [1.1.8 How we create value](#).

### **1.1.3 Organisational structure of the Company and the Group**

#### **Structure of the Group**

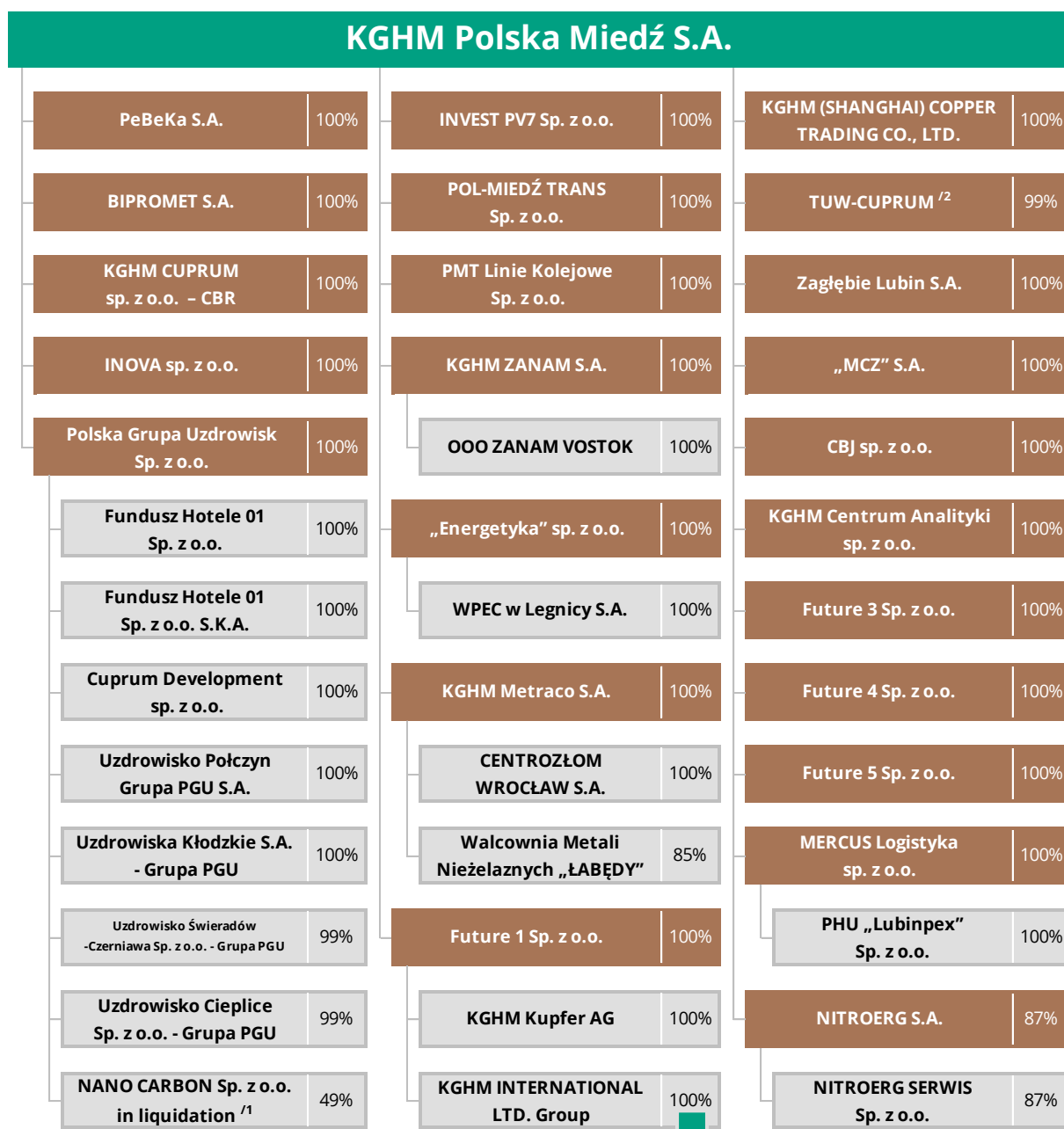
As at 31 December 2023, the Group was composed of the parent entity – KGHM Polska Miedź S.A. – and 63 subsidiaries, located on four continents: Europe, North and South America and Asia. Some of these subsidiaries form their own groups. The largest of these, in terms both of the number of entities as well as the value of equity, is the KGHM INTERNATIONAL LTD. Group, whose main assets are located in Canada, the USA and Chile. It was comprised of KGHM INTERNATIONAL LTD. and its 25 subsidiaries. At the end day of the reporting period the KGHM Polska Miedź S.A. Group owned shares in two joint ventures - Sierra Gorda S.C.M. and NANO CARBON sp. z o.o. in liquidation.

The diagrams below present detailed structure of the KGHM Polska Miedź S.A. Group, together with the relationships between entities.

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<sup>10</sup> <https://media.kghm.com/en/awards>

Diagram 2. KGHM Polska Miedź S.A. Group Structure as at 31 December 2023



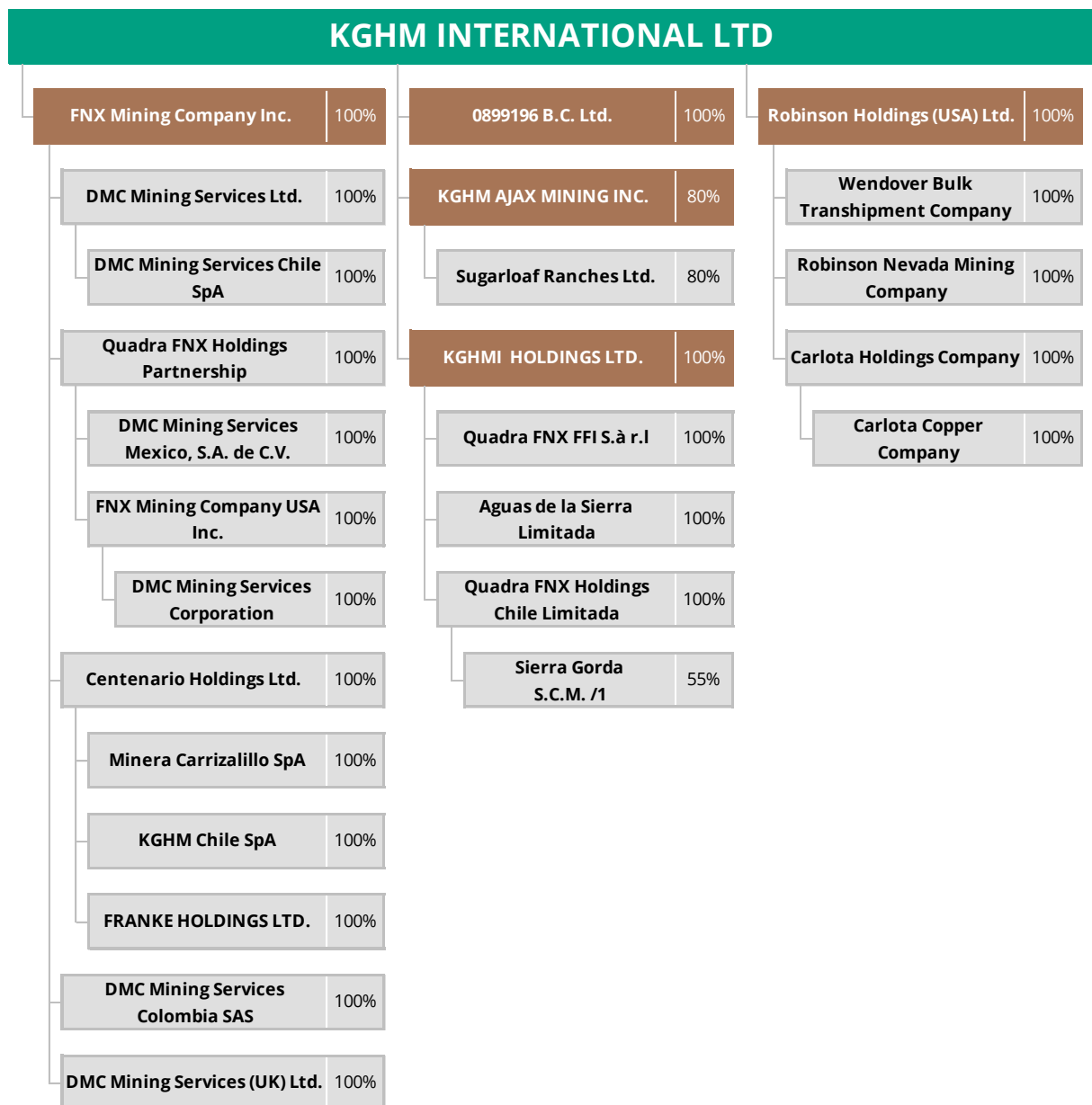
1/ joint venture accounted for using the equity method

2/ unconsolidated subsidiary

Percentages represent the total share of the Group.

Group structure presented in a separate diagram

Diagram 3. KGHM INTERNATIONAL LTD. Group Structure as at 31 December 2023



1/ joint venture accounted for using the equity method

Percentages represent the total share of the Group.

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

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

Diagram 4. Reporting segments of the KGHM Polska Miedź S.A. Group

|                                     | KGHM Polska Miedź S.A.  | KGHM INTERNATIONAL LTD.   | Sierra Gorda S.C.M.   | Other segments   |
|-------------------------------------|---|---|---|--|
| Activities                          | Mined and metallurgical production of metals – Cu, Ag, Au   | Mined production of metals - Cu, Ni, Au, Pt, Pd, Ag   | Mined production of metals - Cu, Mo, Au, Ag   | – Companies supporting the core business of KGHM Polska Miedź S.A.   |
| Main production assets              | <ul style="list-style-type: none"> <li>Underground mines</li> <li>– Lubin mine</li> <li>– Polkowice-Sieroszowice mine</li> <li>– Rudna mine</li> <li>Metallurgical plants</li> <li>– Legnica Copper Smelter and Refinery</li> <li>– Głogów I and Głogów II Copper Smelter and Refinery</li> <li>– Cedynia wire rod plant</li> </ul> | Robinson mine in the USA (open pit)   | Sierra Gorda mine in Chile (open pit)   | – Companies comprising the so-called Polska Grupa Uzdrowisk  |
| Most important development projects | <ul style="list-style-type: none"> <li>– Głogów Głęboki-Przemysłowy (Deep Głogów)</li> <li>– Pre-production projects and exploration projects in south-west Poland</li> </ul>   | <ul style="list-style-type: none"> <li>– Victoria project in the Sudbury Basin in Canada - construction of an underground copper and nickel mine</li> </ul> | <ul style="list-style-type: none"> <li>– Sierra Gorda Oxide project in Chile</li> </ul> | – Companies playing an important role in advancing CSR policy, Other companies, including special purpose companies in the holding structure |

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

- Future 1 sp. z o.o., which acts as a holding company with respect to the KGHM INTERNATIONAL LTD. Group,
- Future 3 sp. z o.o., Future 4 sp. z o.o., Future 5 sp. z o.o. (which operate in the structure related to the establishment of a Tax Group).

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

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

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

#### **Changes in the basic principles for managing the Group**

In 2023, as part of the integration of key international assets with domestic operations, actions were continued mainly with respect to developing unified reporting principles, coherent internal regulations, procedures and standardised solutions with respect to individual functional areas of the international entities. In relation to domestic companies, no changes in the management rules in this area occurred in 2023.

#### **Changes in the Group structure, equity investments**

In 2023, PLN 269 million was incurred on domestic equity investments (acquisition of shares and newly-issued shares), including PLN 261 million as part of the acquisition of newly-issued shares in the increased share capital of Group companies. The equity investments were financed from own funds, including the amount of approximately PLN 50 million from the return of payments to the capital of Group companies and inflows from the disposal of shares.

In addition, PLN 19 million in owners loans were granted to the Group's companies. The amounts incurred were covered by inflows from the repayment of loans granted in previous years.

In 2023, the following changes in the structure of the Group occurred:

|   |  |
|---|--|
| <b>Sale of 100% of the shares of KGHM TFI S.A.</b>  | <p>On 13 March 2023, KGHM Polska Miedź S.A. entered into an agreement with Agencja Rozwoju Przemysłu S.A. for the sale of 100% of the shares of KGHM TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH SPÓŁKA AKCYJNA. The sale of the shares was contingent on meeting the conditions precedent, among others no objections raised by the Polish Financial Supervision Authority (KNF).</p> <p>Based on the KNF's raising no objections to the acquisition of shares by the buyer, the transaction was closed on 27 July 2023 and the buyer was entered in the register of shareholders on 3 August 2023.</p> <p>The sale of these shares is the last stage of the reorganisation under the Group's structure, which comprised the liquidation of closed-end, non-public investment funds. KGHM TFI S.A. has not managed any funds since 20 December 2022, that is from the date of deregistration of the KGHM VII FIZAN.</p> <p>KGHM Polska Miedź S.A. was the owner of 100% of the shares of KGHM TFI S.A.</p>  |
| <b>Merger of companies: CUPRUM Zdrowie sp. z o.o. and PGU sp. z o.o.</b>  | <p>On 14 July 2023, the Shareholders Meetings of the merged companies approved the merger of CUPRUM Zdrowie sp. z o.o. (the Acquiring Company) with Polska Grupa Uzdrawisk sp. z o.o. (the Acquired Company) by transferring all the assets of the Acquired Company to the Acquiring Company (merger of Companies by acquisition). Due to the fact that the Acquiring Company held 100% of the shares in the Acquired Company, the merger was carried out with no increase in the share capital.</p> <p>On 1 August 2023, the merger was registered with the National Court Register and the Acquired Company ceased to exist as a legal entity. As part of the merger, the name of the Acquiring Company was changed to that of the Acquired Company, i.e. from CUPRUM Zdrowie sp. z o.o. to Polska Grupa Uzdrawisk sp. z o.o.</p>  |
| <b>Acquisition of 100% of the shares of INVEST PV7 sp. z o.o. (and, after the balance sheet date, INVEST PV 40 Sp. z o.o., INVEST PV 58 Sp. z o.o. and INVEST PV 59 Sp. z o.o.)</b> | <p>On 12 September 2023, KGHM Polska Miedź S.A. signed a preliminary contingent agreement with Projekt Solartechnik Fund Fundusz Inwestycyjny Zamknięty for the purchase of shares in four special purpose companies owning photovoltaic farms with a total capacity of approximately 47 MW. The farms are located in the Dolnośląskie, Łódzkie, Pomorskie and Wielkopolskie voivodeships.</p> <p>On 10 October 2023, KGHM Polska Miedź S.A. acquired shares in the first company, INVEST PV7 sp. z o.o., which is the operator of the 5.2 MW PV Żuki photovoltaic farm located in the Turek municipality in the Wielkopolskie voivodeship.</p> <p>On 29 February 2024, KGHM Polska Miedź S.A., continuing the performance of the agreement, acquired shares in three further companies, i.e. INVEST PV 40 Sp. z o.o., INVEST PV 58 Sp. z o.o. and INVEST PV 59 Sp. z o.o., which are operators of photovoltaic farms, successively - PV Głogów 1, PV Głogów 2 with a total power of 10 MW, located in the Głogów municipality, Dolnośląskie Voivodeship, PV Gniewino 1, PV Gniewino 2 with a total capacity of 14 MW, located in the Gniewino municipality, Pomorskie Voivodeship, and PV Koryta I, PV Koryta II, PV Koryta III with a total capacity of 17.9 MW, located in the Daszyna municipality, Łódzkie Voivodeship.</p> |

The changes in the group of other companies (share in capital below 20%) included the following events that took place in 2023:

|  |  |
|--|--|
| <b>Acquisition of 5% of shares in GPW Logistics S.A.</b> | <p>In March 2023, KGHM Polska Miedź S.A. accepted an offer from GPW Logistics S.A. to acquire newly-issued shares in the company representing 5% of the share capital. The shares were acquired on 24 March 2023 and covered with a cash contribution of PLN 10.5 thousand on 31 March 2023. The main shareholder of the company is the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) - 95% share in the share capital. The company GPW Logistics S.A. is a logistics operator.</p>   |
| <b>Decrease of share in LSSE S.A.</b>                    | <p>In October 2023, the Extraordinary General Meeting of Legnicka Specjalna Strefa Ekonomiczna S.A. adopted a resolution on increasing the company's share capital by PLN 59.3 million. All shares in the increased share capital were acquired by Agencja Rozwoju Przemysłu S.A. KGHM Polska Miedź S.A. did not participate in the acquisition of the shares. As a result of the foregoing, the share of KGHM Polska Miedź S.A. in the share capital fell from 12.24% to 4.62%. The National Court Register registered the capital increase on 26 October 2023.</p> |

As part of actions other than resulting in a change in the structure, but increasing the capital exposure of KGHM Polska Miedź S.A., newly-issued shares in the increased share capital of the following subsidiaries were acquired.

|  |   |
|--|---|
| <p><b>Acquisition of newly-issued shares of "Energetyka" sp. z o.o.</b></p>  | <p>On 12 January 2023, the Extraordinary Shareholders Meeting of "Energetyka" sp. z o.o. adopted a resolution to increase the share capital of the company by PLN 115 million. All of the newly-issued shares in the increased share capital were acquired by KGHM Polska Miedź S.A. and paid for in cash in the amount of PLN 115 million. The increase was registered with the National Court Register in February 2023.</p> <p>The funds raised from the increase were used to increase the share capital in the subsidiary WPEC w Legnicy S.A., in which "Energetyka" sp. z o.o. owns 100% of the shares. On 2 February 2023, the Extraordinary General Meeting of WPEC w Legnicy S.A. adopted a resolution on increasing the company's share capital by PLN 115 million. All of the newly-issued shares in the increased share capital were acquired by "Energetyka" sp. z o.o. and paid for in cash in the amount of PLN 115 million. The share capital of WPEC w Legnicy S.A. following the increase amounts to PLN 233 million. The increase was registered with the National Court Register in April 2023.</p> <p>On 28 December 2023, the Extraordinary Shareholders Meeting of "Energetyka" sp. z o.o. adopted a resolution to increase the share capital of the company by the amount of PLN 44.5 million. All newly-issued shares were acquired by KGHM Polska Miedź S.A., and covered by a contribution in kind in the form of KGHM Polska Miedź S.A.'s claims against "Energetyka" sp. z o.o. for reimbursement of subsidies granted to the company in the years 2000-2002.</p> <p>The share capital of "Energetyka" sp. z o.o. following the aforementioned increases amounts to PLN 629.4 million. KGHM Polska Miedź S.A. owns 100% of the shares of "Energetyka" sp. z o.o.</p> |
| <p><b>Acquisition of newly-issued shares of non-operating companies</b></p>  | <p>On 7 March 2023, the Extraordinary Shareholders Meeting of three non-operating companies – Future 3 spółka z o.o., Future 4 spółka z o.o. and Future 5 spółka z o.o. – adopted resolutions on increasing the share capital of these entities, by the total amount of PLN 242 thousand in order to ensure financing of current operations of the companies. All shares in the increased share capital were acquired by the sole shareholder - KGHM Polska Miedź S.A.</p>  |
| <p><b>Acquisition of newly-issued shares of Zagłębie Lubin S.A.</b></p>  | <p>On 11 July 2023, the Extraordinary General Meeting of Zagłębie Lubin S.A. adopted a resolution on increasing the company's share capital by PLN 30 million. The share capital following the increase amounts to PLN 191.7 million. All newly-issued shares in the increased share capital were acquired by KGHM Polska Miedź S.A. In July 2023, a cash contribution was made to cover the first instalment of the increase in the amount of PLN 15 million. The payment date of the second instalment in the amount of PLN 15 million was 31 March 2024.</p> <p>KGHM Polska Miedź S.A. owns 100% of the shares of the company.</p>   |
| <p><b>Acquisition of newly-issued shares of PMT Linie Kolejowe sp. z o.o.</b></p>  | <p>On 11 July 2023, the Extraordinary Shareholders Meeting of PMT Linie Kolejowe sp. z o.o. adopted a resolution to increase the share capital of the company by PLN 17.2 million. All of the newly-issued shares in the increased share capital were acquired by KGHM Polska Miedź S.A. and fully paid for in cash on 31 July 2023. The share capital of the Company following the increase amounts to PLN 34.5 million. The increase was registered in the National Court Register on 10 October 2023.</p> <p>KGHM Polska Miedź S.A. owns 100% of the shares of the company.</p>  |
| <p><b>Acquisition of newly-issued shares of POL-MIEDŹ TRANS sp. z o.o.</b></p>   | <p>On 19 September 2023, the Extraordinary Shareholders Meeting of POL-MIEDŹ TRANS sp. z o.o. adopted a resolution to increase the share capital of the company by PLN 56.8 million. All of the newly-issued shares in the increased share capital were acquired by KGHM Polska Miedź S.A. and fully paid for in cash on 29 September 2023. The share capital of the company following the increase amounts to PLN 119.7 million. The increase was registered in the National Court Register on 18 October 2023.</p> <p>KGHM Polska Miedź S.A. owns 100% of the shares of the company.</p>  |
| <p><b>Acquisition of newly-issued shares of KGHM TFI S.A.</b></p>  | <p>On 16 May 2023, the Extraordinary General Meeting of KGHM TFI S.A. adopted a resolution on increasing the company's share capital by PLN 1.6 million, i.e. to the amount of PLN 4.4 million. All newly-issued shares in the increased share capital were acquired by KGHM Polska Miedź S.A. and paid for in cash on 5 June 2023. On 20 June 2023, the increase in share capital was registered in the National Court Register.</p> <p>Despite the intention to dispose of shares in KGHM TFI S.A. (which was finally completed in August 2023), the aforementioned capital increase was necessary for the company to comply with the statutory capital requirement (a condition for operating as an investment fund company).</p>  |
| <p><b>Acquisition of newly-issued shares of KGHM ZANAM S.A.</b></p>  | <p>On 28 December 2023, the Extraordinary General Meeting of KGHM ZANAM S.A. adopted a resolution on increasing the company's share capital by PLN 10.7 million. All of the newly-issued shares in the increased share capital were acquired by KGHM Polska Miedź S.A. and paid for in cash on 29 December 2023.</p> <p>KGHM Polska Miedź S.A. owns 100% of the shares of the company.</p>  |
| <p>As part of the changes in the share capital of subsidiaries, the share capital in one of the companies - WMN "Łabędy" S.A. - was reduced.</p> |   |
| <p><b>Decrease in the share capital of WMN "ŁABĘDY" S.A.</b></p>   | <p>On 16 January 2023 a decrease in the share capital of the company WMN "ŁABĘDY" S.A. was registered by the National Court Register. The share capital was decreased by PLN 11 million, from PLN 24 million to PLN 13 million, through a decrease in the nominal value of the shares. The decrease in the share capital results from the coverage of loss recognised in the company's financial statements for prior years.</p> <p>The KGHM Group owns 85% of the company's shares.</p>  |

Amongst the group of indirect subsidiaries, the entity Polska Grupa Uzdrowisk sp. z o.o. (hereafter: PGU), in which KGHM Polska Miedź S.A. holds 100% of the shares, increased the share capital of subsidiaries – spas.

|   |   |
|---|---|
| <p><b>Acquisition of newly-issued shares of Uzdrowiska Kłodzkie S.A. – Grupa PGU</b></p>                  | <p>On 20 October 2023 the Extraordinary General Meeting adopted a resolution on increasing the company's share capital by PLN 1.4 million. All of the newly-issued shares in the increased share capital were acquired by PGU and paid for in cash in the amount of the issue, i.e. PLN 3 million. The share capital following the increase amounts to PLN 47.7 million. The increase was registered in the National Court Register on 7 December 2023.</p> |
| <p><b>Acquisition of newly-issued shares of Uzdrowisko Świeradów-Czerniawa Sp. z o.o. – Grupa PGU</b></p> | <p>On 28 December 2023 the Extraordinary Shareholders Meeting adopted a resolution on increasing the company's share capital by PLN 0.15 million. All of the newly-issued shares in the increased share capital were acquired by PGU and paid for in cash in the amount of PLN 1.95 million. The share capital following the increase amounts to PLN 7.82 million. PGU owns 99.48% of the shares of the company.</p>  |
| <p><b>Acquisition of newly-issued shares of Uzdrowisko Cieplice Sp z o.o. – Grupa PGU</b></p>             | <p>On 28 December 2023 the Extraordinary Shareholders Meeting adopted a resolution on increasing the company's share capital by PLN 2.69 million. All of the newly-issued shares in the increased share capital were acquired by PGU and paid for in cash in the amount of PLN 8.9 million. The share capital of the company following the increase amounts to PLN 7.82 million. PGU owns 98.85% of the shares of the company.</p>                          |

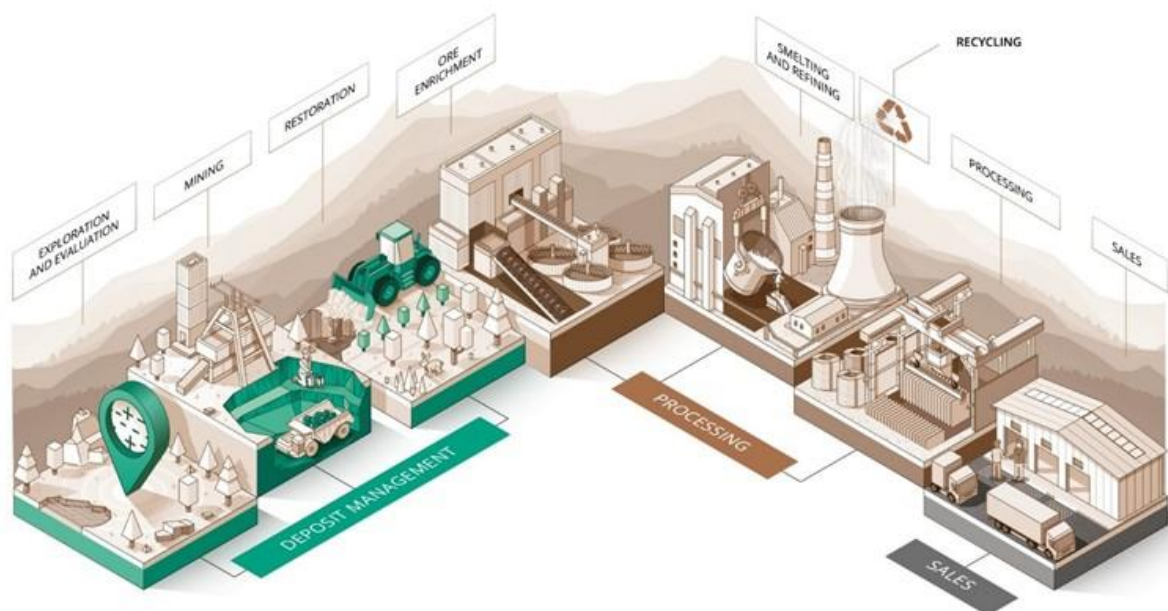
## Equity investments in international assets

### Capital increase

|                                     |   |
|-------------------------------------|---|
| <p><b>KGHM Ajax Mining Inc.</b></p> | <p>In 2023, KGHM INTERNATIONAL LTD. and the JV partner, Abacus Mining and Exploration Corporation, increased the share capital of KGHM Ajax Mining Inc. by a total amount of CAD 3.64 million (equivalent to PLN 10.81 million<sup>11</sup>), i.e. KGHM INTERNATIONAL LTD. by CAD 2.91 million and Abacus Mining and Exploration Corporation by CAD 0.73 million.</p> |
|-------------------------------------|---|

## 1.1.4 Business model

Diagram 5. Business model of KGHM Polska Miedź S.A.



<sup>11</sup> as of the average NBP exchange rate of 29 December 2023



Table 1. Description of the business model of KGHM Polska Miedź S.A.

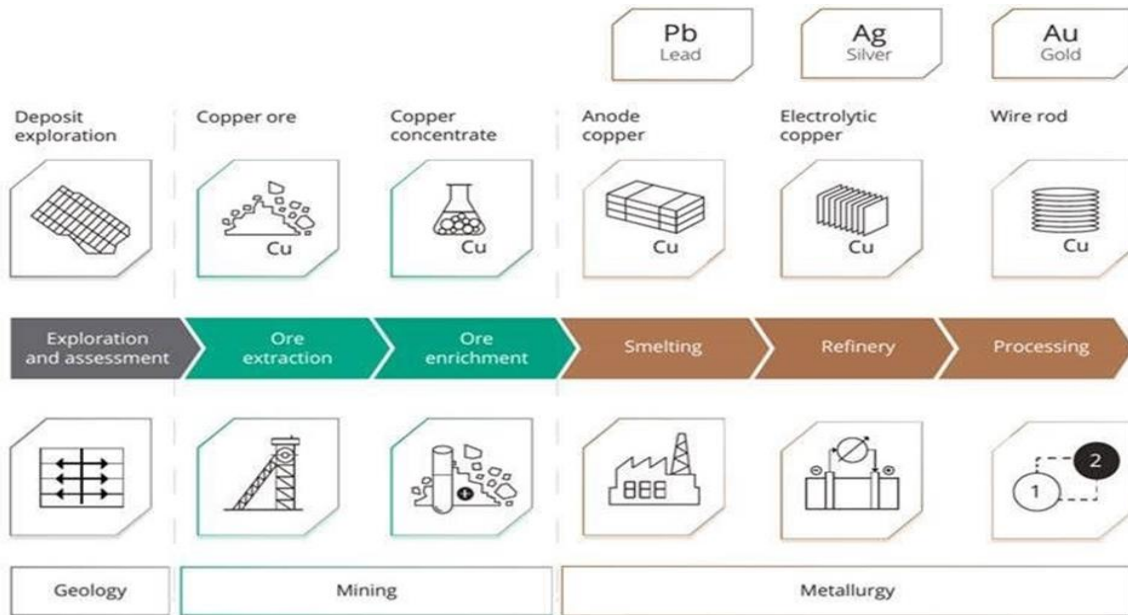
| EXPLORATION AND EVALUATION   | ORE MINING   | ORE ENRICHMENT  |
|--|--|---|
| <p><b>What does it involve?</b></p> <p>The stage of geological work associated with the evaluation of new areas of potential mineralisation, known as exploration. This stage aims to document new, economically viable deposits and ends with the preparation of geological documentation for the particular concession area.</p> | <p><b>What does it involve?</b></p> <p>Mining of deposits is performed with the use of the open-pit method or, as in the case of the Parent Entity, the underground method using blasting technology and battery-powered mining machinery.</p> | <p><b>What does it involve?</b></p> <p>Copper ore enrichment is the mechanical processing resulting in the production of a concentrate with copper content enabling its metallurgical processing.</p>   |
| <p><b>Why is it important?</b></p> <p>Safeguarding the perspective of continued mining of documented ore resources is one of the cornerstones of KGHM's development and the growth of the company's value.</p>   | <p><b>Why is it important?</b></p> <p>Ore mining is the basic element of KGHM's business which enables the production of metals and sales on the market.</p>   | <p><b>Why is it important?</b></p> <p>The enrichment process is necessary as the copper ore deposits mined by KGHM in Poland have an average copper content of approximately 1.5%. The technology used allows for the effective recovery of copper and silver and other elements from the excavated ore, up to 90%.</p>   |
| SMELTING AND REFINING  | PROCESSING   | SALES AND TRADING   |
| <p><b>What does it involve?</b></p> <p>Production in the smelters and refineries of KGHM Polska Miedź S.A. is based mainly on the processing of own copper concentrates, but it also uses purchased raw materials. Among other things, electrolytic copper as well as silver and gold bars are produced at this stage.</p>         | <p><b>What does it involve?</b></p> <p>Copper cathodes produced in KGHM's smelters and refineries are processed into copper wire rod, oxygen-free wire and low-alloy wire (Cedynia Wire Rod Division).</p>                                     | <p><b>What does it involve?</b></p> <p>Sales are carried out while ensuring the safety of trading, taking into account the principles contained in the sales, credit risk management and market risk policies. One of the solutions aimed at providing the security of trading is the appropriate diversification of sales - both product and geographic - or diversification of customers.</p> |
| <p><b>Why is it important?</b></p> <p>Thanks to the production capacity of its Polish copper smelters and refineries, the KGHM Polska Miedź S.A. Group is one of the world's leaders in the metallurgical industry.</p>  | <p><b>Why is it important?</b></p> <p>Processed products of a consistent high quality respond to market needs and find buyers worldwide.</p>   | <p><b>Why is it important?</b></p> <p>Ensuring the sale of manufactured products guarantees a sustainable and stable income.</p>  |

The basic products of the KGHM Polska Miedź S.A. Group are presented in section [1.1.5 Analysis of the global market for the Group's core products](#)



**Production process of KGHM Polska Miedź S.A.**

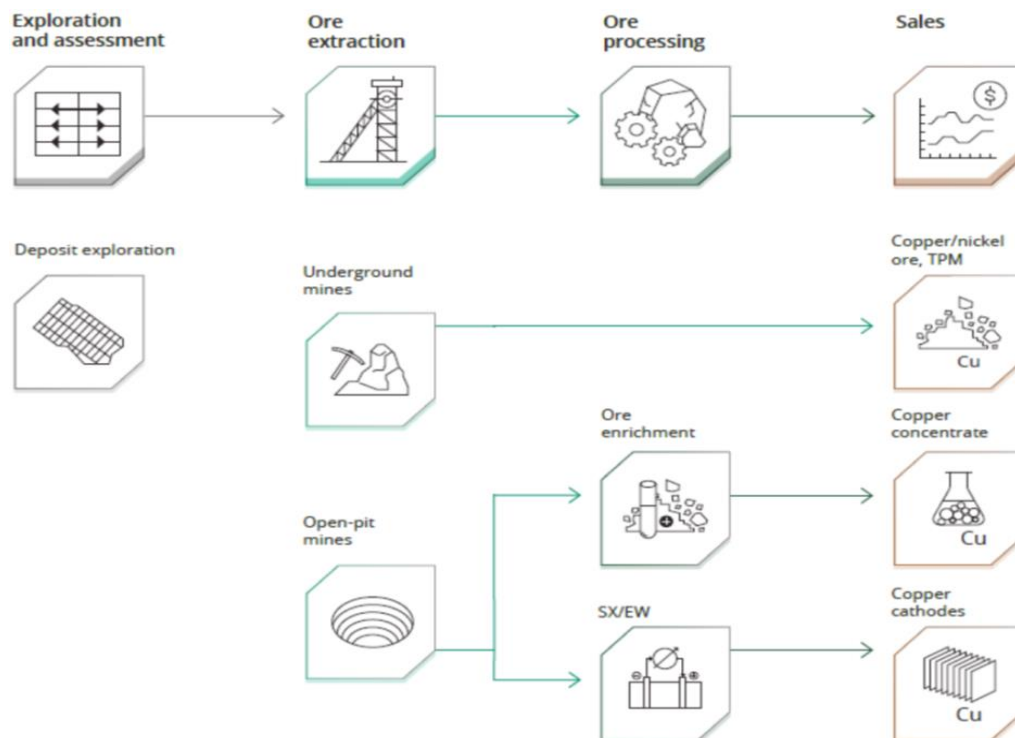
Diagram 6. Integrated geological, mining and metallurgical activities in KGHM Polska Miedź S.A.



**Production process of KGHM INTERNATIONAL LTD.**

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

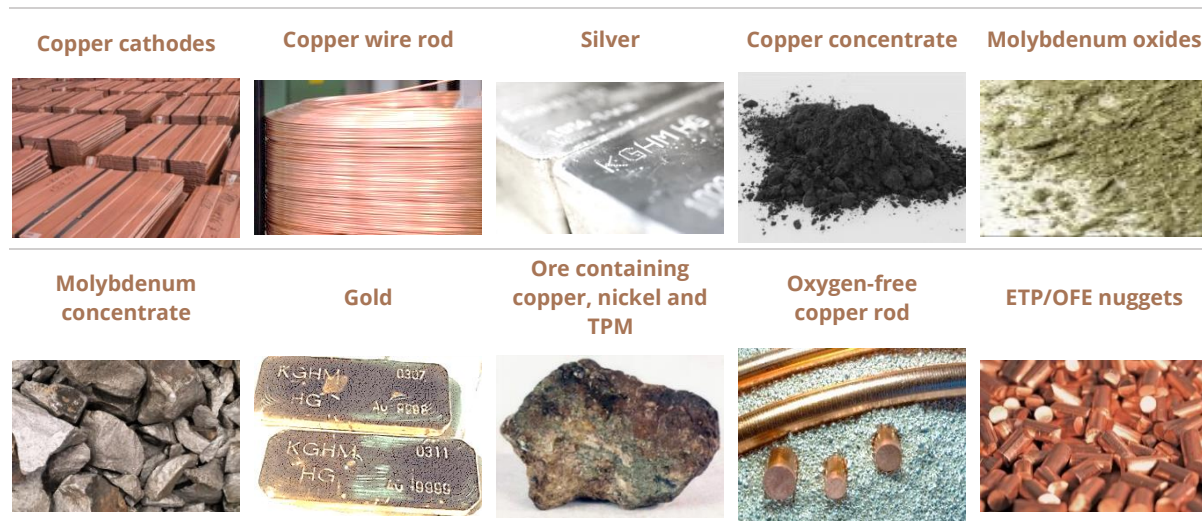
Diagram 7. Simplified flowchart of the core business of the KGHM INTERNATIONAL LTD. Group



A detailed description of the production process in KGHM Polska Miedź S.A. and in international assets can be found on the corporate website under the section [Production processes](#).

## 1.1.5 Analysis of the global market for the Group's basic products

### Basic products of the KGHM Polska Miedź S.A. Group



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

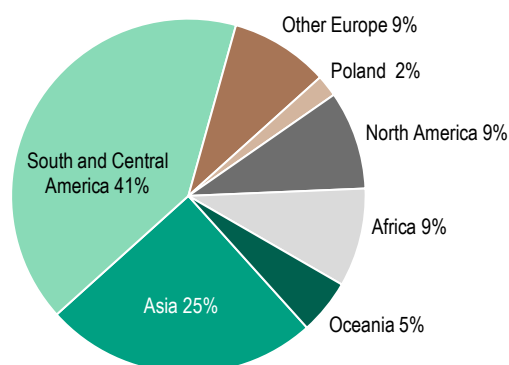
#### Copper

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

#### Copper concentrate

Copper concentrate is a product made by processing and enriching copper ore, which usually has a relatively low metal content and is not suitable for direct metallurgical processing. Usually, copper content in concentrate varies from percentages in the teens to several tens of percent, which enables further processing in copper smelters and refineries. The cost of transporting products with a lower copper content (for example copper ore) basically eliminates them from trade in the global market (with certain exceptions), therefore it may be assumed that copper concentrate is the first product of processing copper ore that may be generally traded. As a result of metallurgical processes copper is produced as well as the by-products of processing (mainly precious metals, sulphuric acid, lead etc.). The main participants of the concentrate markets are mines supplying the product on the market and smelters and refineries, for which the concentrates are materials for production. Trading companies also play a role in the international trading, intermediating in the purchase/sale transactions and offering additional services expected by the parties. In 2023, the total global production of copper in copper concentrate is estimated at 18.1 million tonnes (according to CRU).

Chart 1. Geographical breakdown of global copper concentrates production in 2023 (source: CRU, KGHM Polska Miedź S.A.)



Copper concentrates require processing into refined copper, which involves incurring processing costs and incomplete metal recovery at various stages of production. Therefore, the transaction price should include a number of discounts from the quotes set by the commodity exchange for refined copper. The benchmark of these discounts on the market (for TC/RC) is determined during negotiations with the main producers of concentrates (Freeport-McMoRan, Codelco, BHP; source: Wood-MacKenzie, 2022) and their customers (mainly Chinese and Japanese smelters and refineries).

KGHM Group companies participate in the copper concentrate market mainly through the sale of the Sierra Gorda concentrate from Chile and the Robinson concentrate from the US. Occasionally, KGHM Polska Miedź S.A. also sells copper concentrate originating from the Lubin, Rudna, and Polkowice-Sieroszowice mines. At the same time, the Company purchases copper concentrates from the market with characteristics suitable for more efficient utilisation of the production capabilities of the smelters and refineries in Poland.

### Copper cathodes

Primary commodities exchanges (including the LME and SHFE) enable cathodes to be registered (Grade A type, with a copper content of at least 99.99% under the BS:EN 1978:1998 - Cu-CATH-1 standard), and therefore their trading on exchanges and through LME-approved warehouses. The copper cathodes produced by KGHM are registered on the LME, SHFE and INE (Shanghai International Energy Exchange) under the brands HML, HMG-B and HMG-S. Unregistered cathodes are also traded on the physical market (for example those that do not meet quality parameters or the minimal yearly production conditions required by exchanges). One example of unregistered cathodes produced by KGHM is the Carlota brand. The main participants in the cathodes market are mining and smelting companies producing copper in the form of cathodes and wire rod plants and other companies engaged in copper processing, which use cathodes to produce wire rod, other rods, flat bars, pipes, sheets and tapes. Similarly as in the case of copper concentrates, trading companies and financial institutions intermediating in the cathodes trade also participate in the market. In 2023, CRU estimated total global production of refined copper at 25.6 million tonnes.

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

The companies of the KGHM Group participate on the cathodes market mainly by selling cathodes from the Group's Polish assets. The Głogów Copper Smelter and Refinery produces cathodes of the HMG-S and HMG-B brands, while the Legnica Copper Smelter and Refinery produces cathodes of the HML brand, registered on the exchanges in London (LME) and in Shanghai (SHFE and INE). Moreover, the KGHM Group offers cathodes produced through the leaching and electrowinning (SX/EW) process in the Carlota mine in the United States. Production of refined copper by companies of the KGHM Group amounted to 711 thousand tonnes in 2023, which represents 2.78% of global production.

Chart 2. Geographical breakdown of global refined copper production in 2023 (source: CRU, KGHM Polska Miedź S.A.)

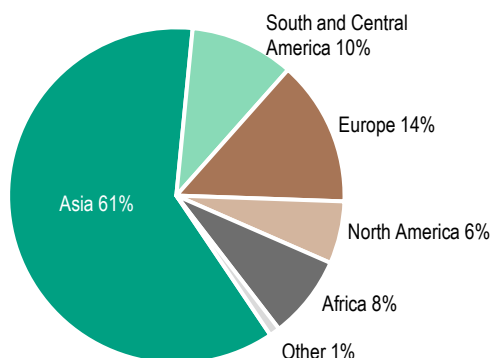
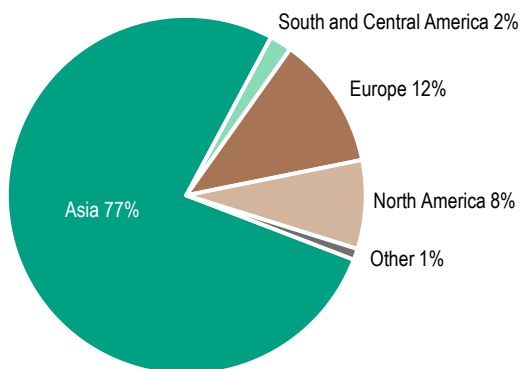


Chart 3. Geographical breakdown of global refined copper consumption in 2023 (source: CRU, KGHM Polska Miedź S.A.)



### Copper wire rod

Copper wire rod is manufactured in the continuous process of melting, casting and drawing in plants processing refined copper. The material used in this production cycle is mainly copper in the form of cathodes, although higher-grade copper scrap may also be used. Wire rod is a half-finished product used in the production of single wires and strands used to produce conducting cores in cables and electric wires (for example: enamelled cable, car cables, power cords etc.). Similarly as for copper cathodes, trading companies are also involved in the trading of half-finished products, apart from companies with production facilities (wire rod plants and companies processing wire rod into cables and bundled wires). The wire rod market, due to the quality characteristics of the product, is more of a local market, which also means that it is highly competitive and demanding. In 2023, total global production of copper in the form of wire rod is estimated by CRU at 20.3 million tonnes.

Chart 4. Geographical breakdown of global copper wire rod production in 2023 (source: CRU, KGHM Polska Miedź S.A.)

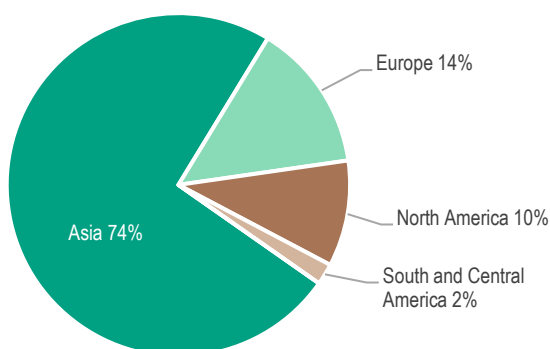
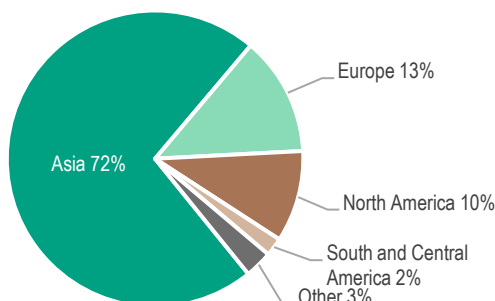


Chart 5. Geographical breakdown of global wire rod consumption in 2023 (source: CRU, KGHM Polska Miedź S.A.)



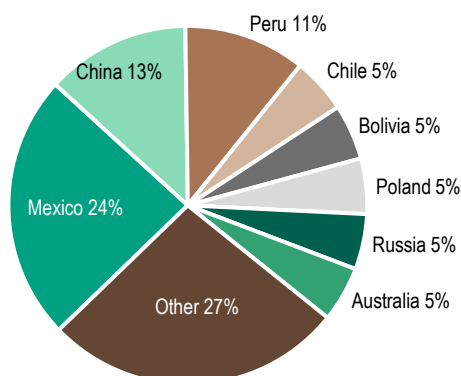
The wire rod price structure, apart from the copper quotation on the London Metal Exchange, also includes a producer's fee (added to the price of cathodes) and the refining charges due to the costs of processing cathodes into wire rod. KGHM Polska Miedź S.A. offers wire rod which is produced in the Cedynia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

Copper wire rod and wires are utilised in numerous sectors of the modern economy, while the products created from them (cables and bundled wires) account for approximately 60% of world copper consumption (source: CRU). The vast majority of wire rod and wire (estimated at more than 10 million tonnes per year; source: CRU) is used in the construction and infrastructure sectors. Distribution of electricity, building wiring and transmission as well as distribution networks are the most dominant subsectors. Amongst the most popular products manufactured from wire rod and wires are power lines, cables in the electrical installations in buildings and winding wires (together approximately 70%; source: CRU). In 2023, production of wire rod and wire by KGHM Polska Miedź S.A. reached 275.8 thousand tonnes.

## Silver

Approximately 72% of global metallic silver production is a by-product of mining ores of other metals (source: Metal Focus - Silver Five-Year Forecasting Quarterly). Silver, due to its unique physical characteristics, is used in the jewellery, electronics and electrical industries, as well as in medicine, optics, the energy industry and many others. It is also applied in the latest technological solutions, among others in infrastructure, the automotive industry and photovoltaics. In total, industry utilises approximately 50% of global silver production (source: Metal Focus - Silver Five-Year Forecasting Quarterly). It is also a valued investment metal. According to Metals Focus preliminary estimates, in 2023 global production of mined silver amounted to 25.1 thousand tonnes.

Chart 6. Geographical breakdown of global mined silver production in 2023 (source: Metal Focus – preliminary data, KGHM Polska Miedź S.A.)



The participants in the silver market typically rely on quotes from the London Bullion Market Association, which, when adjusted for current market conditions, represent the price of silver in physical transactions.

KGHM sells silver in the form of bars and grains (production takes place at the Głogów Copper Smelter and Refinery) and is one of the largest producers of metallic silver. In 2023, KGHM Polska Miedź S.A. produced 1 403 tonnes of silver, making the Company one of the world's leading producers of silver (according to World Silver Survey 2023). This metal in the form of bars is registered under the brand KGHM HG and has a registered certificate on the COMEX (New York Mercantile Exchange) as well as Good Delivery certificates issued by the London Bullion Market Association. Silver is supplied in the form of grains to the jewellery and metals industries, which produce alloys containing silver. Silver in the form of bars (ingots) is mainly purchased by financial institutions.

### 1.1.6 Macroeconomic environment in 2023

2023 was another period of increased uncertainty in the global economy in recent years. On the one hand, the consequences of the actions of the governments and central banks of many countries during the pandemic period were increasingly noticeable, while the effects of the energy crisis continued to take their toll. The highest inflation readings for several decades led to interest rate rises and significantly increased the cost of financing the economic and investment activities. The outlook for the growth prospects of the global economy materially declined and the threat of recession increased in many countries. 2023 was also the first year when the negative consequences of global climate changes began to have a significant impact on the international economy.

Measures taken in the European Union to become independent of Russian energy resources, mainly gas, as soon as possible mitigated the situation on the energy markets in the second half of the year. Deliveries of LNG supported the filling of storage facilities across the European Union, while favourable weather helped to reduce consumption of this raw material. The continuing high energy prices in the first half of the year translated into a decline in industrial production. PMI indicators fell to their lowest levels since the COVID-19 pandemic. The economic downturn reduced industrial demand for energy resources and, combined with a warmer-than-average winter in recent years, allowed the situation on the European natural gas market to ease. Shield programs in individual economies helped to limit the social impact of the crisis. Falling energy and natural gas prices helped to stabilise the prices of goods and services, consequently consolidating the disinflationary trends in the economy.

After peaking in 2022, inflation rates in successive economies started to record a downward trend in 2023, while still remaining above the acceptable range of deviations from inflation targets assumed by central banks. From the point of view of the vision of the end of monetary tightening, a disturbing trend was the slow decline in core inflation, which prompted central bank representatives to be cautious in their statements and forecasts regarding further developments in monetary policy. In addition, decision-making was hampered by rising tensions in the banking sector and geopolitical uncertainty, which could result in a return of the upward trend in energy commodity prices. In the first quarter of 2023, a threat to the stability of the banking system emerged. As a result of the rapid rise in interest rates and inadequate risk management, several medium-sized banks were declared bankrupt in the USA. Additionally, in Europe, as a result of many years marked by problems, the Swiss giant, Credit Suisse, had to be taken over by UBS on an emergency basis, in order to prevent the potential consequences of bankruptcy of a bank of systemic importance to the global financial system.

The Hamas attack on Israel on 7 October 2023 and the subsequent war in Gaza significantly increased the risk of an escalation of the conflict in the Middle East. There is a potential to involve major oil producers in the conflict which in turn could drive up prices of this commodity. Moreover, the risk of transit of goods across the Red Sea has increased. The carriers are exposed to attacks by armed rebel groups supported by international players such as Iran and Russia.

In the fourth quarter of 2023, continuing disinflation influenced investors' expectations regarding the end of the monetary tightening cycle, which were confirmed towards the end of the year by more dovish statements by members of the Fed and other central banks. The initial speculation about the possibility of a cut in interest rates in 2024 has translated into a halt to the US dollar mid-year upward trend against other major world currencies and, consequently, a rise in precious and base metal prices.

Copper prices in 2023 responded to changes in the value of the dollar, which in turn was highly sensitive to Fed monetary policy and in particular to fluctuations in the interpretation of central bank measures and plans by financial market participants. For the price of copper, after reaching the annual peak above USD 9 400/t already in mid-January, the decisive factor was the May sell-off driven by weaker macroeconomic data from the USA and China. From June, the copper price on the London Metal Exchange failed to break through the USD 8 500/t level for an extended period of time, nor to fall significantly below USD 8 000/t, despite the publication of numerous economic data and geopolitical news that caused price fluctuations. Copper market sentiment improved slightly in the fourth quarter of the year, however, this did not lead to a breakout from the aforementioned sideways trend. Nevertheless, the depreciation of the dollar, the expected start of a cycle of interest rate cuts in the world's major economies in 2024 and the influx of information concerning a reduction in the expected supply of copper (in particular the closure of the Cobre Panama mine) triggered investors' hopes for an increase in copper prices, which ended the year slightly above USD 8 500/t.

One of the major disappointments of 2023 were the unfulfilled hopes of an imminent economic recovery in China emerging from pandemic restrictions. In the second quarter, it became clear that the expected recovery was not approaching and the Chinese authorities had not implemented significant packages stimulating the economy. One of the reasons for the Chinese government's cautious economic policy was the concern of the collapsing financial sector which has significant exposure to China's real estate sector. The Chinese government, on the other hand, entered a deep crisis manifested by a low number of new construction launches and difficulties in completing the projects started.

The demand (*apparent demand*) for refined copper, despite subdued economic growth, increased by 6% in China in 2023, while it fell by nearly 2% in the rest of the world. India, with a 27% increase in copper demand, became a notable exception. Demand for refined copper in China accounted for 60% of global copper consumption in 2023 and it increased, despite the aforementioned problems of the real estate sector, due to strong momentum in investments in renewable energy sources and electric car capacity. An important trend highlighted in the copper market in 2023 was the increase in copper production capacity from concentrate in China. More smelters opened by the Chinese authorities have reduced the demand for refined copper imports from outside China and increased the demand for copper concentrate.

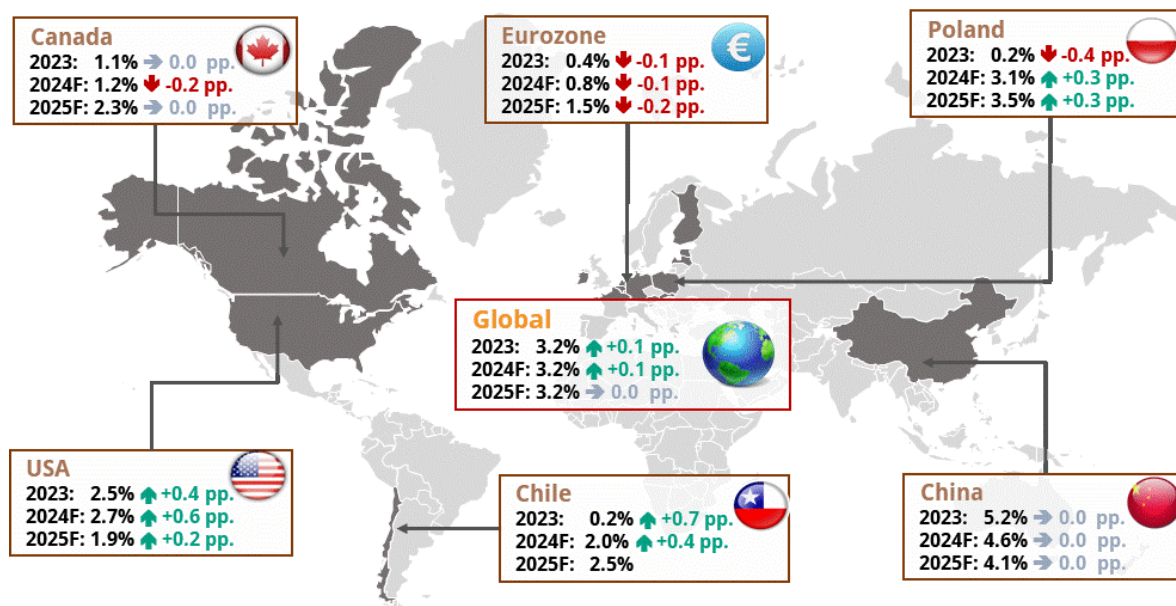
Copper stocks in LME warehouses rose in Europe and in the USA, mainly due to weaker demand, and fell in China. Metal stocks in SHFE warehouses, after rising above the seasonal average at the beginning of the year, were at a minimum level at the end of the year. The decline was supported by the opening of the arbitrage window between the SHFE and the LME. On a global scale, stock levels remained relatively stable through 2023, but low in historic terms.

According to the latest data of the analytical company CRU, annual production of the red metal in concentrate in 2023 exceeded 18 million tonnes, increasing by more than 2% compared to the previous year. Only North America and Oceania recorded a decrease in copper mining production, while mining production increased in other regions. Despite a slight increase in mining, copper production in Chile did not meet the expectations. 2023 was anticipated as a time in which Chile's copper problems would come to an end, recovering from a period overshadowed by the COVID-19 pandemic in 2022. However, problems of major copper producers hindered output growth in this country as well. Peru, on the other hand, has seen an increase in copper production of nearly 9% to over 2.5 million tonnes, with the increase in production originating mainly from the Quellaveco mine, opened in 2022 and already operating in 2023.



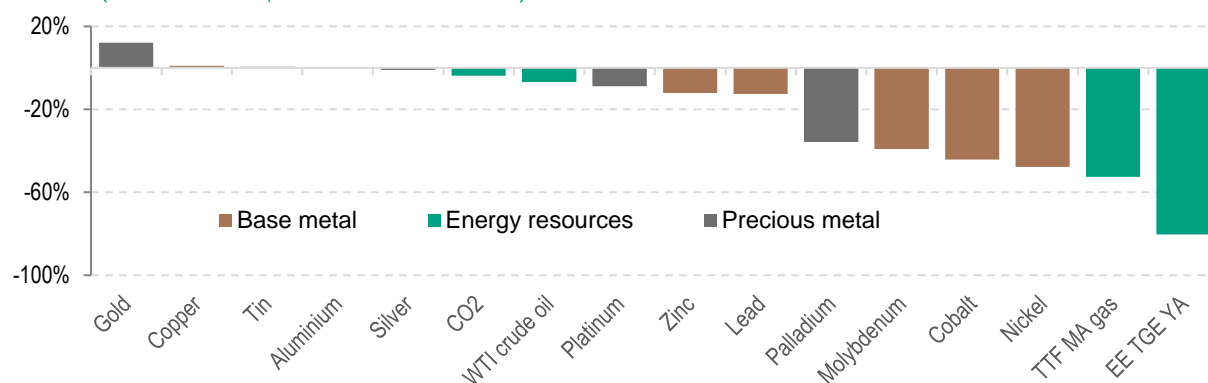
Diagram 8. Forecasts of real GDP growth per the International Monetary Fund from April 2024 versus previous forecasts.

(Source: KGHM Polska Miedź, International Monetary Fund)



Update of the forecasts (F) of real GDP growth - the International Monetary Fund - World Economic Outlook Update from April 2024 compared to January 2024

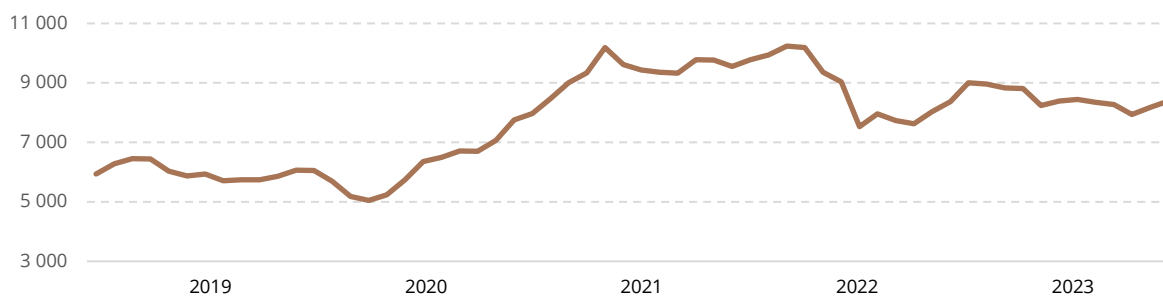
Chart 7. Change in commodities prices in 2023 - first vs last day of the year (Source: Refinitiv, KGHM Polska Miedź S.A.)



## Copper

The average annual price of copper (*cash settlement* on the LME) in 2023 amounted to 8 478 USD/t. The highest *cash settlement* price was recorded on 18 January amounting to 9 436 USD/t. The lowest level was recorded on 5 October, when the price of the red metal was 7 812 USD/t. The range of volatility in copper prices last year was much lower than in 2022. Considering *cash settlement* prices, copper increased by only 1% last year (first vs last day of the year). Due to the appreciation of the Polish currency in 2023, the average price expressed in PLN fell by 9% in 2023 in relation to 2022 and amounted to 35 647 PLN/t (daily LME prices converted according to NBP fixings).

Chart 8. Copper price (average monthly) per the London Metal Exchange - in USD/t  
(Source: Bloomberg, KGHM Polska Miedź S.A.)

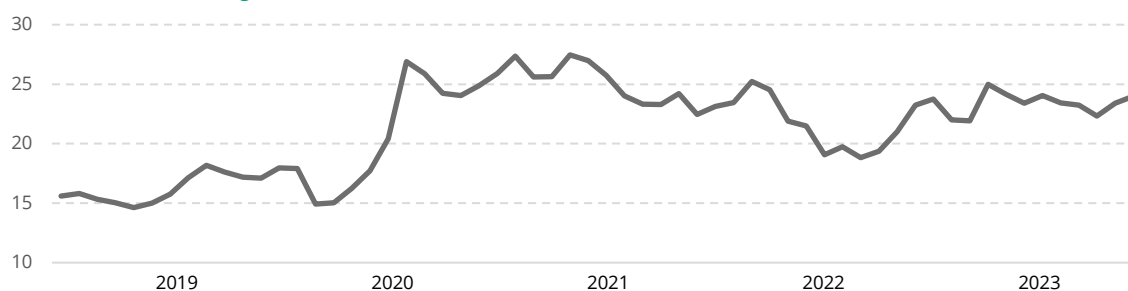


## Silver

Silver prices in 2023 followed investors' expectations regarding interest rate changes by the US FOMC. The beginning of the year brought more hawkish rhetoric of the Fed and, as a result, the price fell to an annual low reached at a level of 20.09 USD/oz t in early March. On the other hand, a few weeks later, in mid-April it reached its annual maximum of 26.02 USD/oz t, rising rapidly, driven by solvency problems of US banks and the depreciation of the US dollar. During the second half of the year, the price of silver remained within the corridor of fluctuation set at the end of the first and the beginning of the second quarter, failing to break through the 25 USD/oz t level for a longer time and only briefly falling below 22 USD/oz t. In the last quarter of 2023, the decline of inflation in the USA became so pronounced that announcements from the head of the Fed increasingly signalled the end of the hike cycle. As the market speculated on the first possible date for interest rate cuts in the USA, US Treasury bond yields began to fall, along with the USD index, pushing precious metals prices upwards. Silver briefly broke through 25 USD/oz t again, but unlike gold, which remained at levels above 2 000 USD/oz t after reaching record highs, silver was unable to sustain high price levels. There was also disappointment amongst investors, who withdrew money from silver-based ETFs throughout the year, with assets expressed in troy ounces of silver falling to 2020 levels. As a result of the weaker trends of silver prices relative to gold, the gold/silver ratio rose to 87 in 2023.

Silver prices ended 2023 at a level of 23.79 USD/oz t. The average price of the metal on the London Bullion Market Association (LBMA) recorded an increase of 7.5% in 2023, amounting to 23.35 USD/oz t compared to 21.73 USD/oz t in 2022.

Chart 9. Silver price (average monthly) per the London Bullion Market Association - in USD/oz t  
(Source: Bloomberg, KGHM Polska Miedź S.A.)

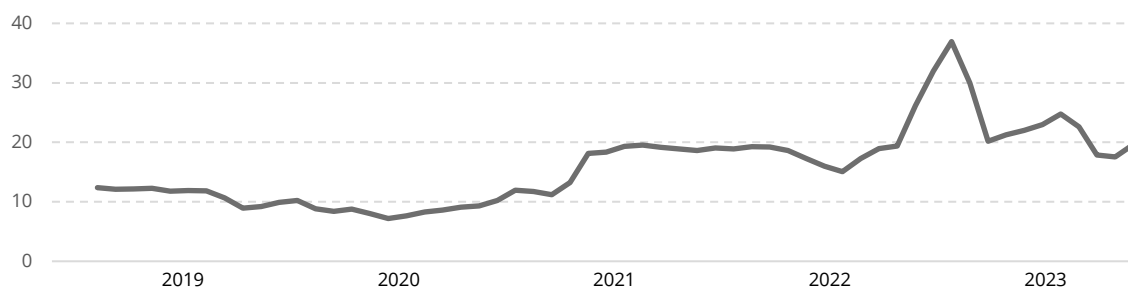




## Molybdenum

The molybdenum price peaked at 38.28 USD/lb in the first quarter of 2023 in early February, before following a downward trend, stabilising around 20 USD/lb in May. The year ended with a price of 18.53 USD/lb. The initial increase in molybdenum prices resulted from concerns related to limited supply from ageing South American mines and a lack of new projects. However, investors curbed demand as a result of such a strong price increase. The average metal price for 2023 was 24.39 USD/lb, and was 32% higher than the average for 2022 (18.51 USD/lb).

Chart 10. Price of molybdenum (monthly average) per Platts - in USD/lb  
(Source: Platts, KGHM Polska Miedź S.A.)



## USD/PLN exchange rate

The Polish zloty quotations against both the euro and the US dollar in the first half of 2023 continued to be affected by events related to the Russian invasion of Ukraine. After a significant weakening of the Polish currency in 2022, the zloty gradually strengthened over the first two quarters of 2023, falling below 4.00 per dollar in early July. At the beginning of September, the Monetary Policy Council surprised the markets by starting a cycle of interest rate cuts with a move of 75 bp. instead of the expected 25 bp., with the strong response of investors weakening the Polish zloty exchange rate to over 4.40 against the dollar and 4.60 against the euro. Nevertheless, a combination of falling inflation, reduced political uncertainty following the parliamentary elections in Poland and the MPC's declaration to focus efforts on continuing the efforts aimed at reducing consumer inflation, led to the appreciation of the Polish currency in the fourth quarter of the year. The maximum exchange rate of the zloty against the euro at a level of 4.79 and 4.49 to the USD was recorded on 13 February. The PLN ended 2023 around 3.9350 to the USD (NBP fixing of 29 December 2023). The average USD/PLN (NBP) exchange rate in 2023 was 4.2030, nearly 6% lower than the exchange rate for 2022 (4.4615 USD/PLN).

Chart 11. USD/PLN exchange rate (average monthly) per the National Bank of Poland  
(Source: Bloomberg, KGHM Polska Miedź S.A.)

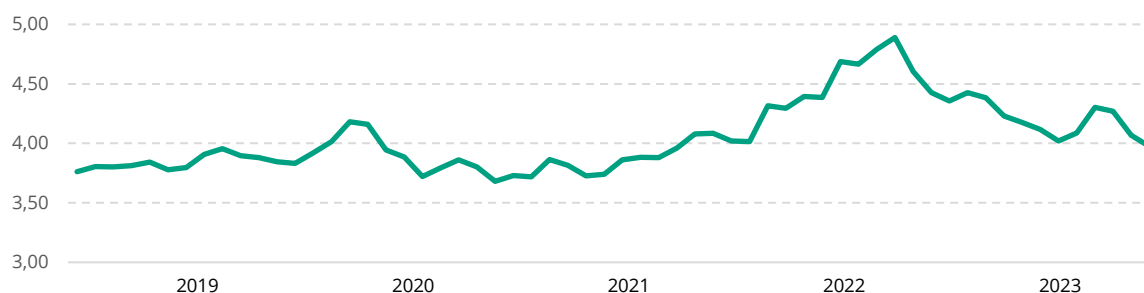


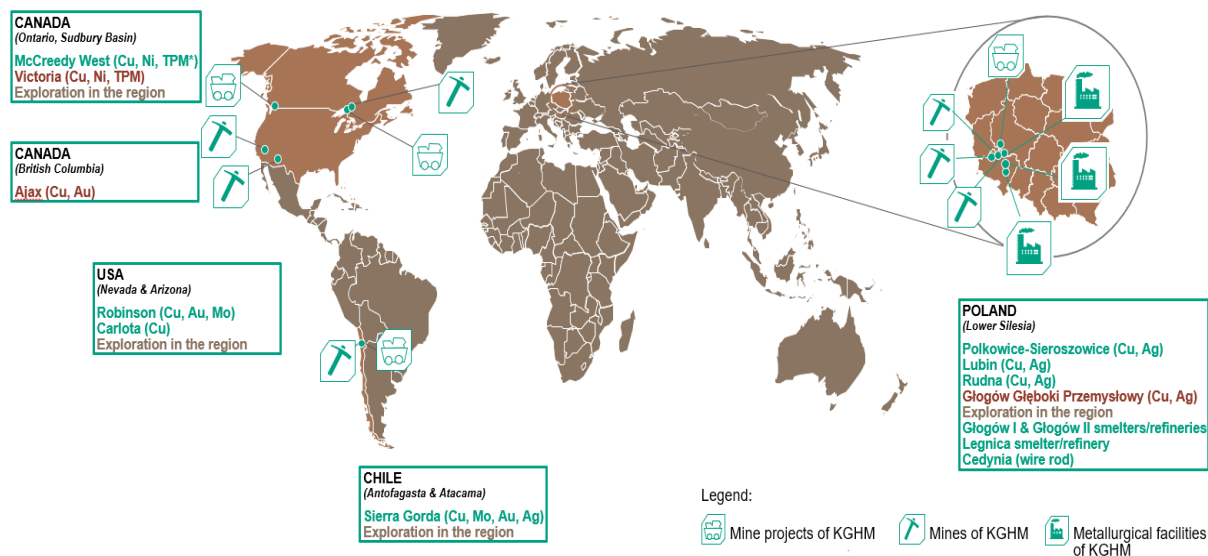
Table 2. Market conditions significant for the operations of the KGHM Polska Miedź S.A. Group - average prices

|                                   | unit     | 2023   | 2022   | Change (%) | IVQ'23 | IIIQ'23 | IIQ'23 | IQ'23  |
|-----------------------------------|----------|--------|--------|------------|--------|---------|--------|--------|
| Copper price on the LME           | USD/t    | 8 478  | 8 797  | (3.6)      | 8 159  | 8 356   | 8 464  | 8 927  |
| Copper price on the LME in PLN    | PLN/t    | 35 647 | 39 037 | (8.7)      | 33 523 | 34 536  | 35 306 | 39 167 |
| Copper price per the LBMA         | USD/oz t | 23.35  | 21.73  | +7.5       | 23.20  | 23.57   | 24.13  | 22.55  |
| Molybdenum price per Platts       | USD/lb   | 24.39  | 18.51  | +31.8      | 18.83  | 23.79   | 21.26  | 33.41  |
| USD/PLN exchange rate per the NBP |          | 4.20   | 4.46   | (5.83)     | 4.11   | 4.14    | 4.17   | 4.39   |

### 1.1.7 Our assets

The KGHM Polska Miedź S.A. Group holds geographically diversified mining assets (copper ore mines with associated minerals, such as silver, molybdenum, nickel, gold and other precious metals) located in Poland, the USA, Chile and Canada as well as copper smelters in Poland. The key international asset – the Sierra Gorda mine, which is a joint venture of KGHM INTERNATIONAL LTD. and South32 – is located in Chile. In addition, the KGHM Polska Miedź S.A. Group has a mine project which is at the preproduction phase (Victoria), as well as other exploration projects.

Diagram 9. Location of the production assets of the KGHM Polska Miedź S.A. Group



#### Poland

##### Polkowice-Sieroszowice mine

|                                 |                                 |  |
|---------------------------------|---------------------------------|--|
| Location                        | Lower Silesia, Poland           | <p>The Polkowice-Sieroszowice mine is located in Lower Silesia, to the west of the town of Polkowice. Currently, it conducts mining works in four mining areas: Polkowice, Radwanice Wschodnie, Sieroszowice and in a part of the Głogów Głęboki – Przemysłowy (Deep Głogów) area.</p> <p>Within the Sieroszowice mining area, there are also rich deposits of rock salt above the copper-bearing horizon.</p> <p>Mining of the deposit is conducted using room-and-pillar methods with natural roof settlement, using blasting technology. The Polkowice-Sieroszowice mine's current production capacity is around 12 million tonnes of ore per year.</p> |
| Ownership                       | KGHM Polska Miedź S.A. Division |  |
| Type of mine                    | underground                     |  |
| Main ore type                   | copper ore                      |  |
| Associated metals               | silver, lead, rock salt, gold   |  |
| Type of orebody                 | stratiform                      |  |
| End product                     | copper ore                      |  |
| Copper in extracted ore in 2023 | 198.6 kt                        |  |

##### Rudna mine

|                                 |                                 |   |
|---------------------------------|---------------------------------|---|
| Location                        | Lower Silesia, Poland           | <p>The Rudna mine is located in Lower Silesia, to the north of the town of Polkowice. It mines the copper deposit in the Rudna mining area as well as in parts of the mining areas of Sieroszowice, Lubin-Malomice and Głogów Głęboki-Przemysłowy (Deep Głogów).</p> <p>The deposit is currently mined at a depth from 844 meters to 1 250 meters. Mining is conducted using room-and-pillar methods with natural roof settlement with hydraulic backfill, using blasting technology. The current average production capacity is approximately 11.5 million tonnes of ore per year.</p> |
| Ownership                       | KGHM Polska Miedź S.A. Division |   |
| Type of mine                    | underground                     |   |
| Main ore type                   | copper ore                      |   |
| Associated metals               | silver, lead, gold              |   |
| Type of orebody                 | stratiform                      |   |
| End product                     | copper ore                      |   |
| Copper in extracted ore in 2023 | 174.5 kt                        |   |

#### Lubin mine

|                                 |                                 |  |
|---------------------------------|---------------------------------|--|
| Location                        | Lower Silesia, Poland           | The Lubin mine is located in Lower Silesia, Poland, to the north-west of the town of Lubin. It mines the copper deposit in the mining area Lubin-Małomice at a depth from 550 meters to 1006 meters. |
| Ownership                       | KGHM Polska Miedź S.A. Division |  |
| Type of mine                    | underground                     | Mining is conducted using room-and-pillar methods with natural roof settlement with hydraulic backfill, in the vicinity of the support pillar of the town of Lubin, using blasting technology.       |
| Main ore type                   | copper ore                      |  |
| Associated metals               | silver, lead, gold              | The mine's current production capacity is around 8.6 million tonnes of ore per year.   |
| Type of orebody                 | stratiform                      |  |
| End product                     | copper ore                      |  |
| Copper in extracted ore in 2023 | 72.3 kt                         |  |

#### Głogów Copper Smelter and Refinery

|  |                                 |   |
|--|---------------------------------|---|
| Location                               | Lower Silesia, Poland           | A complex of metallurgical plants located in Głogów comprising two copper concentrate smelting lines based on the one-stage smelting of concentrate in a flash furnace directly into blister copper. Apart from electrolytic copper, the Głogów Copper Smelter and Refinery produces crude lead (around 30 thousand tonnes annually), silver (around 1 400 tonnes), gold (around 3 tonnes), sulphuric acid (over 550 thousand tonnes), technical selenium and nickel sulphate |
| Ownership                              | KGHM Polska Miedź S.A. Division |   |
| Type of metallurgical plant            | smelter/refinery                |   |
| End product                            | electrolytic copper             |   |
| Electrolytic copper production in 2023 | 470.1 kt                        |   |

#### Legnica Copper Smelter and Refinery

|  |                                 |  |
|--|---------------------------------|--|
| Location                               | Lower Silesia, Poland           | The copper smelter and refinery located in Legnica with a current production capacity of 123 thousand tonnes of electrolytic copper. In operation since the 1950s - based on shaft furnace technology. Apart from electrolytic copper, the plant also annually produces around 30 thousand tonnes of refined lead and also around 100 thousand tonnes of sulphuric acid, as well as copper sulphate and nickel sulphate. |
| Ownership                              | KGHM Polska Miedź S.A. Division |  |
| Type of metallurgical plant            | smelter/refinery                |  |
| End product                            | electrolytic copper             |  |
| Electrolytic copper production in 2023 | 122.3 kt                        |  |

#### Cedynia Wire Rod Plant

|                             |  |   |
|-----------------------------|--|---|
| Location                    | Lower Silesia, Poland  | Production at the Cedynia Wire Rod Plant, located in the vicinity of Orsk, Lubin district, is based on the use of copper cathodes from the Głogów Copper Smelter and Refinery and from the Legnica Copper Smelter and Refinery. The basic product of the Cedynia Wire Rod Plant is copper wire rod produced in a Contirod line and oxygen-free copper wire rod produced in an UPCAST line, including oxygen-free, silver-bearing copper wire rod. |
| Ownership                   | KGHM Polska Miedź S.A. Division  |   |
| Type of metallurgical plant | processing   |   |
| End product                 | copper wire rod and Cu-OFE rod   |   |
| Production in 2023          | 258.6 kt of copper wire rod and 17.2 kt of Cu-OFE oxygen-free copper rod |   |

## The United States

### Robinson mine

|                                   |  |  |
|-----------------------------------|--|--|
| Location                          | Nevada, USA  | The mine is located in White Pine county, Nevada, USA, around 11 km west of Ely (approx. 400 km north of Las Vegas), in the Egan range, at an average altitude of 2 130 meters a.s.l., near highway no. 50.  |
| Ownership                         | 100% KGHM INTERNATIONAL LTD.                           |  |
| Type of mine                      | open pit   | The mine is comprised of 3 large pits: Liberty, Tripp-Veteran and Ruth. Currently, Ruth is in operation. The sulphide ore is extracted by conventional methods, and is then enriched through flotation. The end product is copper and gold concentrate, and separately molybdenum concentrate. |
| Main ore type                     | copper ore   |  |
| Associated metals                 | gold and molybdenum                                    |  |
| Type of orebody                   | porphyry/skarn   |  |
| End product                       | copper and gold concentrate,<br>molybdenum concentrate |  |
| Payable copper production in 2023 | 31.5 kt  |  |
| Life of mine                      | 13 years   |  |

### Carlota mine

|                                   |                              |  |
|-----------------------------------|------------------------------|--|
| Location                          | Arizona, USA                 | The Carlota mine is located in the Western part of the Miami-Globe mining region, in the state of Arizona at an altitude of 1 300 meters a.s.l. Surrounding the mine is mountainous, desert terrain.   |
| Ownership                         | 100% KGHM INTERNATIONAL LTD. |  |
| Type of mine                      | open pit                     | Copper ore extraction by the Carlota mine is by conventional methods typical for open-pit metals mines, i.e. the ore is mined by blasting and then is transported by haulage trucks. In 2023, access to the Cactus open pit - Phase III was launched, enabling the extension of the mine life to 2027. |
| Main ore type                     | copper ore                   |  |
| Type of orebody                   | porphyry                     |  |
| End product                       | copper cathodes              | Due to the nature of the oxide ore, it is processed using the heap leach, solvent-extraction and electrowinning method. The end product is electrolytic copper in the form of cathodes.  |
| Payable copper production in 2023 | 3.9 kt                       |  |
| Life of mine                      | 4 years                      |  |

As part of the 2023 process, the disposal of the Carlota mine was not finalised. As at 31 December 2023, the Carlota mine remains in KGHM's portfolio, conducts regular operations and is currently not classified as an asset held for sale.

## Canada

### Sudbury Basin

|                                   |  |   |
|-----------------------------------|--|---|
| Location                          | Sudbury, Ontario, Canada                         | The Sudbury Basin is located in central Ontario in Canada, approx. 400 km north of Toronto. In this region, KGHM INTERNATIONAL LTD. owns a variety of assets, though since April 2019 mining has only been conducted in the underground McCreedy West mine, due to the fact that the Morrison/Levack mine has been placed into <i>care &amp; maintenance</i> . Extraction is performed through mining methods which are dependent on the geometry of the deposit – mainly a mechanised method of selective extraction using undercutting of successive levels from bottom to top and the separation of sub-levels. All of the ore extracted from the mine, containing copper, nickel and precious metals, is processed in the Clarabelle plant in Sudbury, owned by Vale. |
| Ownership                         | 100% KGHM INTERNATIONAL LTD.                     |   |
| Type of mine                      | underground                                      | In 2023, the disposal of part of KGHM's assets in the Sudbury Basin was continued. The potential finalisation of the transaction is still at a relatively early stage and it is not possible to recognise explicitly that the sale of part of KGHM's assets in the Sudbury Basin is highly probable.  |
| Main ore type                     | copper, nickel, platinum, palladium and gold ore |   |
| Type of orebody                   | footwall/contact Ni                              |   |
| End product                       | copper and nickel ore with precious metals       |   |
| Payable copper production in 2023 | 4.5 kt   |   |
| Life of mine                      | 5 years  |   |

### Victoria project

|                              |  |   |
|------------------------------|--|---|
| Location                     | Sudbury Basin, Ontario, Canada         | <p>This project is located in the province of Ontario, around 35 km west of the town of Sudbury. In 2002, rights were acquired to the mineral deposit in the Victoria area and a campaign of exploration in this region commenced. The current development scenario for the project calls for the sinking of two shafts to access the deposit (a production shaft and a ventilation shaft).</p> <p>Based on analytical work performed in 2017, the current base scenario assumes the Victoria project will be developed in two stages, comprised of the sinking of a first shaft along with additional exploration, followed by a second shaft for production.</p> <p>In 2023, work continued on project terrain connected with preparing selected elements of the infrastructure for further development of the project.</p> |
| Ownership                    | 100% KGHM INTERNATIONAL LTD.           |   |
| Type of mine                 | underground                            |   |
| Main ore type                | copper-nickel ore                      |   |
| Associated metals            | gold, platinum and palladium           |   |
| End product                  | copper, nickel and precious metals ore |   |
| Forecasted annual production | 14 kt of nickel, 17 kt of copper       |   |
| Life of mine                 | 16 years                               |   |

The construction of a shaft headframe, the lifting machinery shaft tower system, the social facilities buildings and the water treatment station were completed, and the sinking of the exploration shaft began as part of the so-called Advanced Exploration phase, aimed at specifying the level of assessment of mineral resources. Surface work is also carried out, associated, among others, with earthworks and the construction of workshop and warehouse facilities. Engineering work also continued, as well as actions related to cooperation with key stakeholders in the project.

### Ajax project

|                            |   |  |
|----------------------------|---|--|
| Location                   | Kamloops, British Columbia, Canada                                  | <p>The Ajax project is located in British Columbia, Canada, 400 km north-east of Vancouver near the town of Kamloops. The project assumes the construction of an open-pit copper and gold mine and an ore processing plant, with associated infrastructure. Up to 2016 work had been carried out on a Feasibility Study for the project, setting out the preliminary economic conditions for the venture.</p> <p>In compliance with Canadian law, the Ajax project underwent the Environmental Assessment process. In 2017, the Ministers of Environment and of Energy, Mines and Petroleum Resources of British Columbia (provincial authorities) decided against the granting of an Environmental Assessment Certificate (EA Certificate) for the project. In 2018, the Government of Canada, through the Governor-in-Council (federal authorities), issued a negative decision regarding the implementation of the Ajax project.</p> <p>In connection with the decision not to grant an Environmental Assessment Certificate, in 2023 work continued which was mainly related to monitoring and securing of the project terrain in accordance with the regulatory requirements.</p> |
| Ownership                  | KGHM INTERNATIONAL LTD. 80%, Abacus Mining and Exploration Inc. 20% |  |
| Type of mine               | open pit  |  |
| Main ore type              | copper ore  |  |
| Associated metals          | precious metals (gold and silver)                                   |  |
| End product                | copper concentrate  |  |
| Forecast annual production | 53 kt of copper, 114 thousand troy ounces of gold                   |  |
| Life of mine               | 19 years  |  |

## Chile

### Sierra Gorda mine and Sierra Gorda Oxide project

|                         |   |  |
|-------------------------|---|--|
| Location                | Region II, Chile  | <p>The Sierra Gorda mine is located in the Atacama desert, in the Sierra Gorda administrative area in the Antofagasta region, in northern Chile, approx. 60 km south-west of the city of Calama. The mine is situated at an altitude of 1 700 meters a.s.l. and 4 km from the town of Sierra Gorda.</p> <p>On 1 July 2015, the Sierra Gorda mine commenced commercial production (since then it has prepared statements of profit or loss on operations). The ore extraction comprises its extraction using explosives, loading and hauling away in trucks to the processing plant, where it is subsequently crushed and milled.</p> <p>The end product of Sierra Gorda's processing plant is copper concentrate and molybdenum concentrate.</p> <p>Since January 2023, the Sierra Gorda mine has been using 100% electricity from renewable sources - green energy is one of Sierra Gorda's strategic objectives. In 2023, the construction of the 3<sup>rd</sup> tailings thickener to improve waste compaction parameters was</p> |
| Ownership <sup>12</sup> | 55% KGHM INTERNATIONAL LTD., 45% South32  |  |
| Type of mine            | open pit  |  |
| Main ore type           | copper ore  |  |
| Associated metals       | molybdenum, gold  |  |
| Life of mine            | 24 years for the current deposit based on phase 1 of the investment, including actions to remove bottlenecks. Moreover, there is a possibility to extend the mine's life using new deposits |  |

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

|                            |  |
|----------------------------|--|
| End product                | copper concentrate, molybdenum concentrate   |
| Payable production in 2023 | 143.0 kt of copper in concentrate, 6.3 million pounds of molybdenum in concentrate – on a 100% basis, share of KGHM Polska Miedź S.A. is 55% |
| Life of mine               | 24 years   |

completed. Design studies were continued on the project involving the construction of a 4<sup>th</sup> production line of the processing plant, and they are on the advanced stage of preparing the feasibility study. The expected, potential increase in ore processing (on a 100% basis) is approx. 18% up to 57-58 million tonnes per year.

Moreover, last year Sierra Gorda continued to focus on implementing optimisation programs to streamline the operations of the mine, the processing plant, the infrastructure and the tailings storage facility, as well as cost optimisation.

**The Sierra Gorda Oxide project** involves the leaching of the copper oxide ore of Sierra Gorda on a permanent heap and the production of high-quality copper cathodes in a solvent extraction and electrowinning (SX-EW) installation, with production capacity of approximately 30 thousand tonnes/year. At present most of the oxide ore planned for processing has already been excavated and is currently stored near the site of the future plant.

### Other assets

Over the last few years, there have been no significant changes in the structure of the main assets in the group of domestic companies. In terms of assuring the operations of the core business of KGHM Polska Miedź S.A. the domestic companies operating mainly on its behalf remain significant, including among others:

- PeBeKa S.A. - mining work contractor,
- KGHM ZANAM S.A. – a supplier and service provider for mining machinery, also providing production maintenance services in selected areas and participating in investment tasks;
- KGHM Metraco S.A. - a supplier of copper scrap,
- “Energetyka” sp. z o.o. – a company securing part of the energy needs of KGHM Polska Miedź S.A.,
- POL-MIEDŹ TRANS sp. z o.o. - a company providing rail freight services.

In terms of other entities - *non-core* companies - a significant portion of assets are investments in the area of broadly defined healthcare, including Polska Grupa Uzdrawisk sp. z o.o. and companies pursuing the corporate social responsibility policy, such as “Miedziove Centrum Zdrowia” S.A.

Moreover, amongst the international companies, the following group of companies operates under the DMC Mining Services brand: DMC Mining Services Ltd., FNX Mining Company Inc. (a branch of DMC), DMC Mining Services Mexico, S.A. de C.V., DMC Mining Services Corporation, DMC Mining Services Colombia S.A.S., DMC Mining Services (UK) Ltd. and DMC Mining Services Chile SpA, which provide services in shaft sinking, preparatory work, construction of above-ground and underground mine facilities, mine drilling, underground excavation and development of mine infrastructure tunnel drilling for general construction purposes and engineering services.

Table 3. Activities of subsidiaries and joint ventures of KGHM Polska Miedź S.A.

| Entity                       | Head Office | Activities   |
|------------------------------|-------------|--|
| <b>Domestic companies</b>    |             |  |
| KGHM Polska Miedź S.A.       | Poland      | mining of copper ore, excavation of salt, production of copper and precious metals   |
| “Energetyka” sp. z o.o.      | Poland      | generation, transmission and distribution of electrical and heating energy; water-effluents management; trade in oil-based products  |
| PeBeKa S.A.                  | Poland      | mine construction (construction of shafts and drifts), construction of roadway/railway tunnels; specialist construction, drilling services (geological/exploration drilling)   |
| KGHM ZANAM S.A.              | Poland      | production of mining machinery and equipment, construction machinery; machinery repairs; production maintenance services; advancement of investments; steel construction services; roadway cargo transport   |
| KGHM CUPRUM sp. z o.o. – CBR | Poland      | design and R&D activities  |
| CBJ sp. z o.o.               | Poland      | research and chemical-physical analysis; measurement of imissions and emissions; industrial research   |
| INOVA sp. z o.o.             | Poland      | design and production – innovative solutions in electrical engineering, automated equipment and communication systems; certification and attestation of machinery and equipment  |
| KGHM Metraco S.A.            | Poland      | trade and processing of non-ferrous metals scrap; rhenium recovery from acidic industrial waste; processing of shaft slag into road-building material and sale of such; trading in salt; recovery of copper and silver from smelter tiles; trading in chemical factors |
| POL-MIEDŹ TRANS sp. z o.o.   | Poland      | railway cargo transport  |
| NITROERG S.A.                | Poland      | production of explosives, fuel additives and initiating systems  |
| MERCUS Logistyka sp. z o.o.  | Poland      | materials logistics; trade in consumer goods; production of bundled electrical cables and hydraulic cables; passenger roadway transport  |
| NITROERG SERWIS sp. z o.o.   | Poland      | comprehensive drilling and blasting work for mines, sales of explosives and initiating systems   |

| <i>Entity</i>   | <i>Head Office</i> | <i>Activities</i>   |
|---|--------------------|---|
| CENTROZŁOM WROCŁAW S.A.   | Poland             | recovery of raw materials from segregated materials – purchase and sale of metal scrap, waste recycling, sale of metallurgical products and production of reinforcing building materials      |
| Walcownia Metali Nieżelaznych "ŁABĘDY" S.A.                                       | Poland             | production of pressed goods from copper and its alloys; rolling services  |
| PHU "Lubinpex" sp. z o.o.   | Poland             | gastronomic, commercial and catering services   |
| PMT Linie Kolejowe sp. z o.o.   | Poland             | authorized management of railway infrastructure   |
| WPEC w Legnicy S.A.   | Poland             | production of heat from its own sources, transmission and distribution of heat, servicing   |
| Uzdrowiska Kłodzkie S.A. – Grupa PGU  |                    |   |
| Uzdrowisko Połczyn Grupa PGU S.A.   | Poland             | services in the following areas: spa-healing, sanatorium, preventative medicine, rehabilitation, biological renewal, recreation based on natural healing materials and bioclimatic conditions |
| Uzdrowisko Cieplice sp. z o.o. – Grupa PGU  |                    |   |
| Uzdrowisko Świeradów Czerniawa sp. z o.o. Grupa PGU                               |                    |   |
| Fundusz Hotele 01 sp. z o.o.  | Poland             | special-purpose companies not involved in operating activities  |
| Fundusz Hotele 01 sp. z o.o. S.K.A.   |                    |   |
| Polska Grupa Uzdrowisk sp. z o.o.   | Poland             | holding activity (parent entity for, among others, spa companies), shared service centre  |
| "MIEDZIOWE CENTRUM ZDROWIA" S.A.  | Poland             | hospital services; medical practice; activities related to protecting human health; occupational medicine   |
| Zagłębie Lubin S.A.   | Poland             | management of a football club, organisation of professional sporting events   |
| BIPROMET S.A.   | Poland             | design services, consulting, technical conceptual work, general realisation of investments, rental of real estate   |
| Cuprum Development sp. z o.o.   | Poland             | activities related to real estate market services, construction services, design work and financing; this company is not involved in operating activities                                     |
| TUW-CUPRUM  | Poland             | mutual insurance services, personal and property insurance activities   |
| KGHM Centrum Analityki sp. z o.o.   | Poland             | support of data analysis in the Group, including Big Data creation  |
| Future 3 sp. z o.o.   |                    |   |
| Future 4 sp. z o.o.   | Poland             | companies not engaged in operations   |
| Future 5 sp. z o.o.   |                    |   |
| Invest PV7 sp. z o.o.   | Poland             | generation, transmission, distribution and trading of electricity from renewable energy sources (RES)   |
| NANO CARBON sp. z o.o. in liquidation   | Poland             | production of graphene and research into its properties; the company is currently not engaged in operations   |
| <b>International companies - direct subsidiaries (and Future 1 sp. z o.o.)</b>    |                    |   |
| Future 1 sp. z o.o.   | Poland             | management and control of other companies, including the KGHM INTERNATIONAL LTD. Group  |
| KGHM (SHANGHAI) COPPER TRADING CO. LTD.   | China              | service and coordination activities involving copper/rhenium sales and procurement support  |
| <b>International companies - indirect subsidiaries of Future 1 sp. z o.o.</b>     |                    |   |
| KGHM INTERNATIONAL LTD.   | Canada             | the founding, development, management or control of companies in the KGHM INTERNATIONAL LTD. Group  |
| KGHM Kupfer AG  | Germany            | in 2023 did not engage in operations  |
| <b>International companies - indirect subsidiaries of KGHM INTERNATIONAL LTD.</b> |                    |   |
| KGHM Ajax Mining Inc.   | Canada             | development of copper mining projects   |
| Sugarloaf Ranches Ltd.  | Canada             | agricultural activities (this company owns assets in the form of land designated for future mining activities related to the Ajax project)  |
| Robinson Nevada Mining Company  | USA                | copper ore mining, production and sale of copper concentrate  |
| Carlota Copper Company  | USA                | copper ore mining, production and sale of copper cathodes   |
| FNX Mining Company Inc.   | Canada             | mining of copper, nickel and precious metal ores, sale of copper, nickel and precious metal ores  |
| Aguas de la Sierra Limitada   | Chile              | the ownership and exercise of water rights in Chile   |
| Robinson Holdings (USA) Ltd.  | USA                | technical and management services   |
| DMC Mining Services Corporation   | USA                | contract mining services  |
| KGHM Chile SpA  | Chile              | provision of management and exploration services on behalf of third parties   |
| Minera Carrizalillo SpA   | Chile              | the ownership of water and deposits rights, conducting exploration works  |
| Wendover Bulk Transhipment Company  | USA                | transhipment services of copper concentrate from Robinson mine  |
| DMC Mining Services Mexico, S.A. de C.V.  | Mexico             | contract mining services  |
| KGHMI Holdings Ltd.   | Canada             | the management and control of other companies   |

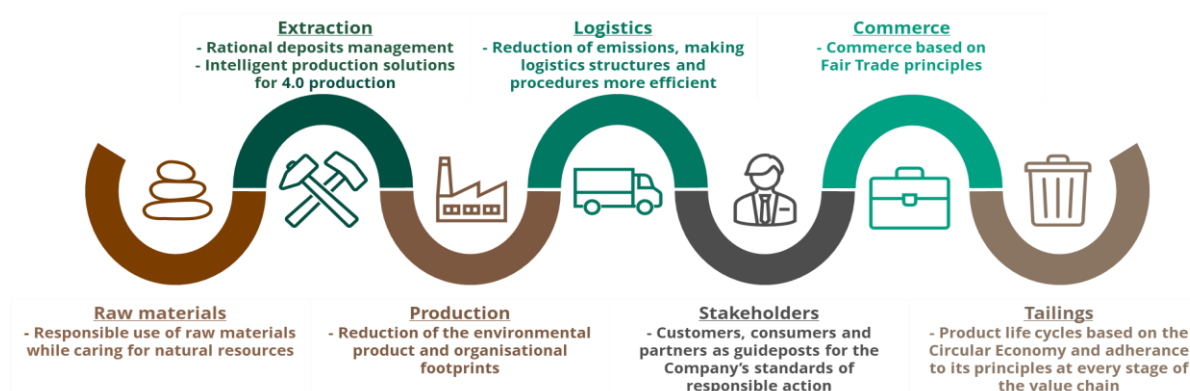


| Entity   | Head Office        | Activities   |
|--|--------------------|--|
| Carlota Holdings Company   | USA                | the management and control of other companies  |
| Quadra FNX FFI S.à r.l.  | Luxembourg         | financial services   |
| Centenario Holdings Ltd.   | Canada             | the management and control of other companies  |
| Franke Holdings Ltd.   | Canada             | the management and control of other companies  |
| Quadra FNX Holdings Chile Limitada   | Chile              | the management and control of other companies  |
| FNX Mining Company USA Inc.  | USA                | the management and control of other companies  |
| Quadra FNX Holdings Partnership 0899196 B.C. Ltd.  | Canada             | the management and control of other companies  |
| DMC Mining Services Ltd.   | Canada             | contract mining services   |
| DMC Mining Services Chile SpA  | Chile              | contract mining services   |
| Sierra Gorda S.C.M.  | Chile              | operation of an open pit copper and molybdenum ore mine, production and sale of copper-molybdenum concentrates |
| DMC Mining Services Colombia SAS   | Columbia           | contract mining services   |
| DMC Mining Services (UK) Ltd.  | United Kingdom     | contract mining services   |
| <b>International companies - indirect subsidiaries - KGHM ZANAM S.A. (99%) and Przedsiębiorstwo Budowy Kopalń PeBeKa S.A. (1%)</b> |                    |  |
| Obszczestwo s ograniczennoj otwietstwiennostju ZANAM VOSTOK  | Russian Federation | sale of spare parts and after-sales service of mining machinery  |

### 1.1.8 How we create value

KGHM Polska Miedź S.A. strives to implement the idea of sustainable development at every stage of its value chain, which is unique and rare among other mineral resource companies. The company has a highly integrated **technological** chain within which it performs tasks ranging from exploration, evaluation and sourcing of raw materials, through mining, production, transport, reaching consumers and stakeholders, ending with responsible waste management in order to reduce its adverse impact on the environment as much as possible.

Diagram 10. KGHM Polska Miedź S.A.'s sustainable value chain



Managing processes in diverse areas of extremely varying characteristics requires an integrated and sustainable approach at all stages.

### KGHM Polska Miedź S.A.'s values

KGHM operates on the basis of deeply rooted principles which its employees follow in their daily work. Zero harm, teamwork, results driven, accountability and courage – these values connect all employees, irrespective of their position in the organisation or their nationality, and serve as a signpost for decisions and actions taken. KGHM builds its global position in the world as a reliable producer, trusted business partner and a company pursuing a sustainable development policy. All values are complementary.

|                  |   |
|------------------|---|
| <b>Zero harm</b> | Zero harm is the top priority of the Company's value hierarchy: <ul style="list-style-type: none"> <li>– The life and health of our employees is our priority.</li> <li>– Respect for the natural environment, in particular the resources we mine in a responsible manner</li> <li>– The Company cares for the local communities within which it operates and maintains a dialogue with.</li> <li>– KGHM Polska Miedź S.A. puts emphasis on the continuity and stability of its operations.</li> </ul> |
|------------------|---|



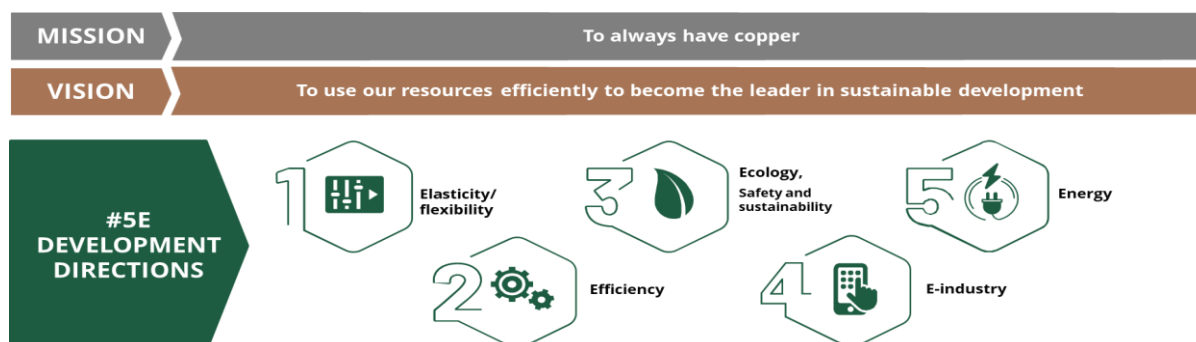
|                       |   |
|-----------------------|---|
| <b>Results driven</b> | Attainment of results while focusing on KGHM's long-term success. <ul style="list-style-type: none"> <li>– Ambitious targets and ongoing development.</li> <li>– Taking initiative and making extra efforts for the benefit of KGHM.</li> <li>– Solid work using the right tools.</li> </ul>  |
| <b>Accountability</b> | All Company employees are jointly responsible for the actions taken for the benefit of our stakeholders: <ul style="list-style-type: none"> <li>– Acting in a transparent and honest manner, abiding by the standards of the Code of Ethics.</li> <li>– Accountability for our decisions, obligations and constant, stable development.</li> <li>– Building long-term relationships with our business and social partners.</li> </ul> |
| <b>Courage</b>        | The Company addresses new challenges: <ul style="list-style-type: none"> <li>– Employees are brave and continually face new challenges.</li> <li>– Courageous decisions are made and new, innovative solutions are constantly sought for.</li> </ul>  |
| <b>Teamwork</b>       | Teamwork is the basis for the Company's success: <ul style="list-style-type: none"> <li>– In KGHM, teamwork is performed.</li> <li>– Respect for the views of others in a discussion.</li> <li>– Using the talents and experience of employees.</li> <li>– Diversity, including a multi-cultural environment are valued.</li> </ul>   |

## 1.2 STRATEGY OF THE KGHM POLSKA MIEDŹ S.A. GROUP

### The 5E Strategy: Strategy description and basic elements

On 14 January 2022, the Company's Supervisory Board approved the "Strategy of the KGHM Polska Miedź S.A. Group to the year 2030 with an outlook to 2040" as presented by the Management Board. A special place in the Strategy is occupied by the green transformation based on renewable energy and modern technologies. To reflect the changes in the environment, the four existing strategic development directions (Elasticity/flexibility, Efficiency, Ecology and E-industry) were updated to include a fifth element – Energy.

Diagram 11. Mission, Vision and Development Directions of the Strategy of KGHM Polska Miedź S.A.



The Strategy of the Group is comprised of 5 pillars (1. Core business, 2. New activities, 3. Supporting activities, 4. Health and 5. Prosociality), based on 5 updated development directions.

Diagram 12. 5 Pillars based on 5 development directions in the Strategy of KGHM Polska Miedź S.A.

| Development directions |                                | Elasticity /flexibility   | Efficiency  | Ecology  | E-industry | Energy  |
|------------------------|--------------------------------|---|---|--|------------|---|
|                        | <b>1</b> 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 Circular Economy principles |
|                        | <b>2</b> 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) |            |   |
|                        | <b>3</b> 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 the KGHM Group and implementing systemic solutions aimed at increasing the Group's value   |            |   |
|                        | <b>4</b> Health                | Development of pro-health activities and health resorts as a contribution to extending the length and quality of life of citizens |   |  |            |   |
|                        | <b>5</b> Prosociality          | Growth based on sustainability and safety   |   |  |            |   |

The Group's Strategy also identifies climate objectives related to the reduction of emissions by KGHM, which are consistent with the "Climate Policy of KGHM Polska Miedź S.A.", a document complementary to the Strategy and its climate targets set for 2030 and 2050. Detailed information in this area can be found in section [4.2.6 Targets related to climate change mitigation and adaptation](#).

### 1.2.1 Advancement of the Strategy in 2023 - best practice and key achievements

The Strategy forms the basis of the coherent and effective operations of the Company. In the Strategy implementation process, KGHM takes advantage of the best practices developed over years of experience. It is crucial that the Strategy is comprehensive and complementary as it covers all of the Company's areas of activity. For many years now, it has broadly addressed sustainable development topics that allow for keeping the balance of business activity between economic factors and social and environmental needs.

Based on the adopted internal strategic management procedure, KGHM has been regularly monitoring and analysing the environment and megatrends in terms of their impact on the Strategy and its possible modifications or changes. Strategic goals are achieved through the advancement of dedicated strategic programs and initiatives, the progress of which is periodically monitored and reported within the organisation.

The business strategy of the Company is a public document published on KGHM's website. The Company reports on the progress in implementation, relevant indicators and achievements of the various areas of the Strategy on a regular basis - quarterly as part of periodic reports and as part of integrated reports - once a year. In addition, the Strategy is discussed at stakeholder meetings, which serves to maintain the transparency of actions.

In 2023, KGHM Polska Miedź S.A. advanced the "Strategy of the KGHM Polska Miedź S.A. Group to the year 2030 with an outlook to 2040". Based on the adopted Strategy, the Company endeavoured to maintain stable production in its domestic and international assets, and a level of costs guaranteeing financial security while ensuring safe working conditions and minimising its impact on the environment and surroundings, pursuant to the idea of sustainable development. KGHM has also advanced a variety of initiatives and strategic programs which are crucial to ensuring the continuity of the core business and development.

The key achievements in advancing the strategic activities in individual strategic directions of development in 2023 are presented below:

**Table 4. Key achievements of the KGHM Polska Miedź S.A. Group in advancing the strategic activities in individual strategic directions of development in 2023**

|  |   |
|--|---|
| <b>Efficiency</b>                                  | <ul style="list-style-type: none"> <li>– Mined production in domestic assets amounted to 445 kt of copper in 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. The Company exceeded its production volume targets for 2023 in all major product lines.</li> <li>– Copper production in the international assets in 2023 was lower than the budgeted targets. Achievement of the production results is presented in more detail in the section on operating segment results.</li> <li>– The advancement of the Deposit Access Program was continued (the GG-1 shaft reached a depth of 1 348 m).</li> <li>– The development of the Żelazny Most Tailings Storage Facility was continued (the development project 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.</li> <li>– R&amp;D initiatives to enhance the efficiency of the core production business of the Company were conducted.</li> <li>– Activities regarding the intellectual property of the Company were carried out.</li> <li>– Use of external sources to finance R&amp;D&amp;I projects continued.</li> </ul> |
| <b>Elasticity /flexibility</b>                     | <ul style="list-style-type: none"> <li>– The Hybrid Legnica Smelter and Refinery Strategic Program was continued (including the implementation of the "digital twin" concept and the acquisition of a building permit for the construction of the Scrap Turnover Base at the Legnica Copper Smelter and Refinery).</li> <li>– Activities involving the extension of the Company's value chain continued, 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.</li> <li>– 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, continued.</li> <li>– Development projects in the international assets were continued.</li> <li>– Financial stability was ensured by basing the financing structure of the KGHM Group on long-term instruments, shortening the cash conversion cycle and managing market and credit risk in the KGHM Group.</li> </ul>   |
| <b>Ecology, safety and sustainable development</b> | <ul style="list-style-type: none"> <li>– 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 as well as arsenic and mercury emissions were reduced.</li> <li>– The Cedynia Wire Rod Plant was granted the prestigious certificate, the Copper Mark.</li> </ul>  |

|                   |  |
|-------------------|--|
|                   | <ul style="list-style-type: none"> <li>– The 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.</li> <li>– Environmental declarations for KGHM Polska Miedź S.A. products were prepared and verified, presenting the results of environmental and carbon footprint analyses.</li> <li>– Allocations of free CO<sub>2</sub> emission allowances for 2023 for KGHM Polska Miedź S.A. were acquired.</li> <li>– 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 technological water.</li> <li>– The Occupational Health and Safety Improvement Program was continued (LTIFR: 5.98, TRIR: 0.37).</li> </ul>  |
| <b>E-industry</b> | <ul style="list-style-type: none"> <li>– The advancement of projects to automate the production lines of the Mining Divisions of the Company continued (including, among others, the implementation of initiatives connected with testing electric and battery-powered mining machinery).</li> <li>– The system for locating and identifying machinery and people in the underground mines was integrated and extended.</li> <li>– Activities were continued in the area of digital transformation, ICT security and cybersecurity as part of the KGHM 4.0 Program.</li> </ul>   |
| <b>Energy</b>     | <ul style="list-style-type: none"> <li>– Projects aimed at increasing production of energy from own sources were continued, using photovoltaic farms, wind farms and nuclear energy.</li> <li>– RES projects on own land - grid connection consent and the building permit for the Głogów Copper Smelter and Refinery Photovoltaic Power Plant (7.5 MW) were obtained, and the procedure for issuing grid connection consent 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 grid connection consent for 4 wind power plant locations as part of the Radwanice-Żukowice project (30-40 MW).</li> <li>– 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 Projekt Solartechnik, which has photovoltaic power plant projects with a total capacity of 47 MW.</li> <li>– 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.</li> <li>– 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.</li> <li>– In 2023, 18% of the need of KGHM's Divisions for electricity was supplied by its own sources.</li> </ul> |

## 1.2.2 Development directions of the KGHM Polska Miedź S.A. Group

In the short-term perspective, the existing policy aimed at adapting the functioning of the organisation to the business model and the market environment as well as at cooperation between the Group's entities will be continued. The implementation of investments with a view to ensuring cost effectiveness and development scenarios for the individual international assets in the Company's portfolio will be an equally important task.

The KGHM Group will continue its exploratory work, the strategic objective of which is to develop the resource base and, as a consequence, to maintain optimum production levels and maximise the value of KGHM's assets in the long term.













As part of the implementation of the climate policy and the energy transition, we anticipate an increase in terms of investments in renewable energy sources, projects aimed at protecting the environment and adapting to increasing regulatory requirements in this regard.

The aforementioned projects will be carried out by continuing projects commenced or bringing into operation new investments, including key investments, such as:

- outfitting the mines along with the construction of conveyor belts,
- replacement of mining machinery,
- construction of mine de-watering systems,
- construction of air cooling systems,
- construction of the Tailings Segregation and Compacting Station at the Żelazny Most Tailings Storage Facility,
- the Deposit Access Program (Deep Głogów along with access and development tunnels),
- searching for and exploring deposits in areas under exploration concessions,
- development of the Żelazny Most Tailings Storage Facility above a crown height of 195 m a.s.l.
- Hybrid Legnica Smelter and Refinery,
- construction of an installation and acquisitions in terms of photovoltaic energy.

### 1.3 OUR CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS (SDGS)

KGHM Polska Miedź S.A. is actively working towards the implementation of Agenda 2030 adopted by the United Nations (UN) in 2015 and the Sustainable Development Goals contained therein. Due to the wide range of its operations, activities undertaken by KGHM in 2023 supported most of 17 Sustainable Development Goals. The Company was mostly involved in the implementation of the following 12 goals:

| Goal  | KGHM actions  | Goal  | KGHM actions   |
|---|---|---|--|
|    | <ul style="list-style-type: none"> <li>– Access to high quality subscriber healthcare</li> <li>– Health promotion campaigns</li> <li>– Promotion of sport activities and a healthy lifestyle</li> </ul>   |    | <ul style="list-style-type: none"> <li>– Addressing discriminatory practices - Diversity Declaration, Human Rights Policy, Code of Ethics, Line of Ethics (anonymous whistleblower platform)</li> <li>– Financial transparency</li> </ul>  |
|    | <ul style="list-style-type: none"> <li>– Patronage classes - “Competent in the industry”</li> <li>– Access to the e-learning platform and subsidies for employee education</li> <li>– Sponsorship and promotion of scientific and educational events</li> </ul>   |    | <ul style="list-style-type: none"> <li>– Promoting the idea of sustainable development among local communities through the organisation and sponsorship of sport activities, integration and educational workshops</li> <li>– Cooperation with the municipalities of the Copper Basin</li> <li>– Sponsorship of local projects - cultural and sporting events</li> </ul>   |
|    | <ul style="list-style-type: none"> <li>– Pro-social campaigns and actions promoting gender equality and respect for human rights</li> </ul>   |    | <ul style="list-style-type: none"> <li>– Efficient use of raw materials and abandoning fossil fuels</li> <li>– Investment in recycling and other CE projects</li> </ul>  |
|    | <ul style="list-style-type: none"> <li>– Investment in renewable energy sources - 100% solar energy at Sierra Gorda</li> <li>– Gradual electrification of the underground fleet and surface charging stations for electric vehicles</li> <li>– Sponsorship of conferences on green energy, nuclear energy, hydrogen</li> <li>– Collaboration with the nuclear energy SMR technology provider</li> </ul> |    | <ul style="list-style-type: none"> <li>– Investment in alternative and renewable energy sources</li> <li>– Improving energy efficiency of infrastructure and machinery</li> <li>– Optimisation of transport and logistics</li> </ul>   |
|  | <ul style="list-style-type: none"> <li>– Ensuring stable, attractive working conditions</li> <li>– Cooperation with local businesses</li> <li>– Fringe benefit programs for employees</li> </ul>  |  | <ul style="list-style-type: none"> <li>– Environmental programs promoting nature conservation and expansion of green areas</li> <li>– Assessment of planned investment in terms of the risk of biodiversity loss, deforestation and land degradation</li> </ul>  |
|  | <ul style="list-style-type: none"> <li>– Implementation of research and development work and other projects in terms of increasing production efficiency, occupational safety and sustainable development</li> <li>– Engaging employees in development and innovation - “Invention Exchange”</li> </ul>   |  | <ul style="list-style-type: none"> <li>– Business activities respecting the law and international standards within the supply chain and with business partners</li> <li>– No tolerance for forced labour, child labour and unethical behaviour</li> <li>– Zero tolerance towards corruption, anti-corruption policy</li> <li>– Transparent policies and solutions in the areas of HR, procurement and corporate processes</li> </ul> |

## 1.4 INTERESTS AND VIEWS OF STAKEHOLDERS

### [ESRS 2 SBM-2, ESRS 2 SBM-3]

Caring for the interests and opinions of stakeholders is one of the priorities for conducting business by KGHM.

Stakeholder groups of particular relevance in terms of shaping the business model and Strategy planning include:

- the environment - The Strategy of the Company has included environmental issues for many years and each update of the strategy results in an increasing number of environmental and climate protection projects and activities,
- local communities and representatives of local authorities - as a Company aware of the importance of the *license to operate*<sup>13</sup>, KGHM has been taking into account the social good and contributing to the well-being of the region for many years. Major investments are always preceded by extensive public consultations, while the voice of local authorities and the region's residents often determines the final course of actions. For years, projects aimed at improving the quality of life of the region's inhabitants have also been included in the design of the Strategy. Their nature is pro-environmental, pro-health or, among others, related to the development of education, culture and sport,
- legislators and authorities at the national and European level - in KGHM not only regulations and laws are strictly observed, but also the directions of change are taken into account, the goals of which can be accomplished through the involvement of KGHM, such as green transformation, where the Company participates in several roles, both as a supplier of the metal necessary for the transformation, but also as an entity which is transforming intensively in the direction of developing renewable energy sources, using recycling and promoting the CE<sup>14</sup> concept. Each of these elements is reflected in the KGHM Strategy, gradually translating into the evolution of the business model,
- shareholders - KGHM has also been a guarantor of safe capital investment for years. When creating the Strategy, projects are always selected to deliver the best possible economic effects, from the perspective of the overall business model, while respecting the principles of sustainable development,
- employees - the well-being and opinion of employees have an important input into the construction of the Strategy. In KGHM, a number of measures have been taken to ensure that the Strategy is developed taking into account a bottom-up initiative and following a series of consultations. Employees also play a very significant role in the future of the Company, through their strongly established trade unions and staff representatives in the Supervisory Board.

The areas of the Strategy that result directly from considering the interests, opinions and expectations of stakeholders include primarily: environmental protection, energy transformation, local community activities, striving to improve efficiency, safety and working conditions, automation and digitalisation of the process line.

KGHM is a keen observer of changes in its environment and global trends, diagnosing stakeholder sentiment and expectations. Key projects are accompanied by extensive analysis and public opinion surveys, often with the support of specialised stakeholders. The Company listens to the needs of many parties in the dialogue and seeks to bring together often conflicting interests of many stakeholders.

### 1.4.1 Stakeholders and relations with the environment

Table 5. Map of key stakeholders of the KGHM Polska Miedź S.A. Group in 2023

| Stakeholder type  | Specification  |
|---|--|
| <b>Key stakeholders</b>                                 |  |
| <b>Employees, including trade union members</b>         | Including former and potential employees.  |
| <b>Owners</b>   | Shareholders, the Parent Entity - KGHM Polska Miedź S.A. and Group companies               |
| <b>Representatives of local and national government</b> | Local governments of the municipalities where the company operates; State Treasury         |
| <b>Local community members</b>                          | Social groups that are not non-government organisations, or e.g. social assistance centres |
| <b>Suppliers</b>  | Suppliers of the entire value chain, including JV partners in which KGHM has shares        |
| <b>Clients</b>  | Domestic and international   |

13 License to operate (LTO) is a term used in the context of business and organisations in sectors that operate in regulated or socially sensitive environments. The term refers to the permits issued by the relevant regulatory authorities, local communities and other stakeholders that a company must have in order to carry out a certain type of business or professional activity legally.

14 CE – Circular Economy

|   |  |
|---|--|
| <b>Regulators</b>                                       | Including, among others, the legislator, standardization/metrological units  |
| <b>Stock exchange environment</b>                       | Shareholders, bondholders, rating agencies   |
| <b>Supervisory authorities</b>                          | For example KNF <sup>15</sup> , PIP <sup>16</sup> , certification entities, entities granting sector rights (e.g. PSSE <sup>17</sup> , PIWET <sup>18</sup> ) |
| <b>Exchanges in Warsaw and London</b>                   | London Metal Exchange and the Warsaw Stock Exchange (GPW)  |
| <b>Financial markets</b>                                | Including, among others, banks and insurers  |
| <b>Other Stakeholders</b>                               |  |
| <b>Media</b>  | All types, domestic and international  |
| <b>Competitors</b>                                      | Domestic and international   |
| <b>Indigenous people</b>                                | This refers to the KGHM Group, mainly the First Nations of North America   |
| <b>Trade organisations</b>                              | Domestic and international, e.g. chambers of commerce, International Copper Association (ICA)  |
| <b>International organisations</b>                      | Among others, the United Nations (UN)  |
| <b>Academic and research institutions, universities</b> | Running their operations in Poland and abroad  |
| <b>Non-governmental organisations</b>                   | Non-governmental organisations (NGOs) with a social and environmental profile  |

Table 6. Channels of communication with selected key stakeholders

| <i>Stakeholders</i>  | <i>Examples of communication channels</i>  |
|--|--|
| <p><b>Employees</b></p> <p>KGHM's priority is the health and safety of employees, their professional development and the constant improvement of working conditions.</p>   | <ul style="list-style-type: none"> <li>– meetings and consultations with employee representatives regarding important decisions or events</li> <li>– the Intranet, internal publications and television, newsletters, electronic communication</li> <li>– company events, competitions, employee volunteering, training, engagement research</li> <li>– publications in local and national media regarding activities and projects implemented by the Company</li> </ul>   |
| <p><b>Government representatives</b></p> <p>The Company cooperates with all levels of government in the use of local resources, as well as employee and environmental policy. KGHM organizes consultations and information meetings with representatives of the areas where it operates or intends to operate.</p>   | <ul style="list-style-type: none"> <li>– meetings and consultations</li> <li>– traditional correspondence and e-mail</li> <li>– the Internet</li> </ul>  |
| <p><b>Members of local communities</b></p> <p>KGHM conducts an extensive dialogue with local communities. It carries out activities as regards infrastructure development by: supporting local social organisations as well as science, culture and sports organisations. Out of concern for the health of employees and residents of the region, campaigns promoting an active lifestyle are organized.</p>     | <ul style="list-style-type: none"> <li>– publications in local media and social media (in 2023: 831 publications on the KGHMtoMy (We are KGHM) page on Facebook, 481 publications on LinkedIn), the naMiedzi mobile phone app,</li> <li>– meetings, conferences and seminars, events (sports, cultural) sponsored by KGHM</li> <li>– CSR programs , e.g. Eco-Health</li> <li>– participation of representatives of KGHM in events and ceremonies organized in the municipalities and districts of the Copper Belt</li> </ul> |
| <p><b>Shareholders and the stock market environment</b></p> <p>KGHM, as a public company, develops additional forms of dialogue with capital market participants. It conducts an open and effective information policy based on, among others, electronic media at the local, national and international level. It organizes meetings and study visits for individual investors, analysts and fund managers.</p> | <ul style="list-style-type: none"> <li>– General Meetings,</li> <li>– regulatory filings and periodic reports, newsletter,</li> <li>– conferences, including international, meetings and study visits (Investor Days, Analyst Days), cyclical results conferences</li> <li>– e-mail correspondence, telephone contact, investor chats</li> <li>– the Internet and social media (LinkedIn), information posted on <a href="http://www.kghm.com">www.kghm.com</a></li> </ul>   |

15 KNF - Polish Financial Supervision Authority

16 PIP - National Labour Inspectorate

17 PSSE - District Sanitary and Epidemiological Station

18 PIWet - National Veterinary Institute



### Media

KGHM builds good relations with the media by providing them with precise, comprehensive information on the Company's current situation and actions taken.

- press conferences, teleconferences
- meetings between journalists and company representatives and study visits
- press releases and information (in 2023, 154 press releases were issued)
- the Internet and corporate website [www.kghm.com](http://www.kghm.com)
- direct contact between KGHM representatives and media representatives

### Business partners

KGHM is in daily contact with the contractors in order to monitor their needs and the level of satisfaction with the service in commercial relations.

- conferences and trade fairs
- meetings, traditional and electronic correspondence
- the corporate website [www.kghm.com](http://www.kghm.com)

## 1.4.2 Key partnerships and supported initiatives

KGHM Polska Miedź S.A. is affiliated with numerous organisations. The principles of KGHM's participation in national and international economic and industry organisations are regulated by the Organisational Arrangement of the Vice President of the Management Board (Corporate Affairs) of KGHM Polska Miedź S.A. In 2023, the representatives of the Company took part in the work of 41 such entities, 23 operating nationally and 18 operating internationally.

### National organisations

| <i>Name of organisation</i>                                   | <i>Year of accession</i> |
|---|--------------------------|
| <b>Professional organisations</b>                             |                          |
| Association of Accountants in Poland                          | 1975                     |
| Association of Non-Ferrous Metals Engineers and Technicians   | 2005                     |
| <b>Sector organisations</b>                                   |                          |
| Institute of Logistics and Warehousing                        | 2002                     |
| Economic Chamber for Non-Ferrous Metals and Recycling         | 2009                     |
| "Safe Mining" Foundation                                      | 2010                     |
| Polish Committee of the World Mining Congress Association     | 2011                     |
| Polish Chamber of Chemical Industry                           | 2019                     |
| Chamber of Commerce and Industry of Scrap Management          | 2022                     |
| Lower Silesian Hydrogen Valley Association                    | 2022                     |
| Polish ISO 14000 Forum Association (environmental management) | 2022                     |
| <b>Organisations operating on the energy market</b>           |                          |
| Chamber of Industrial Power Engineering and Energy Recipients | 2006                     |
| <b>Economic organisations</b>                                 |                          |
| Polish Copper Employers' Association                          | 1996                     |
| Polish Association of Listed Companies                        | 1997                     |
| Polish-Canadian Chamber of Commerce                           | 2012                     |
| Polish OHS Management Forum Association ISO 45000             | 2018                     |
| Polish Committee for Standardization                          | 2018                     |
| Association of Entrepreneurs and Employers                    | 2019                     |
| American Chamber of Commerce                                  | 2019                     |
| Polish ISO 14000 Forum Association (environmental management) | 2022                     |
| <b>Environmental organisations</b>                            |                          |
| Polish Chamber of Ecology in Katowice                         | 2002                     |
| Polish Eco Development Chamber of Commerce                    | 2011                     |
| <b>Consortia</b>  |                          |
| Economic Security of Poland Consortium                        | 2014                     |
| MACROKLAster – Technologies in Public Security                | 2022                     |

## International organisations

| <i>Name of organisation</i>  | <i>Year of accession</i> |
|--|--------------------------|
| <b>Raw material organisations</b>                                      |                          |
| International Copper Study Group                                       | 1996                     |
| London Bullion Market Association                                      | 2000                     |
| International Copper Association                                       | 2007                     |
| International Lead and Zinc Study Group                                | 2012                     |
| <b>Sector organisations</b>  |                          |
| International Wrought Copper Council                                   | 1996                     |
| Eurometaux   | 2005                     |
| European Precious Metals Federation                                    | 2009                     |
| Minor Metals Trade Association   | 2013                     |
| CEFIC- ESA (European Sulphuric Acid Association)                       | 2013                     |
| Employers' Association Business & Science Poland                       | 2019                     |
| International Lead Association   | 2020                     |
| Nucleareurope  | 2022                     |
| GDMB Gesellschaft der Metallurgen und Bergleute Association            | 2023                     |
| <b>Mining organisations</b>  |                          |
| Euromines  | 2005                     |
| Consejo Minero Chile   | 2014                     |
| <b>Agreements, Alliances, Academia</b>                                 |                          |
| European Innovation Partnership  | 2014                     |
| EIT on Raw Materials – European Institute of Innovation and Technology | 2018                     |
| European Raw Material Alliance   | 2020                     |

## 1.5 SHAREHOLDERS AND THE CAPITAL MARKET

### 1.5.1 Shareholder structure of KGHM Polska Miedź S.A.

As at 31 December 2023 and as of the date of signing this report, the share capital of the Company, in accordance with the entry in the register of entrepreneurs of the National Court Register, amounted to PLN 2 000 million and was divided into 200 million shares, series A, fully paid, having a face value of PLN 10 each. All shares are bearer shares. The Company has not issued any preference shares. Each share grants the right to one vote at the general meeting. The Company does not hold any treasury shares. In the years ended on 31 December 2023 and 31 December 2022, there was no change in either registered share capital or in the number of shares issued.

In 2023, the following changes in the ownership of significant blocks of shares in KGHM Polska Miedź S.A. took place:

|                       |   |
|-----------------------|---|
| <b>5 January 2023</b> | The Company was informed of the merger of the companies Powszechne Towarzystwo Emerytalne Allianz Polska Spółka Akcyjna (PTE Allianz Polska S.A.) and Aviva Powszechne Towarzystwo Emerytalne Aviva Santander Spółka Akcyjna. As a result of the merger, the total balance in the accounts of the funds managed by PTE Allianz Polska S.A.: Allianz Otwarty Fundusz Emerytalny, Allianz Polska Dobrowolny Fundusz Emerytalny and Drugi Allianz Polska Otwarty Fundusz Emerytalny (Drugi Allianz OFE) amounted to 12 241 453 shares of KGHM Polska Miedź S.A., representing 6.12% of the share capital of the Company. |
| <b>16 May 2023</b>    | The Company received information from PTE Allianz Polska S.A. that as a result of the liquidation of Drugi Allianz OFE by way of the transfer of its assets to Allianz Polska Otwarty Fundusz Emerytalny (Allianz OFE), the share in the total number of votes of KGHM Polska Miedź S.A. in the accounts of Allianz OFE was above 5%, i.e. 11 961 453 shares, representing 5.98% of the Company share capital, were recorded on the account of Allianz OFE.   |



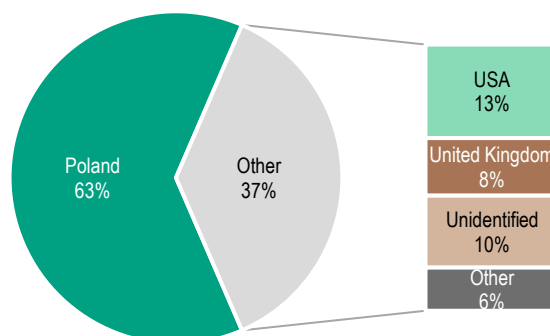
Accordingly, the shareholder structure of the Company as at 31 December 2023 and as at the date of signing this report, established on the basis of notifications received by the Company pursuant to art. 69 of the Act on public offerings and conditions governing the introduction of financial instruments to organised trading, and on public companies, was as follows:

**Table 7. Shareholder structure of the Company as at 31 December 2023 and as at the date of signing of this report**

| Shareholder  | Number of shares/<br>number of votes | Total nominal value of<br>shares<br>(PLN) | Interest in the share<br>capital/total number of<br>votes |
|--|--------------------------------------|---|---|
| State Treasury <sup>19</sup>                                   | 63 589 900                           | 635 899 000                               | 31.79%  |
| Allianz Polska Otwarty Fundusz Emerytalny <sup>20</sup>        | 11 961 453                           | 119 614 530                               | 5.98%   |
| Nationale-Nederlanden Otwarty Fundusz Emerytalny <sup>21</sup> | 10 104 354                           | 101 043 540                               | 5.05%   |
| Other shareholders   | 114 344 293                          | 1 143 442 930                             | 57.18%  |
| <b>Total</b>   | <b>200 000 000</b>                   | <b>2 000 000 000</b>                      | <b>100.00%</b>  |

Other shareholders, whose combined interest in the share capital and in the total number of votes amounts to 57.18%, are mainly institutional investors, both international and domestic. Following is the geographic distribution of the shareholder structure of KGHM Polska Miedź S.A. The data is based on research into the Company's shareholder structure performed in February 2024.

**Chart 12. Geographic shareholder structure**



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

According to the information held by KGHM Polska Miedź S.A., as at 31 December 2023 and at the date of signing this report, none of the Members of the Management Board or the Supervisory Board of the Company held shares of KGHM Polska Miedź S.A. or rights to shares.

Based on information held by the Company, as of 31 December 2023 and as of the date this report was signed, neither the Members of the Management Board nor of the Supervisory Board held shares of related entities of KGHM Polska Miedź S.A. or rights to them.

In 2023, the Company did not have an employee share incentive program.

### 1.5.2 Bonds of KGHM Polska Miedź S.A. on the Catalyst market

On 27 May 2019, an issue agreement was signed under which the Management Board of KGHM Polska Miedź S.A. established a bond issue program of up to PLN 4 billion. The Parties to the Issue Agreement were KGHM Polska Miedź S.A. as Issuer and Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, Bank Handlowy w Warszawie Spółka Akcyjna, Bank Polska Kasa Opieki Spółka Akcyjna and Santander Bank Polska Spółka Akcyjna as Organizers and Dealers.

Detailed information is available on the Company's website in the section [Bonds](#).

<sup>19</sup> Based on a notification received by the Company dated 12 January 2010

<sup>20</sup> Based on a notification received by the Company dated 16 May 2023

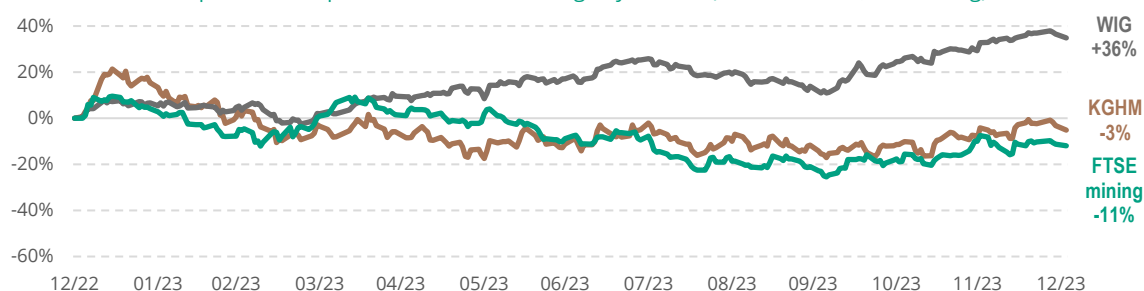
<sup>21</sup> Based on a notification received by the Company dated 18 August 2016

### 1.5.3 KGHM Polska Miedź S.A. on the Warsaw Stock Exchange

Shares of KGHM Polska Miedź S.A. are traded on the primary market of the GPW in the continuous trading system and are a component of the WIG, WIG20 and WIG30 main indices as well as the WIG-ESG index published since 3 September 2019, comprising listed companies which adhere to the principles of corporate social responsibility. KGHM Polska Miedź S.A. is also a component of the sector index WIG-Mining and is a component company of the prestigious FTSE4Good Index Series published by FTSE Russell, a company included in the London Stock Exchange Group. The FTSE4Good Index Series is part of the group of ethical investment indicators, reflecting criteria of corporate social responsibility and ESG risk management.

In 2023, the share price of KGHM Polska Miedź S.A. fell by 3.2% y/y and amounted to PLN 122.70 at the close of trading on 29 December 2023. In the same period, the price of copper - the Company's main product - increased by 1.1%, with the average USD/PLN exchange rate falling by 10.6%. At the same time, the WSE main indices rose: WIG by 36.5%, WIG20 by 30.7% and WIG30 by 32.9%. However, the FTSE<sup>22</sup> 350 Mining index - which includes companies in the mining sector listed on the London Stock Exchange - fell by 11.2%. The Company's shares reached an annual maximum closing price of PLN 153.80 on 13 January 2023. The minimum closing price was recorded on 31 May 2023 - the closing price then stood at PLN 104.60.

Chart 13. Percentage change in the share price of KGHM Polska Miedź S.A. versus the WIG index and FTSE 350 Mining indices compared to the price from the last trading day in 2022 (Source: KGHM, Bloomberg)



The table below presents key share price data of KGHM Polska Miedź S.A. on the WSE in 2022-2023:

Table 8. Key share price data of the Company on the Warsaw Stock Exchange (Source: KGHM, GPW Statistic Bulletin, Bloomberg)

| Symbol: KGH ISIN: PLKGHM000017                         | unit    | 2023    | 2022    |
|--|---------|---------|---------|
| Number of shares issued                                | million | 200     | 200     |
| Market capitalisation of the Company at year's end     | PLN bn  | 24.5    | 25.4    |
| Average trading volume per session                     | shares  | 591 229 | 727 127 |
| Turnover   | PLN mn  | 17 762  | 23 190  |
| Change in share price from the end of the prior year   | %       | -3.2    | -9.1    |
| Highest closing price during the year                  | PLN     | 153.80  | 182.20  |
| Lowest closing price during the year                   | PLN     | 104.60  | 84.22   |
| Closing price from the last day of trading in the year | PLN     | 122.70  | 126.75  |

### 1.5.4 Dividend

In accordance with Resolution No. 7/2023 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 21 June 2023 regarding the appropriation of the Company's profit for the year 2022 as well as setting of the dividend date and the dividend payment date, the earned profit was appropriated as follows: as a shareholders dividend in the amount of PLN 200 million (1.00 PLN/share) while the amount of PLN 3 333 million was transferred to the Company's reserve capital.

The Ordinary General Meeting of KGHM Polska Miedź S.A. set the dividend date for 2022 at 27 July 2023, and the dividend payment date for 2022 at 10 August 2023. All of the Company's shares are ordinary shares.

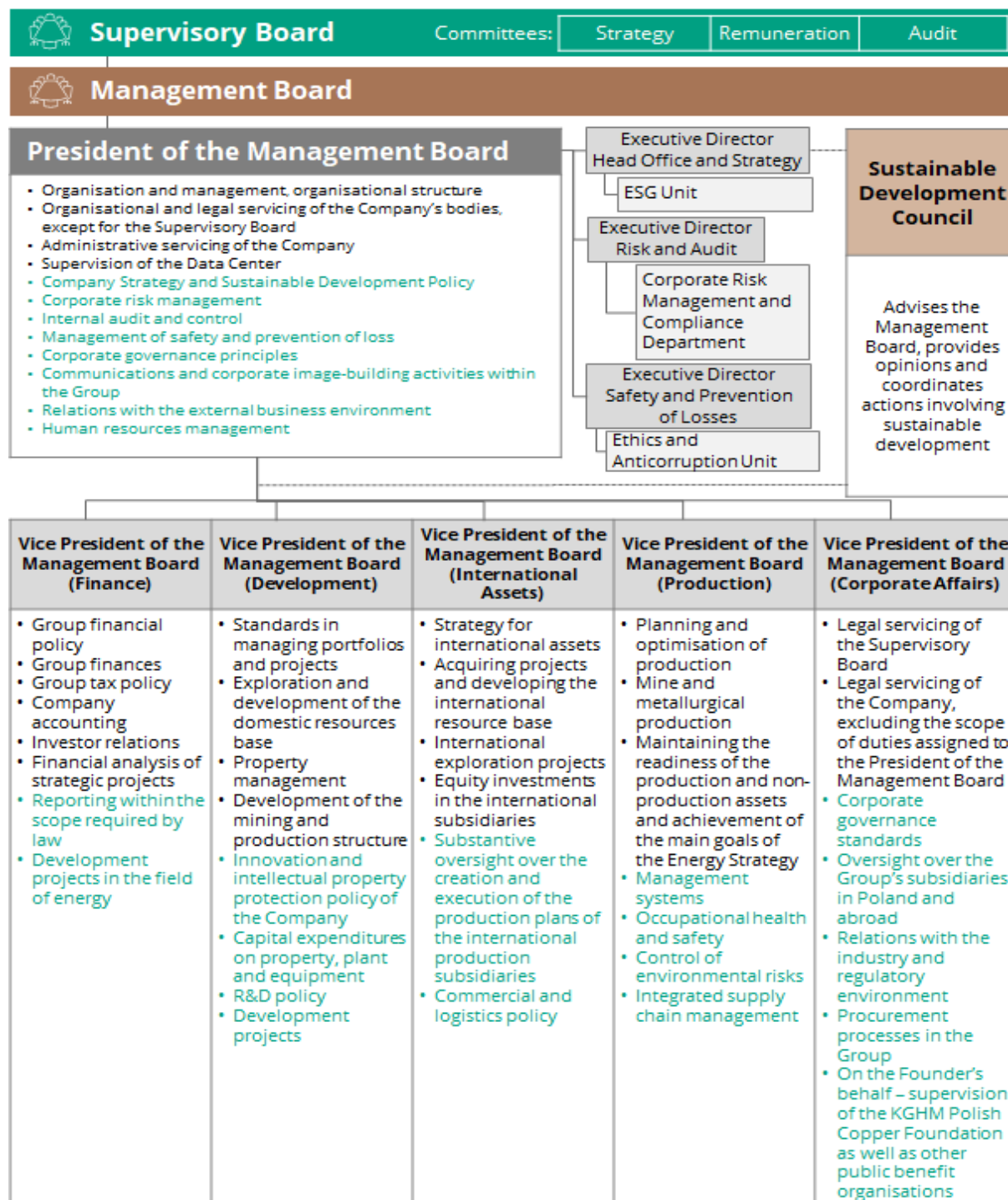
<sup>22</sup> FTSE – Financial Times Stock Exchange, is an acronym referring to the various stock market indices, a joint venture of Financial Times and the London Stock Exchange.

## 2 GOVERNANCE AND ETHICS

### 2.1 MANAGEMENT STRUCTURE OF THE COMPANY AND THE KGHM POLSKA MIEDŹ S.A. GROUP, TAKING INTO ACCOUNT SUSTAINABLE DEVELOPMENT MANAGEMENT

[ESRS 2 GOV-1]

Diagram 13. Distribution of duties between Members of the Management Board, taking into account sustainable development areas



Detailed information concerning the composition, distribution of duties and functions fulfilled, as well as biographical notes of members of the governing bodies of the Company, are included in section [3.3 The Management Board and the Supervisory Board](#).

## **2.2 MANAGEMENT OF SUSTAINABLE DEVELOPMENT AND ESG RISKS**

### **[ESRS 2 SBM-3]**

The management structure of KGHM Polska Miedź S.A., including management of sustainable development and ESG risks, is presented in [Diagram 13](#).

### **2.2.1 Supervisory Board and Management Board**

The roles of the management and supervisory bodies are described in terms of duties of the Members of the Management Board, and in the case of the Supervisory Board and its Committees, in the Statutes of KGHM Polska Miedź S.A. and the Bylaws of the Supervisory Board of the Company. The documents are available on the Company's corporate website in section [Governing bodies of the Company](#). At the same time, in accordance with the provisions of the agreements on the provision of management services, the Supervisory Board of KGHM Polska Miedź S.A. defines the detailed scope of responsibilities of Members of the Management Board of KGHM Polska Miedź S.A.

By Resolution No. 174/XI/23 dated 28 December 2023, the Supervisory Board of the Company approved the amendments to the Bylaws of the Management Board adopted in Resolution No. 512/XI/2023 of the Management Board of KGHM Polska Miedź S.A. dated 17 November 2023. The amendments to the Bylaws of the Management Board of KGHM Polska Miedź S.A. result from reviewing and adjusting them to the current needs of the Company, including, among others, activities exceeding the scope of ordinary management defined in the content of the previously effective Bylaws of the Management Board of KGHM Polska Miedź S.A.

The Supervisory Board and its committees (Audit Committee, Strategy Committee, Remuneration Committee) supervise the activities of the Management Board. The detailed scope of responsibilities of individual committees of the Supervisory Board is described in Section [3.3.2. Description of the application – the Supervisory Board of KGHM Polska Miedź S.A.](#)

### **2.2.2 Sustainable Development Council**

The Management Board's responsibilities relate to all aspects of the Company's activities, including those related to sustainable development management.

The advisory body of the Management Board issuing opinions and coordinating sustainable development activities is the Sustainable Development Council, which comprises representatives of the Company's top management indicated by the President of the Management Board. The Council's main tasks include:

- consultation and coordination of key activities related to the implementation of sustainable development principles and regulations in the KGHM Polska Miedź S.A. Group.
- 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, being essential parts of documents published outside the Company,
- identifying potential elements of improvements in the entire value chain of KGHM Polska Miedź S.A. based on the sustainable development concept.

The key topics addressed by the Sustainable Development Council in 2023 involved initiatives aimed at starting to prepare the organisation for sustainability reporting requirements in line with the CSRD and the European Sustainability Reporting Standards (ESRS), including:

- the approach to the methodology of examining topics of importance in the KGHM Group,
- the organisation of management of ESG issues in the KGHM Group, including the course of the process of reporting non-financial information, the roles and responsibilities of the management staff and the substantive units, as well as guidelines for the creation of dedicated organisational structures to support the Management Board at the operational level, and
- the adoption of the ESRS-based reporting standard in the KGHM Group's statement on non-financial information for 2023.

### **2.2.3 ESG Unit - ESG Operating Unit**

In 2023, organisational work was continued to formally establish internal organisational structures dedicated to coordinating and standardising sustainable development management issues in the KGHM Group. On 1 October 2023, the Company established in its operational structure an organisational unit responsible for coordinating the implementation of the idea of sustainable development in the KGHM Group (ESG Unit), reporting to the Executive Director for Head Office and Strategy in the division of the President of the Management Board of KGHM Polska Miedź S.A. The ESG Unit is responsible for, among others:

- developing and improving sustainable development management processes in the KGHM Group, including using IT systems and tools,
- development of the ESG Strategy, plans for its implementation and monitoring of the advancement of its implementation,
- coordination of non-financial reporting in the KGHM Group,

- cooperation with organisational units in KGHM and ESG coordinators in KGHM Group companies,
- coordination of the work and administrative support of the Sustainable Development Council,
- reporting of ESG information for the needs of Company's bodies,
- cooperation with external stakeholders supporting the realisation of sustainable development goals.

Moreover, ESG coordinators were appointed in November 2023 in the KGHM Polska Miedź S.A. Group's subsidiaries, cooperating with the ESG unit at the KGHM Head Office. The coordinators' tasks include, among others, acquiring data and information related to sustainable development from companies for the purposes of non-financial reporting. In 2024, it is planned that internal system solutions and procedures describing the details of the sustainable development management process in the KGHM Group will be developed and established, including its participants, roles and responsibilities and a comprehensive reporting system inside and outside the organisation.

#### **2.2.4 Information on skills and professional knowledge required to oversee sustainable development issues**

In connection with the scope of the Company's activities and the objectives and tasks it pursues, as well as in view of the management's obligations under the contract for provision of management services, including the obligation to act with the utmost care and professionalism, Members of the Management Board are required to attend conferences, seminars or meetings of a business nature related to the scope of the Company's activities as well as individual training courses. No dedicated ESG training for Members of the Supervisory Board and Members of the Management Board of KGHM Polska Miedź S.A. was provided in 2023. Members of the Management Board of KGHM Polska Miedź S.A. represented the Company at national and international conferences and forums on the subject and on the KGHM's contribution to the global challenge of sustainable development and non-financial reporting:

- CESCO Week 2023 (Santiago, 17-21 April 2023),
- 32nd Economic Forum (Karpacz, 5-7 September 2023),
- LME Week (London, 9-11 October 2023),
- International Mining and Resources Conference IMARC (Sydney, 30 October - 2 November 2023).

Members of the management boards of Polish companies of the KGHM Polska Miedź S.A. Group - as part of one of the meetings of the KGHM Group Council - participated in an ESG presentation dedicated to them, entitled "Sustainability reporting - the perspective of the Management Board. New requirements of the EU regulations and the reporting process".

#### **2.2.5 Information provided to the entity's administrative, management and supervisory bodies and the sustainability issues they undertake**

##### **[ESRS 2 GOV-2]**

Information provided to the entity's management and supervisory bodies and the sustainable development issues they undertake, in accordance with the governance structure are presented in section [2.1 Management structure of KGHM Polska Miedź S.A. and the KGHM S.A. Polska Miedź S.A. Group](#)

KGHM is advancing a variety of initiatives and strategic programs which are crucial to ensuring the continuity of the core business and development. In 2023, the Management Board of the Company updated and implemented the "Climate Policy of KGHM Polska Miedź S.A." The Supervisory Board positively assessed the way in which the Company's Management Board fulfilled its obligations in relation to the adopted Climate Policy of the Company. In the opinion of the Supervisory Board, the Company strives at every stage of its operation to ensure compliance with the requirements related to sustainable development.

The Supervisory Board controls the Company's activities in all areas of its business in accordance with applicable regulations, such as the Commercial Partnerships and Companies Code, as well as the Company's internal regulations. As part of its supervisory activities, the Supervisory Board, in its own capacity and with the support of the Strategy Committee, carries out, among other things, tasks related to monitoring the degree of realisation of the KGHM Strategy (half-year and annual reports), including programs supporting the implementation of the idea of sustainable development (quarterly reports).

A detailed description of the manner and scope of the information defined in Article 380<sup>1</sup> of the Commercial Partnerships and Companies Code with which the Supervisory Board is acquainted, and over which the Supervisory Board exercises constant supervision, was set forth by the Supervisory Board in the form of a resolution, including with regard to information concerning:

- the Company's assets, as well as significant circumstances in conducting the Company's affairs, particularly in the operational, investment and personnel areas,
- progress in the realisation of the Company's designated business development directions.

In the reporting period, as part of its business activities, the Company's Management Board presented periodic sustainability reports to the Supervisory Board and the Audit Committee of the Supervisory Board, particularly in areas with an impact on the environment (including climate change) and society. In this respect, the management body also accepted and presented the related risks to the Audit Committee, which were discussed on a quarterly basis in the reports on

supervision of the application of the Competition Law Policy in the KGHM Polska Miedź S.A. Group, compliance management and reports covering corporate risk management in the Group. The scope of the ESG risks monitored included, among others:

- water threats,
- water management,
- environmental threats,
- OHS,
- supply chain,
- human rights.

## 2.2.6 Incorporating sustainability-related results into incentive schemes

### [ESRS 2 GOV-3]

The management goals and the criteria for meeting these objectives in terms of financial and non-financial results that form the basis for determining the variable remuneration for the Management Board are defined by the Supervisory Board in such a way that they support the implementation of the KGHM Group's strategy. In particular, they should relate to the strategic objectives embedded in individual pillars/areas of the Strategy, taking into account the key ratios of success assigned to them.

The Supervisory Board of KGHM Polska Miedź S.A., in the form of a resolution, determines Management Goals for the Members of the Management Board of KGHM Polska Miedź S.A. for the financial year, including the conditional objectives which determine claims for the payment of variable remuneration.

Subject to the fulfilment of the conditional objectives, the basis for calculating the variable remuneration for individual Management Board Members is the degree of fulfilment of the Management Goals set out in the objective cards.

Management goals are cascaded in the form of KPIs to Head Office and Division directors in the form of a Management Board resolution.

As part of the incentive scheme, goals as regards sustainable development have been assigned to four members of the Management Board of **KGHM Polska Miedź S.A.**:

| <i>Member of the Management Board</i>                       | <i>Management and strategic goals with respect to sustainable development</i>  | <i>Contribution of the goal to the general objectives for 2023</i> |
|---|--|--|
| <b>President of the Management Board</b>                    | <b>Development of activities within the framework of social responsibility</b><br>Implementation of initiatives in the area of, among other things, building employee engagement through information campaigns and development programs, and promotion of work at KGHM Polska Miedź S.A.                 | 10%  |
| <b>Vice President of the Management Board (Finance)</b>     | <b>Energy transition</b><br>Implementation of initiatives in the area of renewable energy, in particular: redefinition of the Energy Development Program in connection with the update of the Strategy and RES acquisition and support projects in terms of analyses, financial models, procedures, etc. | 10%  |
| <b>Vice President of the Management Board (Development)</b> | <b>Development of automation in production processes</b>   | 10%  |
| <b>Vice President of the Management Board (Production)</b>  | <b>Enhancing occupational safety in KGHM Polska Miedź S.A.</b><br>Implementation of occupational health and safety promotion and education initiatives, reduction of accidents by at least 20% compared to the base year 2018.   | 10%  |

With the exception of KGHM ZANAM S.A., the significant operating companies of the KGHM Group have not yet set strategic goals in the area of sustainable development, and therefore have not included such goals in their incentive and remuneration systems for the management boards or senior management. In the scope of strategic goals set for the members of the Management Board of **KGHM ZANAM S.A.**, a task promoting sustainable development was included.

Internal auditors of the Integrated Management System at KGHM ZANAM S.A. and employees reporting environmental or occupational health and safety risks - based on the recommendation of the manager of a particular organisational unit - may be rewarded by the President of the Management Board from a fund earmarked for initiatives deserving recognition. In addition, construction innovations or other activities with a positive impact on the working environment, improving occupational health and safety conditions or reducing emissions, qualify their authors to receive an award from the same fund, in recognition of their contribution to raising operating standards and company culture in the spirit of ESG.



## 2.2.7 Material impacts, risks and opportunities and their interaction with strategy and business model

[ESRS 2 SBM-3]

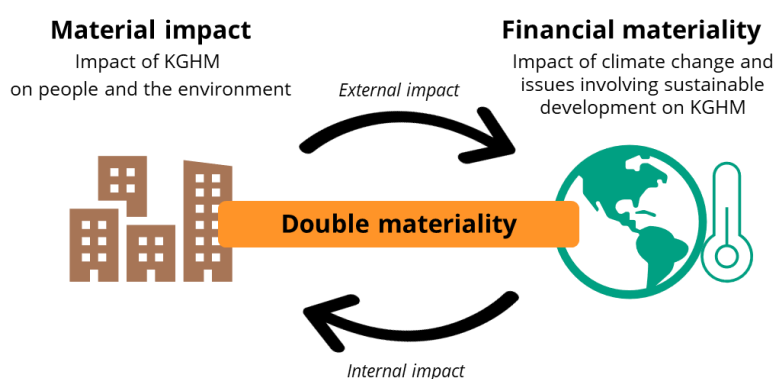
### Assessment of materiality of ESG issues

As part of the materiality assessment process carried out for the purpose of identifying the material ESG risks of KGHM Polska Miedź S.A., the following aspects were taken into account:

- results of the analysis of the identified risks as part of the Corporate Risk Management process of the KGHM Polska Miedź S.A. Group,
- ESG materiality matrix of KGHM Polska Miedź S.A.

An assessment of the materiality of ESG risks was made using the principle of dual materiality, i.e. an assessment of materiality of human and environmental impacts and an assessment of financial materiality, then the results of the assessment were aggregated and a list of material issues was established.

Diagram 14. Double materiality principle according to the CSRD



### Material social and environmental impacts

In 2023, work was undertaken to analyse the impacts arising from the value chain. The impacts which emerged at individual stages of the value chain were verified to confirm the materiality matrix developed so far. Each stage of the value chain has been mapped to sustainability issues (ESRS) and material topics. The characteristics of the positive and negative impacts resulting from the Company's activities are described.

Based on the impact analysis, a detailed assessment of the materiality of ESG risks was performed in order to fully illustrate the impact of the Company's activities on ESG issues.

A full double materiality assessment process is planned in 2024 in order to verify the existing matrix. The double materiality assessment is an essential first step towards compliance with the CSRD, which is needed so that the organisation can focus its efforts on those sustainability issues that are most significant to it and its stakeholders.



The analysis of impacts is shown in the diagram below.

Table 9. Analysis of impacts

| Measure                      | Positive impact  | Negative impact  |
|------------------------------|--|--|
| <b>Exploration</b>           | Exploration effects resulting in expansion of the resource base are a major factor in maintaining/increasing mining levels in the long term. At the same time, the results of exploration determine the level of employment in KGHM and in local companies cooperating with KGHM.  | Exploration generally does not exert a significant negative impact on the environment and the local community, as is the case of the next stage of the business model, i.e. mining. In 2023, no habitat disturbance, land erosion, water pollution, dust or noise emissions occurred at the stage indicated. In the longer term, exploration may lead to displacement or impacts on the landscape; however, the Company assesses the risk of their occurrence as low.  |
| <b>Mining</b>                | Conducting mining, processing and smelting activities in 2023 allowed for maintaining and creating new jobs, both in KGHM and in cooperating companies.<br>The operation of the company therefore directly translates into an economic contribution, supporting local development (e.g. through the expansion of infrastructure by the local government, to which taxes are paid, education of young people - future employees) and national development (e.g. the "copper" tax).  | The mining and processing of copper ores involves negative environmental impacts. Natural habitats may suffer, which in turn can translate into a loss of biodiversity and the disruption of the population of fauna and flora species.<br>Copper acquisition can result in the release of heavy metals and other pollutants into nearby water sources. Moreover, the disposal of mining waste, including flotation waste, can lead to soil degradation.   |
| <b>Ore enrichment</b>        | The production of electrolytic copper enables marketing of a top quality raw material with application in many fields, including green transformation projects, electronics or medicine.   | The processing and smelting processes used to extract copper from ore can result in the release of air pollutants.   |
| <b>Smelting and refining</b> | Copper is the key material in renewable energy technologies such as wind turbines, solar panels and electric vehicles. The development of these sectors is supported by copper mining as it provides the raw material needed for these technologies, contributing to the transition towards a more sustainable energy future.<br>The by-products of the copper production process (e.g. precious metals, molybdenum, rhenium) offer a range of products that are indispensable to many industries in the contemporary economy.<br>Parallel to its technological activities, KGHM supported initiatives in the area of corporate social responsibility, investing, among other things, in educational or pro-health projects. | In some cases, activities directly and indirectly related to mining may require the clearing of forests for infrastructure development. Deforestation contributes to landscape disturbance, loss of carbon sinks, increases greenhouse gas emissions and has a negative impact on biodiversity.<br>Pollutant emissions are maintained under the relevant environmental permits.<br>KGHM's technological processes require substantial amounts of energy, which still mainly originates from fossil fuels, translating into the consumption of non-renewable resources.<br>Furthermore, pollution associated with mining may pose health risks to workers and local communities.<br>In addition, the dominant role of mining in the region can contribute to reduced economic diversification, which may negatively affect economic stability in the long term. |
| <b>Processing</b>            | The processing of copper into new forms allows a wider range of uses for the raw material by diverse groups of users. The advancement of processing in KGHM allows access to markets close to the end customer (cooperation with, among others, manufacturers of cables, wires, flat bars and copper profiles).  | During the processing of electrolytic copper into further forms, emissions of pollutants to the environment occur, accompanied by high energy consumption, with coal still prevailing in the energy mix in Poland.   |
| <b>Sale</b>                  | Sales of the Group's main products in 2023 provided steady, stable revenue allowing high-grade raw material to be made available for a wide range of applications.<br>Moreover, the company's activities translated into the economic development of Poland through the payment of applicable taxes.   | Logistics associated with the sale of bulk products can have a negative impact on the environment (carbon footprint of transport) or local communities (noise, dust).  |
| <b>Restoration</b>           | The overarching goal of restoration is to improve the quality of the environment, in the best case beyond the framework imposed by regulations. Responsibly planned and executed restoration is key to reclaiming a degraded site and can deliver significant benefits to the natural environment and the local community.   | Introducing plant or animal species as part of restoration can disrupt local ecosystems and pose a threat to natural biodiversity.<br>Temporary disruptions associated with, for example, the operation of heavy equipment may occur when conducting the work involving restoration processes. Inadequately performed restoration may lead to destabilisation of the ground - land settlement/slumping.  |

The following steps are included in the ESG risk materiality assessment process:

1. Analysis of relevant topics based on the results of the survey and stakeholder interviews.
2. Within each identified key corporate risk, ESG factors have been defined.
3. Based on the foregoing, the results were grouped due to the E, S and G factors and then classified in terms of significant environmental, stakeholder and OHS impacts and financial materiality.

For the significant topics from the ESG Materiality Matrix of KGHM Polska Miedź S.A. presented in section [6.3 Matrix of material reporting topics for 2023](#), weights were assigned taking into account the results of the analyses carried out under steps 2 and 3.

Diagram 15. Types of ESG factors



### 2.2.8 Material ESG risks

#### **Risk associated with the environmental factor**

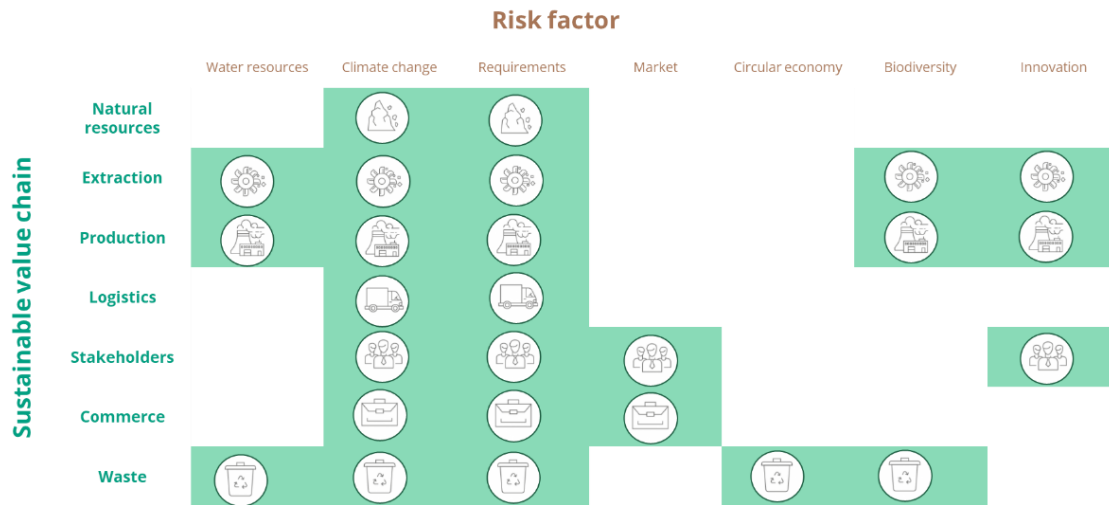
**[ESRS 2 IRO-1]**



KGHM Polska Miedź S.A., as an organisation aware of the needs of environmental protection, conducts its activities in such a way as to contribute to the achievement of sustainable development goals to the greatest extent possible. The risk management system collects and assesses information on the environmental impact of the KGHM Group's activities, but also data relating to environmental events or conditions with a materially negative financial impact. Risks related to environmental factors are part of the KGHM Group's operations due to the company's relationship with the functioning of the ecosystem, but also as a result of conducted mining and metallurgical operations through the use of natural resources. Thus, we consider as material risks associated with:

- use of water resources,
- climate change and the impact of extreme weather events and/or long-term trends related to weather events, also in the context of temporary or permanent unavailability of assets and infrastructure within the KGHM Group,
- requirements from the regulator imposed as a result of the global transformation and transition to a low-carbon economy,
- market requirements related to changes in demand and supply and to changing stakeholder perception as a result of climate change,
- striving for a circular economy,
- event materialization impact on the natural environment, ecosystem activity and the time needed to restore the balance that has been disturbed,
- development of innovation in the context of sustainable development and the environment, as well as cooperation with scientific and research institutions.

Diagram 16. Concentration of material impacts, risks and environmental opportunities



**Risk associated with the social factors**

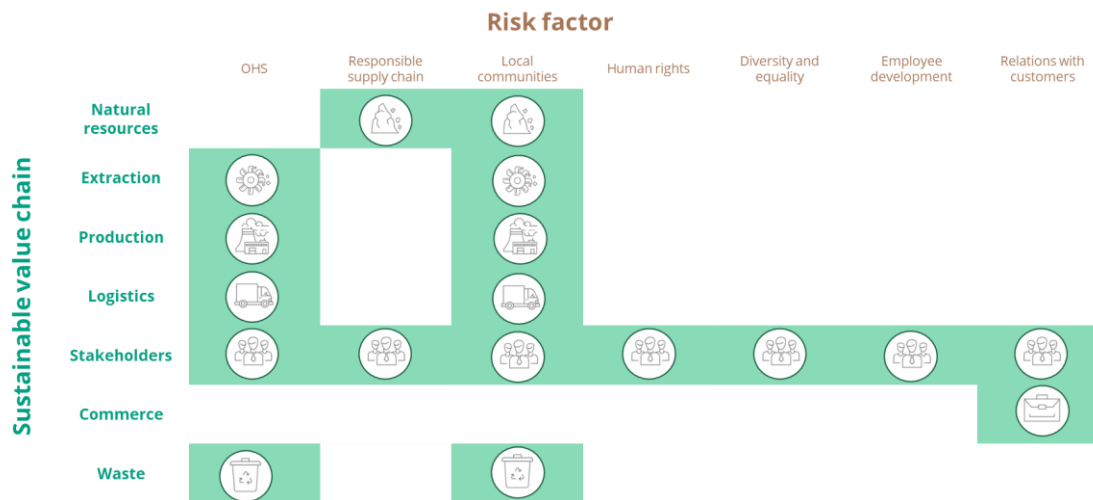
[ ERS 2 IRO-1 ]



At every stage of the value chain, KGHM Polska Miedź S.A. seeks to influence the well-being of all stakeholders while building the Company's value. We prioritise the achievement of sustainability goals, and social responsibility has always been an important pillar of our strategy. When conducting our business, we focus not only on profits and the implementation of our financial strategy. We manage social risk, among other things, through ongoing dialogue and commitment to building relationships with the community and employees. Thus, we consider as material risks associated with:

- compliance with occupational health and safety rules and commitments as well as actions aimed at accident reduction,
- developing a transparent, sustainable and responsible supply chain by considering social, ethical and environmental factors in the selection of suppliers,
- relationships with local communities and events related to activities that improve the quality of life in the environment affected by the KGHM Group,
- respect for human rights both among employees and throughout the supply chain,
- ensuring diversity and equal opportunities,
- development of employees and their skills through dedicated programs, including attracting and retaining key talent for the energy transition,
- responsible customer relations.

Diagram 17. Concentration of material impacts, risks and social opportunities



**Risk associated with corporate governance factors**

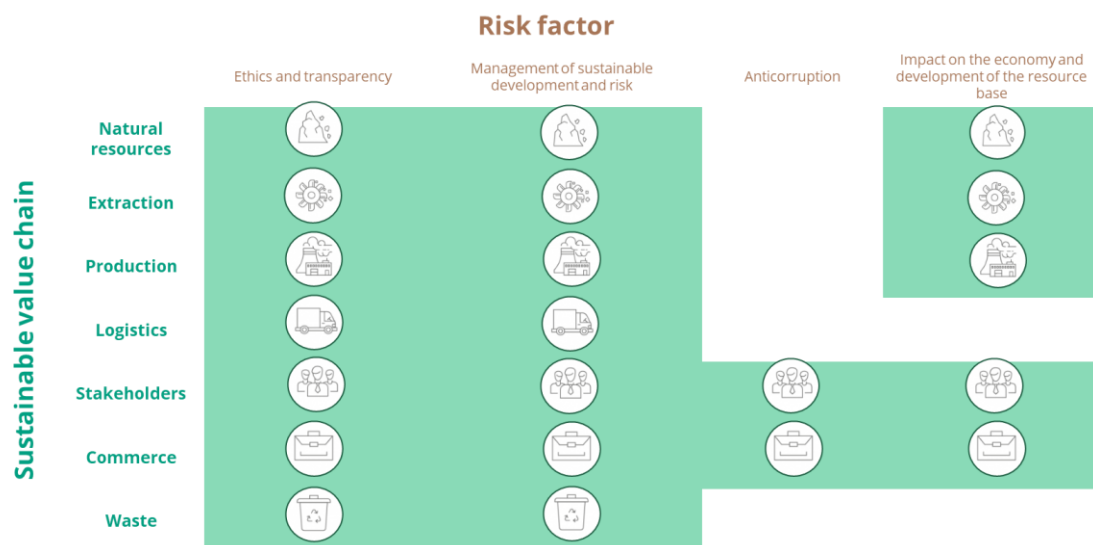
[ ERS 2 IRO-1]



KGHM Polska Miedź S.A., as a global organisation, is aware that doing business requires the establishment, development, promotion and continuous evaluation of a corporate culture. Corporate governance issues are particularly important for our investors and business partners, as they build trust in the organisation in the long term on the one hand, and build transparency and stability in the business on the other. Thus, we consider as material risks associated with:

- ethics and transparency, including adherence to policies, procedures and codes underlying an ethical organisational culture,
- compliance with laws and regulations and anti-corruption practices,
- sustainability management (including effective management of risks in the organisation affecting the stability of the Company's operations and sustainable development, taking into account risks arising from social and environmental issues, including climate),
- impact on the economy through the direct and indirect economic impact of the organisation and the development of the resource base.

Diagram 18. Concentration of material impacts, risks and opportunities of corporate governance



**2.2.9 Approach to ESG risk management**

[ESRS 2 GOV-1, ESRS 2 GOV-5]

Given the global sustainability goals and challenges and ESG-related megatrends, KGHM Polska Miedź S.A. recognises that it is crucial to understand the environmental, social and corporate governance (ESG) context and the risks associated with these areas. KGHM Polska Miedź S.A. believes that ESG risk is an inseparable element influencing the management and functioning of the company, its business model and operating strategy, therefore it must be - like any risk - properly identified, assessed and managed.

Considering the importance that ESG risk may have for the Company and its environment, KGHM Polska Miedź S.A. considers it as an integral part of the process of Corporate Risk Management of the KGHM Polska Miedź S.A. Group, which is described in detail in section [2.3 Risk Management](#).

The corporate risk management process in the KGHM Polska Miedź S.A. Group consists of four stages: (I) Context definition, (II) Identification and Assessment, (III) Analysis and response, (IV) Monitoring and communication. From the perspective of the consideration of ESG risk the second step should be indicated to be of key importance, where ESG risks are also considered in the risk identification and assessment, which, due to their broad and complex scope covering many areas related to the environment, society or corporate governance, are not understood as a separate risk category or subcategory, but as a factor that can affect one or more risks. Moreover, each identified corporate risk is assessed in terms of its various results in order to identify its potential impact as widely as possible, e.g. impact on reputation and stakeholders, environmental, regulatory and legal, health and safety.

The third step and in-depth cause-and-effect analysis also takes into account issues related to the identification of ESG risk factors to be taken as a starting point for the quantification of sustainable development risks.

Diagram 19. Management of sustainable development risk



**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 to be faced by the KGHM Polska Miedź S.A. Group.** Risk identification as part of the strategic management process aims to consider the context of the organisation in an integrated way and provide information on the risks associated with the implementation of the Strategy in specific areas. In accordance with the process in place, the Strategy Risk Map is updated annually as a graphical representation of the results of the risk assessment. Identified risks at the strategic level are decomposed into a corporate risk level and a project and program risk level, allowing for effective management of individual risks. As part of strategic management, the periodic analysis of information on the impact of ESG trends on KGHM's situation, including information on their potential impact on KGHM's business model, also plays an important role in analysing the resilience of the Strategy in terms of its counteraction of material impacts, risks and use of opportunities.

## 2.3 RISK MANAGEMENT

[ESRS 2 IRO-1, ESRS 2 SBM-3, ESRS 2 GOV-5]

The KGHM Polska Miedź S.A. Group defines risk **as uncertainty, being an integral part of the activities conducted and having the potential to result in both opportunities and threats to achievement of the business goals.**

The **current and future, actual and potential impact of risk** on the KGHM Polska Miedź S.A. Group's activities is assessed. Based on this assessment, management practices are reviewed and adjusted in terms of responses to risk.

- Under the **Corporate Risk Management Policy and Procedure** and the **Rules of the Corporate Risk and Compliance Committee**, the process of corporate risk management in the KGHM Polska Miedź S.A. Group is consistently performed.
- KGHM Polska Miedź S.A. oversees the process of managing corporate risk in the KGHM Polska Miedź S.A. Group, while in the companies of the KGHM Polska Miedź S.A. Group, documents regulating the management of this area are consistent with those of the Parent Entity.
- The introduction of the aforementioned Policy and Procedure and approval of their updates is made at the level of the Management Board of KGHM Polska Miedź S.A. following recommendations by the Corporate Risk and Compliance Committee.
- Each year, the process of managing corporate risk is subjected to an efficiency audit compliant with the guidelines of "Best Practice for GPW Listed Companies 2021".
- Risk factors in various areas of the KGHM Polska Miedź S.A. Group's operations are continuously identified, assessed and analysed in terms of their possible limitation.
- Key risk factors in the KGHM Polska Miedź S.A. Group undergo **in-depth analysis in order to develop a Risk Response Plan and Corrective Actions**. Other risk factors undergo monitoring by the Department of Corporate Risk Management and Compliance, and in terms of financial risk by the division of the Executive Director for Financial Management.
- The reporting of key types of corporate risk of the KGHM Polska Miedź S.A. Group is performed cyclically to the Management Board of KGHM Polska Miedź S.A. and to the Audit Committee of the Supervisory Board of KGHM Polska Miedź S.A.

The Company publishes key documents concerning risk and risk management on its website in the section [Risk management](#), while those of only an internal nature are published through internal IT systems available to employees. Publicly-available documents on the subject of corporate risk management may also be addressed to various external stakeholder groups in terms of establishing business relationships. Operational documents developed at individual stages of the risk management process are addressed to those persons who are directly engaged in carrying out this process within the KGHM Polska Miedź S.A. Group.

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

The Company keeps registers containing the applicable requirements resulting from identified external regulations determining the Company's regulatory situation within various aspects of its business, as well as ongoing monitoring of draft requirements located at various levels of the legislative process in areas of key importance for the Company. The identified external regulations are accompanied by a register of related internal regulations governing the Company's internal relations. The Company's approach enables systematic identification, assessment and analysis of the risk of loss of compliance or possible non-compliance with generally applicable law, internal corporate regulations and voluntarily adopted legal obligations and standards, including ethical norms, to ensure that the process produces a design and an implementation of measures ensuring compliance.

The foregoing is to ensure that the Company has current information on non-compliance, risk of non-compliance and their impact on the organisation, which ensures the creation and protection of shareholder value by establishing a consistent approach to ensuring compliance and avoiding non-compliance or non-compliance risk, as well as supports the achievement of business objectives by implementing tools to mitigate the risk of sanctions.

The compliance management process is also a valuable tool within the Company's broader management activities carried out **in the area of sustainable development**. The identification of external requirements creating obligations for the Company to maintain a sound approach to sustainability issues, including those relating to sustainability reporting standards, allows for understanding and adapting the Company's operations to the dynamic regulatory environment in this area.

The identification of the requirements related to the individual areas that make up the concept of ESG, i.e. environment, social responsibility and corporate governance, as well as the proper management of data acquired during various stages of the compliance management process, such as information on incidents, risk of non-compliance or discrepancies, are part of the Company's due diligence approach in conducting its business in accordance with the principles of sustainable development.

In 2023, the process continued of implementing a comprehensive business continuity management system, which also enables a detailed breakdown of the scope of actions undertaken as regards managing corporate risk in terms of the risk of a catastrophic impact and the small probability of its occurrence. This is expressed in the Operational continuity management policy of KGHM Polska Miedź S.A. along with the Procedure and Methodology of managing compliance in KGHM Polska Miedź S.A. The prepared documentation of the comprehensive business continuity management system sets forth the principles and requirements to build the robustness of KGHM Polska Miedź S.A. as regards catastrophic events by sorting out and unifying the existing approach to management of the risk of loss of operational continuity of the core production business and preparing for unforeseen events.

The corporate risk management process adopted in the KGHM Polska Miedź S.A. Group is inspired by the solutions adopted by the ISO 31000 standard, best practice in risk management and the specific nature of the Group, and is comprised of the following steps:

Diagram 20. Corporate risk management process in the KGHM Polska Miedź S.A. Group



|   |   |
|---|---|
| <p><b>STEP 1</b><br/><b>Defining the Context</b></p>          | <p>The first step in the process is comprised of three actions: defining the external context, the internal context and the risk management context.</p> <p>The external context is the environment in which the KGHM Polska Miedź S.A. Group advances its Strategy. Here the definition needs to update the understanding of the social, political, legal, regulatory, financial, economic and technological aspects of the environment which affect the activities. During this step also assessed, based on the results of scenario analysis, are the most important factors for transitioning to a low-emission economy and the paths of climate change and weather models, which are processed in subsequent steps of the process.</p> <p>During the process of defining the internal context, goals are analysed (strategic/business), changes in the organisational structure are planned and performed, new areas of activities, projects, etc.</p> <p>The last part of this step is to define the risk management context, which comprises the setting or updating of goals, the scope, responsibilities and procedures and methodologies applied in the risk management process.</p>  |
| <p><b>STEP 2</b><br/><b>Identification and Evaluation</b></p> | <p>In this step of the process risks which could impact the achievement of goals at the level of the KGHM Polska Miedź S.A. Group are identified and evaluated. The main task in this step is to prepare a complete list of threats which could facilitate, impede, accelerate or delay the achievement of goals. Each identified risk is assigned to a category and a sub-category in the form of a Risk Model, which provides the KGHM Polska Miedź S.A. Group with a consistent risk taxonomy.</p> <p>The following input parameters, data sources and assumptions are used as part of the identification and evaluation:</p> <ul style="list-style-type: none"> <li>- results of the Context analysis,</li> <li>- Risk Model - a key tool in the context of ensuring that the list of risk types is complete,</li> <li>- the results of audits and other control tasks identifying potential new risk types in operational areas;</li> <li>- incidents that occurred in the past in connection with the identified risks, non-standard events that caused the risk to materialise and had an actual (loss or gain) or potential positive or negative impact on the achievement of objectives,</li> <li>- events that may result from the materialisation of risks and their potential consequences,</li> <li>- ESG Risk Factors to be taken as a starting point for quantifying risks and opportunities associated with sustainable development,</li> <li>- the approach of the most likely loss or gain rather than the greatest possible loss or gain when assessing risk.</li> </ul> <p>When identified, each corporate risk is subjected to assessment using the Risk Assessment Matrix, which provides scaled assessment ranges for the scale of impact, vulnerability and probability. A risk may have various effects, and</p> |



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therefore in order to ensure the broadest recognition of potential impact and the limitation of subjective evaluation, the following Impact evaluation measures have been defined:

- **finance** – impact of the effects of a given risk in its financial aspect by applying value ranges,
- **strategy** – evaluation of the risk's impact on the ability to achieve strategic goals,
- **reputation and stakeholders** – impact of the risk on the Company's reputation, trust in the brand, investor relations, relations with stakeholders, also including the context of the effectiveness of actions related to building a responsible business and sustainable development,
- **health and safety** – direct impact on health and safety and human life,
- **natural environment** – impact of the materialisation of risk on the natural environment, the functioning of the ecosystem and the time required to restore the disturbed balance,
- **regulations and laws** – evaluation of the compliance of events with existing laws, with the need to participate in proceedings before bodies of public administration of a supervisory and regulatory nature as well as potential sanctions as a result of such proceedings,
- **operational continuity** – evaluation of the impact of risk on interruptions to activities resulting in significant/irreversible effects and loss of access to information significant from the point of view of conducted activities.

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

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### STEP 3 Analysis and Response

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

The following input parameters, data sources and assumptions are used as part of this step for the purpose of determining the risk management methods:

- results of the previous stages of the process, including the identified ESG Risk Factors,
- a comprehensive approach that takes into account points of contact with other areas, outside the Risk Owner's area of competence, where the effects of risk materialisation may still be significant or even greater than in the Risk Owner's area,
- an overview of the current approach to risk,
- an analysis to identify potential gaps in the way risks are managed in order to determine the necessary Adaptation Measures.

A directional decision is called a Response to risk. A change of the method requires specification of Corrective Actions, i.e. organisational, process, systemic and other changes aimed at reducing the level of key risks.

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

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### STEP 4 Monitoring and Communication

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

Effective, well-planned and 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.).

Realisation of this step guarantees that risk management in the KGHM Polska Miedź S.A. Group fulfils the expectations of the Management Board of KGHM Polska Miedź S.A., the Audit Committee of the Supervisory Board of KGHM Polska Miedź S.A. and other stakeholders by supplying reliable information about risk, continuous improvement and adaptation of the quality and effectiveness of Risk Response to the demands of the external and internal context.

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Diagram 21. Organisational structure of risk management in 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 and ways to address it.  |  |   |  |  |   |
| Management Board   |  |   |  |  |   |
| Has ultimate responsibility for the risk management system and supervision of its individual elements.   |  |   |  |  |   |
| 1st line of defence  | 2nd line of defence  |   |  |  | 3rd line of defence   |
| Management   | Risk Committees  |   |  |  | Audit   |
| <p>Managers are responsible for identifying, assessing and analysing risk and for the implementation, within their daily duties, of responses to risk. Managers are tasked with ongoing supervision over the application of appropriate responses to risk within the realised tasks, 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 to business goals, the current level of risk and the degree of efficiency of its management is assessed.</p> |
|  | Corporate Risk and Compliance Committee  | Market Risk Committee   | Credit Risk Committee  | Financial Liquidity Committee  |   |
|  | Manages corporate risk and continuously monitors key risk  | Manages risk of changes in metals prices (e.g.: copper and silver) as well as exchange and interest rates | Manages risk of failure of customers to meet their obligations | Manages risk of loss of liquidity, understood as the ability to pay current liabilities on time and to carry out necessary purchases as well as the ability to rapidly obtain financing for operations | Internal Audit Rules  |
|  | Corporate Risk Management Policy<br>Compliance Management Policy<br>Operational Continuity Management Policy | Market Risk Management Policy   | Credit Risk Management Policy                                  | Financial Liquidity Management Policy  |   |
|  | Executive Director for Risk and Audit  | Executive Director for Financial Management   |  |  |   |
|  | <b>Reports to the Management Board</b>   | <b>Reports to the Vice President of the Management Board (Finance)</b>                                    |  |  |   |

### 2.3.1 Corporate risk – key risks and risk factors and mitigation

[ESRS 2 IRO-1, ESRS 2 SBM-3]

A comprehensive approach to risk management is consistent across the KGHM Polska Miedź S.A. Group and it was designed in such a way as to support the building of a resistant corporate structure. Our comprehensive approach in this area is also reflected in the actions taken by KGHM in the reporting period in relation to **the ESG risks**, i.e. environmental, social and corporate governance issues.

The approach to ESG risk management is further described in section [2.2.9 Approach to ESG risk management](#).

KGHM Polska Miedź S.A., as part of its risk management, **takes into account issues related to climate change** in accordance with best recognised practices and standards and distinguishes a category of climate risk, the significance of which is equivalent for the Company to the other categories of risk.







In section [4.2 Climate impact management](#) we describe in more detail our climate risk management strategy, which is one element of the Company's commitment to operational excellence and its mission to act in accordance with sustainable business principles.

The **Risk Model** is a tool used to identify risk in the KGHM Polska Miedź S.A. Group. Its structure is based on the sources of the risks and is divided into the following six categories: Technological, Value Chain, Market, External, Internal and Climate. Several dozen sub-categories have been identified and defined for each of these categories, covering particular areas of the operations or management.

The KGHM Polska Miedź S.A. Group applies due diligence when undertaking actions aimed at minimising exposure to risk by lowering vulnerability to individual risk factors and reducing the probability of the materialisation of events which such factors could induce.

The KGHM Polska Miedź S.A. Group, as part of the improvement of the corporate risk management process, applies a **two-track approach** consisting not only of limitation of the risk and minimisation of its negative effects, but also in optimisation of the ability to take on risk and the effectiveness of the tools used and their profitability. The two-track approach is also **reflected in the assessment of dual materiality performed as part of the ESG risk analysis**, where both the materiality of KGHM's impact on people and the environment and financial materiality, understood as the impact of climate change and sustainable development issues on KGHM, are assessed.

Diagram 22. Risk categories in the Risk Model of KGHM Polska Miedź S.A. and their definitions





|   |   |
|---|---|
|    | <p><b>Technology</b></p> <p>This category is associated with changes in competitiveness resulting from the application of industrial technology, IT, innovation management, protecting and/or managing intellectual property as well as the impact of investment projects involving productivity and technology quality, or changes in the quality and efficiency of IT infrastructure affecting business units, support functions and infrastructure.</p>  |
|    | <p><b>Value chain</b></p> <p>This category is associated with changes in the operational efficiency of logistics and warehousing in the production process and in providing services, in managing sales, in managing waste and restoration as well as being correlated with the process of managing the supply chain, the availability of utilities and materials in the production process, changes in the evaluation and management of mineral deposit resources, or the advancement of research and exploration projects.</p>  |
|   | <p><b>Market</b></p> <p>This category is associated with changes in the value of assets, the level of liabilities or profit and loss resulting in a change in the sensitivity to exchange rates, currencies, liquidity, inflation rates, customer insolvency, commodities prices, energy and property rights. This category also involves changes in the impact of demand and supply on the products of the KGHM Polska Miedź S.A. Group, the selection of appropriate tools to advance the marketing strategy, changes in expected rates of return on equity investments or the efficiency of transferring risk to the insurer.</p>  |
|  | <p><b>External</b></p> <p>This category is associated with the conditions involved in conducting activities resulting from changes in economic conditions, changes in laws and regulations (<i>compliance</i>), political decisions, changes in the natural environment as well as catastrophic natural events and force majeure. This category also comprises changes in market share or margins due to changes in the competitive environment or substitutes, the risk of the result of decisions in the courts or arbitration proceedings, the risk of unfavourable administrative decisions, changes in obligations, the designation of tax liabilities or their payment deadlines.</p> |
|  | <p><b>Internal</b></p> <p>This category is associated with changes in an entity's activities affected by changes in its structure, organisation, procedures, processes or business model, as well as the risk of changes in corporate image, its products or services, the effectiveness of principles of proceedings related with ethics and anti-corruption, company's interests, or safeguards against loss of confidentiality, integrity, availability and authenticity of informational assets.</p>  |
|  | <p><b>Climate</b></p> <p>This category is associated with climate-related risk (climate risk) and its impact on the KGHM Polska Miedź S.A. Group's business activities, comprising physical risk (violent and chronic) and risk associated with transitioning to a low-emission economy (regulatory, reputational, market and technological).</p>   |

Following is the detailed description of **key risks** and their factors in the KGHM Polska Miedź S.A. Group in 2023, 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.

A key risk is future uncertain events having the greatest impact on the achievement of the business goals of the KGHM Polska Miedź S.A. Group, reflecting an evaluation of vulnerabilities, i.e. the ability of the organisation to limit the possibility of the occurrence of risk and the impact of its materialisation.

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

The following graphics are used in the tables below:

-  Risk assessment (product of impact and probability) assuming that vulnerability to the key risk in question is assessed at least at a medium level
-  Assessment of risk trends since the last reported period - stable
-  Assessment of risk trends since the last reported period - decrease
-  Assessment of risk trends since the last reported period - increase

For the key risk with the highest assessment and the risk with an upward trend, mitigation has also been described.

**Table 10. Risk category - Technology in the Risk Model of KGHM Polska Miedź S.A.**

*Risk and description of risk factors*

**(Parent Entity)**

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



Sources of risk include potential breakdowns of key elements of the core production line and failure to adapt technology to production requirements, which could affect the availability of metallurgical infrastructure. An important risk factor is the need to maintain the production of concentrates in an amount and quality required to optimise the utilisation of the metallurgical facilities. Exposure to risk is also associated with the need to ensure required utilities to maintain the expected level of infrastructure availability.

**Table 11. Risk category - Value Chain in the Risk Model of KGHM Polska Miedź S.A.**

*Risk and description of risk factors*

*Mitigation*

**(KGHM INTERNATIONAL Group)**

**Risk related to the estimation of costs of decommissioning certain mines.**



With respect to risk factors related to the precision of estimation of costs of decommissioning certain mines, there are questions related to the need to meet obligatory environmental conditions connected with realistic concepts for such decommissioning. There is also a risk that the company will have to cover the costs of restoration more quickly than originally assumed, which may have an impact on the need to update the estimated costs associated with this project.

**(KGHM INTERNATIONAL Group)**

**Risks related to the exhaustion of deposits and/or insufficient exploration of their parameters and characteristics, both in exploration projects (estimation of input data for deposit evaluation models) as well as in current operations.**



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

Input data for models are collected in accordance with geological documentation possessed, which is prepared pursuant to laws in force as well as reviewed and consulted internally with experienced staff. The results of current work undergo detailed analysis and preliminary project assumptions are updated.

Expenditures incurred on exploration and evaluation enable the estimation of mineral resources and investigation of geological-mining conditions aimed at planning further mining activities.

Individual assets focus on investment in near-mine exploration opportunities, productivity gains, cost optimisations and efficiency gains to expand the reserve base and consequently expand the LOM Plan.

**(KGHM INTERNATIONAL Group)**

**Risk of lower metal yield and quantity and quality relative to budgeted values.**



The risk is associated with factors relating to the parameters and characteristics of the deposit that affect the yield gained, quantity and quality of the products. The risk may result in a decline in production due to lower extraction from metal-poor zones or due to the content of undesirable elements.

Ongoing analyses and forecasts of results are carried out in order to optimise the mixing strategy of the ore to be processed, optimise recovery or other processes that may affect the quantity and quality of the products obtained.

(Parent Entity)

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



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

(KGHM Group)

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

(KGHM Group)

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



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

(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 (ongoing operations, maintaining production, key suppliers, servicing).

(KGHM Group)

**Risk of disruption to the continuity of sales and service processes.**



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 include changes in the demand for individual product ranges and in individual geographic markets, production limitations, disruptions in transport and logistics (in particular in the context of international transport), force majeure and limitation of the business activity as a result of the introduced legal regulations at the national and international levels. The risk may potentially have an impact on the level of revenues generated by the KGHM Group and therefore a change in the level of operating profits.

In 2023, general uncertainty in the markets related to the armed conflict in Ukraine was a factor affecting the risk exposure. However, the KGHM Group's vulnerability to this risk is assessed as low due to the control mechanisms in place and the lack of recorded incidents in the past quarters.

(KGHM Group)

**Risks associated with disruptions in the supply of strategic materials and components affecting the continuity of the Core Production Business.**



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, among others: unpredictable variations in supply and demand, changes in supplier bases, technological changes, changes in buffers in inventory and lead times, dependence on suppliers, as well as logistical disruptions, force majeure and fluctuations in currency exchange rates and metal

Permanent contact with suppliers is maintained to enable a quick response to delays through the supplier and supply direction diversification strategy employed in the KGHM Group as well as the application of alternative solutions, e.g. substitutes, changes in production/assembly schedules. Alternative supply channels, buffers in the form of inventories, advance planning in terms of materials and components while maintaining the compatibility of the solutions used in the infrastructure are also used. In addition, business continuity and recovery plans have been developed as part of the implementation of an ISO 22301-compliant business continuity management system. Systematic measures are taken to eliminate single instances of delays on the side of suppliers due to unavailability of components, logistics limitations or delays on the side of the manufacturers of materials and machinery or their parts.

prices. The efficiency of global supply chains can also be affected by high inflation. In 2023, general uncertainty related to the armed conflict in Ukraine and supply chain disruptions as well as the availability of materials and components in international markets were significant factors affecting risk exposure.

Table 12. Risk category - Market in the Risk Model of KGHM Polska Miedź S.A.

| <i>Risk and description of risk factors</i>  | <i>Mitigation</i>  |
|--|--|
| <p><b>(KGHM Group)</b><br/> <b>Risk of reduced revenues as a result of adverse fluctuations in copper and silver prices, currencies and interest rates.</b></p>  <p>Market risk is understood as the possibility of a negative impact on the results of the KGHM Group resulting from changes in the market prices of goods, exchange rates and interest rates, as well as changes in the value of debt securities and in the share prices of listed companies.</p> <p>In 2023, general uncertainty in the financial markets related to the armed conflict in Ukraine was a significant factor affecting the risk exposure.</p>   | <p>This risk is actively managed by the Parent Entity, in accordance with the Market Risk Management Policy. One of the methods used to manage the market risk in the company are the hedging strategies using derivatives. It is also possible to observe so-called natural hedging, which is related to the existence of a negative correlation between the copper price and the USD/PLN exchange rate, as well as the copper price and the gold and silver price, which mitigates the adverse effects of price fluctuations.</p> <p>Information on the impact of COVID-19 and/or the war in Ukraine on the operations of the Company and the Group is described in detail below.</p> <p>More information on market risk is included later in this subsection.</p>   |
| <p><b>(KGHM Group)</b><br/> <b>Credit risk related to trade receivables and loans granted.</b></p>  <p>The KGHM Group sells some of its products with deferred payment terms, as a result of which there may arise the risk of late payments from customers for delivered products.</p> <p>The Parent Entity is exposed to Credit Risk due to loans granted to the joint venture Sierra Gorda S.C.M., which depends on the risk associated with the realisation of the mining project.</p> <p>In 2023, general uncertainty in the financial markets related to the armed conflict in Ukraine was a significant factor affecting the risk exposure.</p>  |  |
| <p><b>(KGHM Group)</b><br/> <b>Liquidity risk.</b></p>  <p>The risk of loss of liquidity is understood as the ability to pay liabilities on time and carry out required purchases as well as to rapidly obtain financing for the operations.</p> <p>In 2023, general uncertainty in the financial markets related to the Russia's aggression against Ukraine was a significant factor affecting the risk exposure.</p>  |  |
| <p><b>(KGHM Group)</b><br/> <b>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, utilities and restoration costs.</b></p>  <p>The KGHM Group is exposed to risks related to external and internal factors, including metal quotations, currency exchange rates, the cost of supplying purchased metal-bearing materials, the amount of treatment, refining and sales premiums and the cost of services and utilities. This risk is also related to the estimation of costs of provisions for the restoration of mining areas based on existing law for the territories in which the KGHM Group operates.</p> <p>The risk is significantly linked to an increase in operating costs as a result of further increases in the price of energy carriers (also due to the conflict in Ukraine).</p> <p>In 2023, general uncertainty in the financial markets related to Russia's aggression against Ukraine was a significant factor affecting the risk exposure. Possible continuation of increases in fuel and energy carrier prices may continue to be the main factor generating further increases in the costs of sales, selling costs and administrative expenses.</p> | <p>Ongoing control of processing costs, monitoring the market situation, optimising costs, including supplies of purchased metal-bearing materials, hedging transactions and management of the net position. Creating multi-annual plans and budgets enabling the achievement of profitability under the conditions prevailing on the market. Ongoing monitoring of selected financial information to support management processes under conditions of increased uncertainty.</p> <p>The purchase of electricity is carried out under bilateral contracts, framework agreements, the Polish Power Exchange (TGE).</p> <p>Securing the supply of electricity in various periods and on many levels, using in-house generation, which significantly increases the energy security of the KGHM Group. The KGHM Group also carries out ongoing activities to optimise the increase in electricity costs through, for example, the purchase of energy-saving equipment.</p> <p>The purchasing policy for electricity and gas fuel has been implemented for years in the framework of the Standing Purchasing Committee for electricity, gas fuel and property rights established pursuant to the Regulation of the President of the Management Board.</p> |



Table 13. Risk category - External Risks in the Risk Model of KGHM Polska Miedź S.A.

| Risk and description of risk factors   | Mitigation   |
|--|--|
| <p><b>(KGHM Group)</b><br/> <b>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.</b></p>    |  |
| <p>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 accompanying the underground mining of copper ore deposits, in particular arise due to mining tremors and their potential effects in the form of rock bursts and roof collapses.</p> <p>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.</p> |  |
| <p><b>(Parent Entity)</b><br/> <b>Risk of restrictions to production or to the advancement of development work due to geodynamic gas-related events and the occurrence of naturally-occurring gases.</b></p>    | <p>The risk of gas hazards occurring is being assessed and principles are being developed for working under the risk of such hazards. Individual employee safety measures are applied as well as equipment and means for reducing concentrations of hydrogen sulphides and neutralising oppressive odours.</p> <p>Preparation of reserve fields to take over production on a limited basis.</p> <p>The creation of a KGHM Polska Miedź S.A. Team for Mine Ventilation and Air Cooling, whose job is to analyse and provide an opinion on tasks involving the recognition and prevention of gas threats and the threat of gas and rock bursts in the mines.</p> <p>On a regular basis, an assessment of gas and gas-geodynamic hazards at all mine sites is carried out at meetings of the Mine Team to Recognise and Prevent gas threats and the threat of gas and rock bursts.</p>  |
| <p>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 implementing 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.</p>   |  |
| <p><b>(Parent Entity)</b><br/> <b>Risk of production restrictions due to unfavourable climate conditions in the mines.</b></p>    | <p>The use of solutions to counteract underground climate threats using neutral means (e.g. the use of short airways and directing air through the lowest temperature rock mass, high-speed air) and through the use of central, workplace and personal air conditioning.</p> <p>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.</p> <p>Securing access to system functionality and against data loss as part of an IT/OT systems approach.</p> <p>Reduction of external and internal losses and relative air humidity and increase in airing intensity. The use of shortened working time.</p>   |
| <p>KGHM is exposed to a specific risk related to the climate conditions, limiting activities or increasing costs, involving geological conditions, the temperature of the air sent into the mines and underground mining conditions.</p>   |  |
| <p><b>(Parent Entity)</b><br/> <b>Risk of loss of excavation functionality associated with underground water hazards.</b></p>   | <p>Research into hydrogeological conditions and water hazards, measuring water inflow to the mines, conducting mining operations in accordance 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.</p> <p>Review and updating of the Rescue Plan in case of water inflow.</p> <p>Development of regional pump stations and the piping system, construction of water dams aimed at stopping water inflow, drilling exploratory holes to stabilise uncontrolled water inflow. In order to mitigate the risk of uncontrolled inflow of water underground, the project entitled "Construction of the main drainage system in the area of the SW-4 shaft" is continued, which should ultimately increase the capacity of mine draining.</p> <p>Securing access to system functionality and preventing data loss as part of the approach used in the area of IT/OT systems.</p> <p>Ongoing monitoring of hydro-technical conditions and the technical performance of facilities and infrastructure. Ongoing modernisation, refurbishment, procedure in accordance with the operating instructions. With the current level of underground water</p> |
| <p>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 erroneous geological exploration.</p> <p>Unfavourable hydrogeological conditions may lead to a reduction in activity (e.g. a reduction in mining) or increased costs associated with, among others, the management of increased water inflows at the Żelazny Most tailings storage facility. Exposure to risk is increased by climate factors associated with periodic droughts and the low level of the Odra River.</p>   |  |



inflows, in order to maintain the safety of the Żelazny Most Tailings Storage Facility and consequently mitigate risks, water discharges are carried out in accordance with and within the limits of the water rights permits held.

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**(Parent Entity)**

**Risk of restrictions to the ability to sell sulphuric acid (due to loss of market/customers and/or a decline in demand, also due to the war in Ukraine).**



Risk related to macro- and microeconomic factors involving political actions which result in privileges for a specific group of producers or the introduction of additional fees/legal restrictions. Risk related to unfavourable prices (volatility to the disadvantage of KGHM), high requirements in terms of market parameters for 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 2023, one of the factors affecting the exposure to risk was the situation on the fertilizer market in connection with the war in Ukraine.

Increasing the number of internal storage tanks at smelters as well as of reservoirs in the port in Szczecin. Search for new markets. Long-term contracts. Subsidies to customers and incurring transport costs. Search for alternative ways to manage the acid and utilise it in the Ore Enrichment Plants. In 2023, ongoing actions were undertaken to address the situation on the fertilizer market resulting from the war in Ukraine, i.e. fluctuating demand from customers.

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**(KGHM Group)**

**Risk of loss due to the actions of external parties involved in the procurement, sales and investment process.**



The KGHM Group is exposed to the risk of loss resulting from the intentional actions of external entities, e.g. collusion on prices, insufficient technical and economic potential of contractors, falsification of documentation, fictional contractors, conflicts of interest.

The risk also relates to incorrect verification of external counterparties that may result in contracts being concluded with individuals, entities, organisations or countries included in sanction lists.

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**(KGHM Group)**



**Risk of loss of compliance with requirements (law in force, intra-corporate regulations and voluntary 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.

Active cooperation with the academic environment, which issues opinions on changes to legal acts, and the ongoing providing of positions and opinions with respect to numerous areas subject to legislative change (including as part of membership in national and EU 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 external legal regulations 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 place in the KGHM Polska Miedź S.A. Group is an element of effective management as part of corporate governance through, among others, 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.

Table 14. Risk category - Internal Risks in the Risk Model of KGHM Polska Miedź S.A.

| Risk and description of risk factors   | Mitigation  |
|--|---|
| <p><b>(KGHM Group)</b></p> <p><b>The risk of serious work accidents or occupational diseases caused by improper workplace organisation, the failure to follow procedures or the use of improper protective measures.</b></p>  <p>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 occupational diseases 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.</p> | <p>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 and the proper coordination of work. Systematic discussion of workplace safety with the participation of representatives of sub-contractors and mining oversight authorities. Analysis of the causes of accidents, drawing conclusions and taking the necessary, possible adaptation measures to avoid a similar situation in the future. Engaging employees and sub-contractors in campaigns carried out in the KGHM Group aimed at improving OHS standards. Advancement of development initiatives based on the idea of sustainable development and safety and enhancing the Group's image as being socially responsible under the adopted Strategy. Activities carried out in line with the self-improvement cycle in order to continuously seek and prepare for the implementation of a catalogue of initiatives to further improve health and safety and meet the Company's long-term goal of "Zero accidents due to personal and technical causes, zero occupational diseases among our employees and contractors". The Employee Safety Improvement Program "I think about the consequences" contains actions in the area of attitudes, which are enriched with new intentions every year. The result should be achieved by changing the attitudes and habits of employees with regard to occupational health and safety, and by improving the Occupational Health and Safety Management System to prevent work-related injuries and health conditions of employees and to provide safe and hygienic workplaces.</p> <p>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. Threats are identified and professional risk is evaluated on a cyclical basis as well as in accordance with the current needs.</p> |
| <p><b>(KGHM Group)</b></p> <p><b>Risk related to an ineffective process of monitoring and providing early warning to management staff on deviations from the budget and financial plans as well as with respect to adopting inappropriate parameters related to economics, production, investments, macroeconomics and finance, for forecasts of Company results.</b></p>  <p>An ineffective process of monitoring and providing early warning to management staff on deviations from the budget and financial plans may impede or delay the appropriate early identification of deviations in respect of 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.</p> <p>In 2023, general uncertainty in the financial markets related to the armed conflict in Ukraine was a significant factor affecting the risk exposure.</p>  |   |

**(KGHM Group)**

**Risk of unavailability of the main IT system, causing disruption of business processes and cyber threats.**



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

Strict adherence to and application of principles arising among others from the IT Security Policy and from Facility Protection Plans. The systematic evaluation of the risk of loss of the confidentiality, integrity, availability or authenticity of information assets which have been collected, stored or processed on IT resources. Permanent monitoring of the owned infrastructure in terms of vulnerability and analysis and planning of implementation of ICT solutions increasing security, in accordance with global trends and best practices in this area. Implementation of security systems and adequate organisational solutions at various levels of infrastructure, with the aim of anticipatory reduction of system vulnerabilities and minimising potential losses of the KGHM Group.

KGHM Polska Miedź S.A. carries out many investment activities in terms of increasing the level of cyber-security of IT/OT systems in the area of, inter alia, incident investigation, data security. A Security Operation Center (SOC) department operates, whose main task is to provide a 24/7 first line of support for cyber security incidents.

**(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 procurement processes.**



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 on prices, the insufficient technical and economic potential of contractors, falsification of documentation, fictional contractors, conflicts of interest. Other important risk factors include threats as regards all types of improprieties related to breaching anti-corruption and ethical standards (such as corruption, conflicts of interest, mobbing, discrimination, illegality, nepotism) and human rights violations (such as child labour, forced labour, modern slavery, women's rights).

**(KGHM Group)**

**The risk of exceeding project/program budgets and schedules and deviations from the scope and assumed quality. Risk related to the operational management and development of strategic projects, taking into account the issues of incurred costs, permits and infrastructural requirements.**



The KGHM Group is exposed to risk related to the advancement of projects and programs. The risk of changes in budgets, schedule, scope and deviations from the expected quality of outputs of projects 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 in terms 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 ongoing monitoring of progress. Ongoing evaluation of the economic feasibility of existing and anticipated development projects.

The InvestCUp Development Program, dedicated to people who are involved in the preparation and implementation of projects, was continued as a tool to improve their effectiveness by developing their competence and enhancing employee commitment.

Table 15. Risk category - Climate Risk in the Risk Model of KGHM Polska Miedź S.A.

*Risk and description of risk factors*

(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 rapid (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 or disturbances in the operation of the Core Production Business, resulting from climate changes and adaptation to such changes. Permanent changes in weather patterns as a consequence of climate change may also have the effect of making work more onerous and increasing operational costs directly related to business activities.

More details in section [2.2.7 Material impacts, risks and opportunities and their interaction with strategy and business model](#).

(KGHM Group)

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



The KGHM Group is exposed to risks arising from 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 low-emission economy, as well as changes in demand for and supply of certain products and services whose production has an adverse impact on climate.

Risks relate to changes in business conditions due to climate change and adaptation to these changes in the context of the observed challenges faced by the mining and metallurgy industries.

More details in section [2.2.7 Material impacts, risks and opportunities and their interaction with strategy and business model](#).

### 2.3.2 Information on the impact of COVID-19 and/or the war in Ukraine on the operations of the Company and the Group

The situation regarding COVID-19 and the war in Ukraine did not have a material direct impact on the operations of the Company and the Group in 2023. Detailed information concerning this impact and the related risks is presented in notes 1.2.2 and 1.2.3 of the financial statements and the consolidated financial statements.

### 2.3.3 Political risk in Chile

As a result of the end of the political, cultural, social and economic cycle in Chile, which was characterised by a high degree of complexity and instability, KGHM Polska Miedź does not identify increased exposure to political risk in this country, and therefore the likelihood of potential impacts in future periods on its operations there on this account is assessed as low. After rejecting the draft new constitution in September 2022, Chilean citizens voted for the second time in December 2023 and overwhelmingly voted against the next draft. At the same time, Chilean President Gabriel Boric announced that a third attempt at drafting and adopting a new Constitution would not take place during his term. 2023 also saw the finalisation of work on setting new tax levies for the mining industry and the introduction of the Mineral Extraction Tax (the so-called Royalty). The changes introduced established an *ad valorem* tax of 1% on copper sales from companies that sell more than 50 thousand tonnes of copper, as well as an additional tax of between 8% and 26% depending on operating margins. Under the reform, the highest tax rate will be close to 47% for companies producing more than 80 thousand tonnes of copper per year. The aforementioned changes and tax increases were lower than expected, which could have a positive impact on both KGHM and the mining sector in Chile as a whole. Accordingly, a return to stability and the development path Chile followed before the social explosion of 2019 is expected. The Parent Entity monitors the political situation in Chile and the related impact on the mining industry on an ongoing basis, in order to assess the potential impact on the KGHM Polska Miedź S.A. Group on an ongoing basis. Depending on the further possible directions of change and the decisions taken by the Chilean government, different scenarios will be analysed, which may require appropriate adaptation measures.

### 2.3.4 Market, credit and liquidity risks

The goal of market, credit and liquidity risk management in the KGHM Polska Miedź S.A. Group is to restrict the undesired impact of financial factors on cash flow and results in the short and medium terms and to enhance the Group's value over the long term. The management of risk includes both the elements of risk identification and measurement as well as its restriction to acceptable levels. The process of risk management is supported by an appropriate policy, organisational structure and applied procedures. In the Parent Entity these issues are covered in the following documents:

- Market Risk Management Policy and the Rules of the Market Risk Committee,
- Credit Risk Management Policy and the Rules of the Credit Risk Committee,
- Financial Liquidity Management Policy and the Rules of the Financial Liquidity Committee,
- Procurement policy for electricity, property rights, guarantees of origin and gaseous fuel.

The "Market Risk Management Policy in the KGHM Polska Miedź S.A. Group" covers selected mining companies in the Group (KGHM Polska Miedź S.A., KGHM INTERNATIONAL LTD., FNX Mining Company Inc., Robinson Nevada Mining Company, KGHM AJAX MINING Inc.).

Management of financial liquidity is conducted in accordance with the "Financial Liquidity Management Policy in the KGHM Group". The Policy regulates the processes implemented by individual companies, while their organisation and coordination as well as the supervision thereof is performed in the Parent Entity.

Credit risk management in the Parent Entity is carried out in accordance with the Management Board approved "Credit Risk Management Policy". The Parent Entity serves as an advisor to the Group's companies with respect to managing credit risk. The Policy applies to selected Group companies and its goal is to introduce a comprehensive, joint approach and the most important elements of the credit risk management process.

#### **Market risk management**

Market risk is understood as the possible negative impact on the Group's results arising from changes in the market prices of commodities, exchange rates and interest rates, as well as from changes in the value of debt securities and share prices of listed companies.

In terms of market risk management (in particular the risk of changes in metals prices and exchange rates) of greatest significance and impact on the results of the Group are the scale and nature of the activities of the Parent Entity and the mining companies of KGHM INTERNATIONAL LTD.

The Parent Entity actively manages market risk, undertaking actions and decisions in this regard within the context of the global exposure throughout the KGHM Polska Miedź S.A. Group.

The Management Board is responsible for market risk management in the Parent Entity and for adherence to policy in this regard. The main body involved in performing market risk management is the Market Risk Committee, which makes recommendations to the Management Board in this area.

Table 16. Risk category – Market, in the Risk Model of the KGHM Polska Miedź S.A. Group

|  |  |
|--|--|
| <b>Commodity risk,<br/>currency risk</b> | <p>In 2023, the Group was mainly exposed to the risk of the changes in the prices of metals it sells: copper and silver. Of major significance for the Parent Entity was the risk of changes in exchange rates, in particular the USD/PLN exchange rate. The Group's companies are additionally exposed to the risk of volatility in the prices of other metals. Market risk related to changes in metals prices arises from the formula for setting prices in physical metals sales contracts, which are usually based on the average monthly market prices for the relevant future month.</p> <p>In accordance with the Market Risk Management Policy, in 2023 the Parent Entity continuously identified and measured market risk related to changes in metals prices, exchange rates and interest rates (analysis of the impact of market risk factors on the Parent Entity's activities – profit or loss, balance sheet, statement of cash flows), and also analysed the metals, currencies and interest rates markets. These analyses, along with assessment of the internal situation of the Parent Entity and the Group, represented the basis for taking decisions on the application of hedging strategies on the metals, currency and interest rates markets.</p> <p>Detailed disclosures regarding the management of the risk of changes in metal prices and exchange rates in 2023 in the Parent Entity and in the Group are presented in Notes 7.5.1.2 and 7.5.1.3 of the financial statements and the consolidated financial statements.</p> |
| <b>Interest rate risk</b>                | <p>Interest rate risk is the possibility of the negative impact of changes in interest rates on the Group's position and results. In 2023, the Group was exposed to such risk due to loans granted, free cash invested on deposits, the reverse factoring program and borrowings.</p>  |

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Detailed disclosure concerning the balances of the Parent Entity's and Group's positions exposed to interest rate risk as at 31 December 2023 is presented in Note 7.5.1.4 of the financial statements and the consolidated financial statements.

In 2023, the LIBOR reference rates in the Group's external financing agreements were replaced by the SOFR or CME TERM SOFR rate. These rates also apply to newly concluded contracts with financial institutions in USD.

The Steering Committee of the National Work Group for reform of the reference rates which was established in connection with the reform of reference rates in Poland, revised the schedule for the process of replacing the WIBOR and WIBID reference rates with a new *risk-free-rate* (RFR) reference rate in October 2023. As part of the work on the reform, a number of challenges specific to the Polish financial sector have been identified, arising from the scale and structure of contracts and instruments using WIBOR, generating risks for a safe conversion. This has resulted in setting new deadlines for introduction of changes in order to reduce the risks and costs of benchmark reform. The Committee indicated a final conversion date as the end of 2027.

Until 2027, the IBOR reform will not have an impact on the interest rate applied in the Group's derivatives, because the CIRS transactions entered into (open cross currency interest rate swaps) and bonds issued by the Parent Entity are based on the WIBOR reference rate. In the case of this benchmark, until 2027 we are in the transitional period, during which adjustments to transactions entered into before the reform will not be required. After 2027, the IBOR reform may have an impact on cash flow hedging of variable interest of issued bonds (Tranche B) in the amount of PLN 1.6 billion, based on WIBOR 6M, i.e. CIRS transactions (cross currency swap) with maturity falling in 2029.

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

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**Result on derivatives and hedging transactions**

The total impact of derivatives and hedging instruments (transactions on the copper, silver, currency and interest rate markets as well as embedded derivatives and USD-denominated loans designated as a hedge against a change in the exchange rate) on the Group's profit or loss for 2023 amounted to PLN 357 million, of which:

- PLN 635 million increased revenues from contracts with customers,
- PLN 267 million decreased the result on other operating activities, and
- PLN 11 million decreased the result on financing activities.

Moreover, PLN 102 million of revenue from the settlement of the bond interest rate hedging instrument (CIRS) was activated in 2023 in the statement of financial position – non-current assets. Meanwhile, other comprehensive income was increased by PLN 557 million (impact of hedging instruments; increase from PLN 71 million to PLN 628 million).

As at 31 December 2023, the fair value of open transactions in derivatives of the Group (on the metals, currency and interest rate markets and in embedded derivatives) amounted to PLN 292 million.

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**Risk of changes in prices of energy and energy carriers**

In terms of management of market risk arising from changes in energy and energy carriers, the scale and profile of operations of the Parent Entity have the greatest significance and impact on the results of the KGHM Polska Miedź S.A. Group. It represents a commodity risk for the Parent Entity, which is measured based on its impact on cash flows.

Commodity price risk management for planned purchases of electricity and gaseous fuel involves managing the exposure to the risk of changes in the price of electricity and gaseous fuel over a time horizon of up to 36 consecutive months resulting from energy and gas purchase plans, less previously-concluded purchase contracts with delivery in future periods.

Detailed disclosures regarding the risk of changes in energy and energy carrier prices in 2023 in the Parent Entity are presented in Note 7.5.1.5 of the financial statements and the consolidated financial statements.

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**Price risk related to changes in the share prices of listed companies**

Price risk related to the shares of listed companies held by the Group is understood as the change in their fair value due to changes in their quoted share prices.

As at 31 December 2023, the carrying amount of shares of companies listed on the Warsaw Stock Exchange and on the TSX Venture Exchange amounted to PLN 703 million.

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## **Credit risk management**

Credit risk is defined as the risk that debtors will not be able to meet their contractual liabilities.

The Management Board is responsible for credit risk management in the Parent Entity and for compliance with policy in this regard. The main body involved in actions in this area is the Credit Risk Committee.

In 2023, the KGHM Polska Miedź S.A. Group was exposed to the credit risk, mainly in four areas:



Table 17. Areas of credit risk in the Risk Model of the KGHM Polska Miedź S.A. Group

|   |  |
|---|--|
| <b>Credit risk related to trade receivables</b>                           | <p>To reduce the risk of insolvency by its customers, the Parent Entity has a receivables insurance contract which covers receivables from entities with buyer's credit which have not provided strong collateral or have provided collateral which does not cover the total amount of the receivables. Taking into account the collaterals held and the credit limits granted by the insurance company, as of 31 December 2023 the Parent Entity had secured 56% of its trade receivables (as at 31 December 2022, 76%).</p> <p>Detailed disclosures regarding credit risk management related to trade receivables in 2023 are presented in note 7.5.2.3 of the financial statements and the consolidated financial statements.</p>   |
| <b>Credit risk related to cash and cash equivalents and bank deposits</b> | <p>The Group allocates periodically free cash in accordance with the requirements to maintain financial liquidity and limit risk and in order to protect capital and maximise interest income.</p> <p>Credit risk related to deposit transactions is continuously monitored by the review of the credit ratings of financial institutions with which the Group cooperates, and by limitation of the level of concentration in individual institutions. As at 31 December 2023, the maximum share of a single entity in terms of credit risk arising from funds of the Group deposited in financial institutions amounted to 35% (as at 31 December 2022, 30%).</p>   |
| <b>Credit risk related to derivatives transactions</b>                    | <p>All of the entities with which the Group enters into derivatives transactions (with the exception of embedded derivatives) operate in the financial sector. These are mainly financial institutions with a medium-high rating. According to fair value as of 31 December 2023, the maximum share of a single entity with respect to credit risk arising from open derivative transactions entered into by the Group and from net receivables due to settled derivatives amounted to 24% (as at 31 December 2022, 17%). Due to diversification of risk in terms both of the nature and of their geographical location of risk, as well as taking into consideration the ongoing monitoring of the rating of financial institutions with which it cooperates, the Group is not materially exposed to credit risk as a result of the derivative transactions entered into.</p>   |
| <b>Credit risk related to loans granted</b>                               | <p>As at 31 December 2023, the balance of loans granted by the Parent Entity amounted to PLN 9 711 million. The most important positions are long-term loans in the total amount of PLN 9 581 million granted to the company Future 1 sp. z o.o. and to the KGHM INTERNATIONAL LTD. Group. Detailed information on the loans granted by KGHM Polska Miedź S.A. is presented in the Financial Statements, Note 6.2.</p> <p>As at 31 December 2023, the balance of loans granted by the Group amounted to PLN 9 118 million. The most important of these are short-term and long-term loans in the total amount of PLN 9 096 million, or USD 2 311 million, granted by the KGHM INTERNATIONAL LTD. Group for the financing of a mining joint venture in Chile.</p> <p>The loans granted in connection with the financing of a mining joint venture in Chile are subordinated to liabilities due to a loan in the amount of up to USD 700 million received by Sierra Gorda S.C.M. from Bank Gospodarstwa Krajowego. In order to guarantee the subordinating of owner loans to the debt granted by the Bank, a Subordination Agreement was entered into. Under this Agreement, there exists the possibility to repay the owner loans by the joint venture Sierra Gorda S.C.M., which is contingent on the acceptance of the Bank following the fulfilment of strictly-defined parameters in the Subordination Agreement.</p> <p>Credit risk related to the loans granted to the joint venture Sierra Gorda S.C.M. is dependent on the risk related to mine project advancement and is assessed by the Management Board of the Parent Entity as moderate.</p> |

### **Management of financial liquidity risk**

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

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

|                                       |   |
|---------------------------------------|---|
| <b>Financial liquidity management</b> | <p>Management of the Group's liquidity is conducted in accordance with the "Financial Liquidity Management Policy in the KGHM Group". This document describes the process of financial liquidity management in the Group, which is realised by the Group's companies, while its organisation and coordination as well as the supervision thereof is performed in the Parent Entity.</p> <p>The basic principles resulting from this document are:</p> <ul style="list-style-type: none"> <li>– the need to ensure stable and effective financing for the Group's operations,</li> <li>– constant monitoring of the Group's level of debt, and</li> <li>– effective management of working capital.</li> </ul> <p>Detailed information regarding available sources of financing and their utilisation in 2023 may be found in subsection <a href="#">7.5 Financing in the Group</a> of this Report.</p> <p>The available sources of financing fully cover the liquidity needs of the Group. The status of the Group's liabilities due to borrowings and loans received and bonds issued as at 31 December 2023 amounted to PLN 4 941 million.</p> |
|---------------------------------------|---|



## 2.4 DUE DILIGENCE POLICIES AND PROCEDURES

### 2.4.1 Due diligence declaration (GOV-4)

#### [ESRS 2 GOV-4]

KGHM acts with due diligence in managing sustainability issues. Detailed information related to this issue is included, among others, in the following sections of this document:

| <i>Key elements of the due diligence process</i>   | <i>Sections of the report</i>  |
|--|--|
| <b>Incorporation of due diligence into governance, strategy and the business model</b>                     | <ul style="list-style-type: none"> <li>- 2.2.5 Information provided to the entity's administrative, governing and supervisory bodies and the sustainability issues they undertake</li> <li>- 2.2.6 Incorporating sustainability-related results into incentive schemes</li> <li>- 4.2.2 Material impacts, risks and opportunities and their interaction with strategy and business model</li> </ul>  |
| <b>Cooperation with stakeholders affected by the entity at all key stages of the due diligence process</b> | <ul style="list-style-type: none"> <li>- 1.4 Interests and views of stakeholders</li> </ul>  |
| <b>Identification and assessment of adverse impact</b>   | <ul style="list-style-type: none"> <li>- 2.2 Management of sustainable development and ESG risks</li> <li>- 2.2.7 Material impacts, risks and opportunities and their interaction with strategy and business models</li> <li>- 2.3 Risk management</li> <li>- 4.2.3 Description of processes in order to identify and assess significant impacts, risks and opportunities</li> <li>- 4.3. Environmental pollution management</li> <li>- 4.5.2 Description of processes for identification and assessment of significant impacts, risks, dependencies and opportunities related to biodiversity and ecosystems</li> <li>- 4.6.1 Description of processes for identifying and assessing significant impacts, risks and opportunities associated with the use of resources and the circular economy</li> </ul>  |
| <b>Taking action to reduce identified adverse impacts</b>  | <ul style="list-style-type: none"> <li>- 4.2.5 Measures and resources in relation to climate policy</li> <li>- 4.3.2 Pollution-related activities and resources</li> <li>- 4.4.2 Activities and resources related to water and marine resources</li> <li>- 4.5.5 Activities and resources related to biodiversity and ecosystems</li> <li>- 4.6.3 Activities and resources related to the use of resources and circular economy</li> <li>- 5.2.5 Taking action concerning significant impacts and applying approaches to mitigate material risks and take advantage of significant opportunities related to own employees, and the effectiveness of these actions and approaches</li> <li>- 5.6.6 Undertaking measures addressing significant impacts on persons performing work in the value chain</li> <li>- 5.7.4 Taking action on significant impacts on affected communities</li> </ul> |
| <b>Monitoring the effectiveness of these efforts and providing relevant information in this regard</b>     | <ul style="list-style-type: none"> <li>- 4.2.6 Targets related to climate change mitigation and adaptation</li> <li>- 4.3.3 Pollution-related goals</li> <li>- 4.4.3 Goals related to water and marine resources</li> <li>- 5.2.6 Designated objectives aimed at managing the significant impacts, risks and opportunities associated with own workforce</li> <li>- 5.7.5 Goals for managing significant impacts, risks and opportunities</li> </ul>   |

## 2.5 ETHICS IN BUSINESS CONDUCT AND RESPONSIBLE BUSINESS CONDUCT

### 2.5.1 Role of the administrative, supervisory and management bodies

#### [ESRS 2 GOV-1]

The management structure in KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group is presented in section [2.1 Management Structure of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group](#). The table below shows detailed responsibilities for managing the areas of ethics, supplier relations and payments at the management board level.

Table 19. GOV-1 - The role of administrative, supervisory and governing bodies (in relation to ethical issues, practices in relation to suppliers, including payments, and lobbying)

|   | <i>Ethics</i>  | <i>Lobbying</i>  | <i>Practices in relation to suppliers (including payments)</i>  |
|---|--|--|---|
| <b>The identity of the administrative, management or supervisory bodies (such as a management board committee or similar) or persons within the body responsible for supervising impacts, risks and opportunities.</b>                | <p><b>Ethics and anti-corruption area</b></p> <p>Supervision: President of the Management Board</p> <p>Business unit: Ethics and Anti-corruption Department</p> <p>Head Office Division: Executive Director for Security and Loss Prevention</p> <p>KGHM Group companies: Ethics and Anti-corruption Representatives</p>   | <p><b>Lobbying area</b></p> <p>Supervision: Vice President of the Management Board (Corporate Affairs)</p> <p>Business unit: Regulation Department</p> <p>Head Office Division: Executive Director for Legal Affairs</p>   | <p><b>Metal-bearing material suppliers:</b></p> <p>Vice President of the Management Board (International Assets). The Executive Director for Commerce and Logistics reports to him.</p> <p><b>Other suppliers:</b></p> <p>Vice President of the Management Board (Corporate Affairs). The Executive Director for Procurement reports to him.</p> <p><b>Payment issues:</b></p> <p>Vice President of the Management Board (Finance). The Executive Director for Finance Management reports to him.</p>   |
|   | <p>The KGHM Group has identified risk owners responsible for impacts, risks and opportunities in the above areas. Risk and compliance assessments are performed by the Executive Director for Risk and Audit, the Corporate Risk Management and Compliance Department, the Corporate Risk and Compliance Committee, and the Audit Committee of the Supervisory Board as well as internal and external audit.</p>   |  |   |
| <b>The manner as to how each body or person's responsibility for impacts, risks and opportunities is reflected in the entity's terms of reference, the mandates of the management board and other related policies of the entity.</b> | <p>The Members of the Management Board are in charge of the areas defined in the Organisational Regulations of KGHM Polska Miedź S.A. and in the resolutions of the Supervisory Board of the Company, taking decisions independently in their respective areas of responsibility. The responsibilities of the Executive Directors and Department Directors, the tasks of the Corporate Risk and Compliance and Audit Committees of the Supervisory Board, and the role of the Ethics and Anti-Corruption Representative are defined in the bylaws and procedures of these bodies. Personal assignments of responsibilities and scopes of duties are reflected in work cards.</p> |  |   |
| <b>The Management Board's role in the governance processes, controls and procedures used to monitor, manage and oversee impacts, risks and opportunities and their supervision.</b>   | <p>Responsibility of the Member of the Management Board:</p> <ul style="list-style-type: none"> <li>comprehensive management of security and loss prevention in the KGHM Group.</li> </ul> <p>Executive Director for Security and Loss Prevention:</p> <ul style="list-style-type: none"> <li>implementation of ethics and anti-corruption activities across the Group, including the Company's international assets.</li> </ul> <p>Ethics and Anti-corruption Representative in the KGHM Group:</p> <ul style="list-style-type: none"> <li>ensuring the coherence and completeness of ethical and anti-</li> </ul>  | <p>Responsibility of the Member of the Management Board:</p> <ul style="list-style-type: none"> <li>shaping relationships with the industry and regulatory environment,</li> </ul> <p>Executive Director for Legal Affairs:</p> <ul style="list-style-type: none"> <li>supervising regulatory and legislative activities affecting the Company's operations and (through subordinate units) for preparing the Company's position and submitting proposals for draft regulations in close cooperation with the business units, liaising and building relationships with national, EU and foreign</li> </ul> | <p>Responsibility of the Member of the Management Board</p> <ul style="list-style-type: none"> <li>(International Assets): shaping of the Company's commercial and logistics policies.</li> </ul> <p>Executive Director for Commerce and Logistics:</p> <ul style="list-style-type: none"> <li>supervising the sale of metals and the purchase of metal-bearing materials and compliance with responsible supply chain standards.</li> </ul> <p>Responsibility of the Member of the Management Board</p> <ul style="list-style-type: none"> <li>(Corporate Affairs): shaping the procurement policy</li> </ul> <p>Executive Director for Procurement:</p> <ul style="list-style-type: none"> <li>actions regarding development, maintaining and implementation of procurement process standards.</li> </ul> |

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|   | corruption activities implemented in the KGHM Group.   | participants in the legislative process.  | <p>Responsibility of the Member of the Management Board</p> <ul style="list-style-type: none"> <li>– (Finance): <ul style="list-style-type: none"> <li>shaping the financial policy in the KGHM Group, finance in all areas and fields of the Group's activities and accounting service of the Company.</li> </ul> </li> </ul> <p>Executive Director for Financial Management:</p> <ul style="list-style-type: none"> <li>– supervising the work of subordinate units in such a way as to ensure the correct operation of the Company and the Group in the area of finance.</li> </ul>   |
|   | <p>The Executive Director for Risk and Audit is responsible for supervising the maintenance and development of the KGHM Group's comprehensive corporate risk management system. As part of the second line of defence, tasks are performed by the Corporate Risk Management and Compliance Department and the Corporate Risk and Compliance Committee is established within the governance structures. The Management Board is ultimately responsible for the risk management system and its oversight, including ethical aspects, lobbying and supplier relations. The Audit Committee of the Supervisory Board of KGHM is responsible for monitoring of the level of risk and the manner of dealing with it. The risk management and compliance function is subject to the assessment of its effectiveness by internal and external audit.</p> |   |  |
| <b>How the role has been assigned to an individual in a particular management level position or committee and how oversight of that position or committee is exercised.</b>                         | <p>Roles have been assigned to individuals in specific management level positions and supervision is carried out according to the principles of subordination in compliance with the scheme in place. The Corporate Risk and Compliance Committee is managed by its Chairman. In accordance with the Best Practices for WSE-listed Companies, persons responsible for risk management and compliance report directly to the President of the Management Board. The Supervisory Board is the body whose overriding task is to exercise continuous supervision over the Company's activities in all its areas.</p>   |   |  |
| <b>Structure of reporting to administrative, management and supervisory bodies.</b>   | <p>In accordance with internal regulations:</p> <p>the Executive Director for Security and Loss Prevention is responsible for periodical reporting to the Management Board on issues within competences of subordinate Departments, including in the area of ethics.</p>   | <p>In accordance with internal regulations:</p> <p>KGHM's representatives in national and international economic organisations produce concise post-meeting and annual activity reports containing recommendations regarding the Company's further involvement. Quarterly and annual reports on the work in the organisations are submitted to the supervising director.</p>  | <p>In accordance with the requirements of external sector standards, such as:</p> <p>the LBMA Responsible Gold Guidance, the LBMA Responsible Silver Guidance and The Copper Mark Criteria for Responsible Production, as well as the content of <i>internal procedures</i> in force in the Company, annual compliance reports are published concerning the responsible supply chain for gold and silver, as well as copper and lead, prepared by the Compliance Officer in KGHM and presented to the relevant Member of the Management Board for approval.</p>  |
|   | <p>As part of the Corporate Risk Management and Compliance process, Quarterly Risk Management Reports and Compliance Management Reports are prepared by the Executive Director for Risk and Audit, which are referred to the Corporate Risk and Compliance Committee for analysis. The Corporate Risk and Compliance Committee issues recommendations to the Management Board of the Company regarding the approval of these reports. Following approval by the Management Board, the reports are sent to the meeting of the Audit Committee of the Supervisory Board of KGHM Polska Miedź S.A.</p>  |   |  |
| <b>Information as to whether specific controls and procedures are used in the management of impacts, risks and opportunities and, if so, how they are integrated with other internal functions.</b> | <p>On the basis of the current Code of Ethics of the KGHM Group, documents consistent with it have been established relating to the manner of managing issues related to the area of ethics (e.g. discrimination, mobbing, unequal treatment, harassment, regulations of the Ethics Committee, procedure for disclosing irregularities and protection of whistleblowers in the KGHM Group).</p>  | <p>Internal regulations were implemented in the Company with the aim of coordinating the membership of KGHM Polska Miedź S.A. in national and international economic and sector organisations and establishing the principles for participation of KGHM representatives in the activities of these organisations.</p> <p>Regulations have been introduced with regard to the Map of External Regulations (MER), which provides a structured database of information on draft legislation. This information provides an input to the</p> | <p>The Responsible Supply Chain Policy in the KGHM Group, the Procedure for Examination of the Supply Chain for Gold and Silver in KGHM Polska Miedź S.A. and the Procedure for Due Diligence in Examination of the Supply Chain for Copper and Lead in KGHM have been established. In accordance with the content of the aforementioned Responsible Supply Chain Policy, in order to ensure the highest possible standards, the suppliers are expected to comply with all the principles indicated therein and refrain from entering into business relations with entities that act in a contrary manner.</p> <p>KGHM uses the approach based on risk analysis for the identification of risks and high-risk business relationships, compliant with the OECD Guidelines for a Responsible</p> |

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|  | <p>compliance management process consistent with the corporate risk management process.</p>   | <p>Supply Chain for Minerals from Conflict and High-Risk Areas.</p> <p>In the Company, the Principles of Financial Management and the Economic System of KGHM Polska Miedź S.A. were adopted, defining, among others, principles and terms of payment with suppliers.</p> |
|  | <p>The Company has a Corporate Risk Management process in place, aimed at managing corporate risk, interpreted as the impact of uncertainty, as an integral part of the activities carried out by the Organisational Units of the KGHM Group, which may result in both opportunities and threats to the accomplishment of business objectives. The results of the work in the above-mentioned areas provide input into the process which includes the identification, assessment and analysis of corporate risks in categories such as audit, compliance, risk management, ethics, counteracting corruption, organisational culture, contractors and outsourcing.</p>   |   |
| <p><b>How the administrative, management and supervisory bodies and senior management supervise the setting of objectives in relation to significant impacts, risks and opportunities, and how they monitor progress towards achieving them.</b></p> | <p>The Supervisory Board of KGHM Polska Miedź S.A. sets objectives, weights and measurable criteria (indicators and KPIs) for Members of the Management Board. The catalogue of management goals is described in the Remuneration Policy. In determining the management goals for a given year, the current significant impacts, risks and opportunities within the activities conducted are taken into account. The variable remuneration for the ended financial year depends, among other things, on: the General Meeting approving the performance of duties of a Member in the given financial year, the submission of a report to the Supervisory Board on the fulfilment of the management goals and the assessment of the fulfilment of these goals. Based on this, the Supervisory Board determines the amount of variable remuneration payable to the Management Board Member concerned.</p> <p>Once the Supervisory Board has adopted the management goals for the year concerned, the Management Board determines the major directions of action, performance indicators and solidarity measures for senior management. The Goal Cards are approved by the members of the Management Board according to their duties. The annual evaluation of the achievement of these goals and work takes place after the publication of the consolidated annual report by the Company.</p>  |   |
| <p><b>How the administration, management or supervision authorities determine whether appropriate skills and expertise are available or will be developed to oversee the issues related to sustainable development.</b></p>                          | <p>The announcement on the commencement of the qualification proceedings for Members of the Management Board of KGHM Polska Miedź S.A. contains requirements that candidates should have specialist knowledge concerning the Company's activities in terms of the function for which they are applying. In selecting a candidate, the Supervisory Board assesses the extent to which the aforementioned requirements are met.</p> <p>In accordance with the regulations, at least one member of the Audit Committee of the Supervisory Board must have knowledge and skills associated with the industry or individual members in specific scopes have knowledge and skills in terms of the industry. At least one member of the audit committee has knowledge and skills in terms of accounting or auditing of financial statements. Members of the Audit Committee must make declarations confirming their knowledge and skills, indicating the sources of their experience.</p>  |   |
| <p><b>Access to expertise relating to sustainable development that the authorities as a whole either have directly or can use, for example through access to experts or training.</b></p>  | <p>The Members of the Management Board responsible for supervising individual sustainability issues (ethics, lobbying, supplier practices) are experienced managers with past leadership roles in the bodies of various companies in Poland and abroad. They have, among others, mining, metallurgical, legal and industry experience and have completed a number of postgraduate studies, including an MBA title. The foregoing is a key component of the Management Board Members' awareness of the importance of sustainable development in the management of a large enterprise. The Company shall incur or refund the costs of individual training of a Management Board Member related to the performance of the management services contract linking the Management Board Member to the Company and the resulting duties of the Management Board Member with a prior approval of the Chairperson of the Supervisory Board on a case by case basis. Members of the Management Board should exercise the professional care in the performance of their duties, resulting from their professional nature.</p> <p>The Supervisory Board comprises, within the framework of the operating committees, Members with qualifications, among others, in terms of accounting or auditing of financial statements, as well as knowledge and skills in the industry in which KGHM operates, resulting from their education, experience and professional practice. The Supervisory Board may also commission analyses, expert reports and opinions from experts outside the Company (advisers to the Supervisory Board).</p> <p>Development programs are implemented for senior management on a regular basis supporting the building and developing the professional competence, also in terms of sustainable development.</p> |   |
| <p><b>How professional skills and expertise relate to the significant impacts, risks and opportunities of an individual.</b></p>   | <p>The skills and expertise of the Members of the Management Board affect their ability to properly analyse and assess impacts and associated risks and to take them into account in the conduct of the Company's affairs and in making management decisions on how to respond to events that may relate to both impacts and risks, taking into account the Company's organisational, financial and production capacity. In accordance with the corporate governance principles in force in the Company in terms of the risk management and compliance function, risk ownership is determined on the basis of assigned duties and responsibilities within subordinate areas of competence. Consequently, the KGHM Group has a transparent and consistent risk management system adapted to its specific nature and providing strong support for decision-making at all levels of the organisation.</p>  |   |

## 2.5.2 Business policies and corporate culture

[ESRS G1-1, ESRS G1-1 Addendum B]

### **Key ethical standards in the KGHM Polska Miedź S.A. Group.**

The main tool for building the corporate culture, defining priorities and establishing principles applicable to employees is the Code of Ethics of the KGHM Polska Miedź S.A. Group. It aims to ensure behaviour compliant with the highest standards of ethics defining Key Ethical Standards and the principles of conduct.

### **Description of mechanisms of identification, reporting and investigation of concerns related to unlawful conduct or behaviour contrary to the Code of Conduct**

KGHM Polska Miedź S.A. has adopted a Procedure for Disclosure of Irregularities and Protection of Whistleblowers, which is aimed at creating an internal tool to increase effectiveness in monitoring, detecting and resolving situations involving the occurrence of violations or irregularities in relation to the regulations adopted in the KGHM Group and law in force due to business activities conducted by Entities of the Group. The procedure also aims to ensure that whistleblowers are adequately protected. It defines the mode of submitting whistleblowing reports, indicates the organisational units responsible for receiving them and conducting investigations and defines the role of the whistleblower and the scope and rules governing his protection. In 2023, the KGHM Group approved for use a new system for servicing the process of receiving, recording, handling and archiving information on violations of law and ethical standards, including internal reports submitted by whistleblowers, in accordance with the standards in force in this regard through the implementation of the "e-Whistleblower" ["e-Sygnalista"] and "Ethics Line" ["Linia Etyki"] applications.

## 2.5.3 Supplier relationship management

[ESRS G1-2]

The structure of responsibility for the management of the broader supplier relations is presented above in the section on the role of administrative, supervisory and management bodies. Responsibility was divided into two areas, i.e. copper-bearing charge materials procurement and relations with other suppliers.

### **Description of policies aimed at preventing late payment, particularly for SMEs.**

In KGHM Polska Miedź S.A., the Principles of Financial Management and the Economic System of KGHM Polska Miedź S.A. were adopted, defining, among others, principles and deadlines for payments with suppliers. This document defines the internal economic and financial system of KGHM Polska Miedź S.A., including the principles for making payments, including for SMEs. The Principles reflect the legal requirements set out in the Act of 8 March 2013 on prevention of excessive delays in commercial transactions.

### **The entity's approach to its relationships with suppliers, taking into account the risks to the entity associated with its supply chain and impacts on sustainable development issues**

The issues in question are regulated in the provisions of the "Principles for the selection of bidders" as a document of external nature addressed to bidders, and is one of the attachments to the applicable Procurement Policy at KGHM Polska Miedź S.A. Moreover, taking into account the financial criterion related to the value of turnover between the supplier and KGHM Polska Miedź S.A., a classification of suppliers as key for KGHM Polska Miedź S.A. is made. All potential key suppliers are assessed in terms of risk related to compliance with the highest standards of production, business ethics and business operations. The assessment is carried out as part of the verification of information obtained from suppliers according to established criteria, covering issues such as respect for human rights, compliance with occupational health and safety rules, approach to ethical issues and information on implemented management systems, as well as compliance of the supplier's operations with the regulatory requirements. On the basis of the information obtained from a key supplier, a risk assessment is assigned to the supplier, allowing a business decision to be made as to whether it is feasible to work with the entity in question. In addition, as stated in the document "Principles for the selection of bidders", some potential Contractors are subject to automatic exclusion from the procurement process in the event of, among others, violation of legal provisions, including competition law, foreign labour regulations, sanction regulations or conviction by a final judgement.

### **Manner of taking into account social and environmental criteria in the selection of the entity's suppliers**

Social and environmental criteria are taken into account at the stage of a supplier's registration in KGHM's supplier database or upon entering into procurement proceedings, and are a condition for establishing business relationships with KGHM. The above condition is implemented through the so-called Contractor's Charter, which is one of the attachments to the current Procurement Policy in KGHM.

### **The Company's approach to suppliers of copper-bearing materials**

KGHM Polska Miedź S.A., by applying tested practices resulting from the implementation of relevant documents (among others: Product Sales and Purchasing Policies for Copper-bearing Materials, Responsible Supply Chain Policy, Anti-Corruption Policy) works solely and exclusively with suppliers verified in terms of meeting the highest production standards as well as business ethics and operations.

To this end, appropriate clauses in the contracts are used and the Supplier is required to sign the Contractor's Charter, which is a declaration by the Supplier on their adherence to principles related to ethics and responsible business conduct, responsible supply chain, environmental issues as well as human and labour rights.

The key objective, which is ensuring the security of its commercial operations, is sought by the Company through cooperation with long-standing, stable trade partners, following their prior verification by the Security and Internal Control Department.

Under the Responsible Supply Chain Policy, KGHM Polska Miedź S.A. purchases goods and services which do not contribute to the financing of terrorism and are produced or provided with respect for fundamental human rights, labour standards, environmental protection and counteracting corruption.

A review and examination of the supply chain is conducted on a case by case basis and, consequently, a risk analysis of possible purchases or supplies from conflict and high-risk areas.

Treating all suppliers equally, adhering to the principles of free competition, transparency of purchasing processes, their control and monitoring are key aspects for success in the key objective of achieving a sustainable supply chain.

The Legnica Copper Smelter and Refinery, the Głogów Copper Smelter and Refinery and the Cedynia wire rod plant belong to the prestigious Copper Mark program - they hold certificates confirming their responsible production according to the highest standards.

The key criteria of The Copper Mark standard include:

- prohibition of forced labour,
- gender equality,
- occupational Health and Safety,
- freshwater management and protection,
- waste management,
- biodiversity and protected areas,
- development of local communities,
- human rights,
- rights of indigenous peoples,
- cultural heritage.

Copper Mark audits verify, among other things, social and environmental aspects. In addition, holding The Copper Mark makes it easier to maintain cathode registration on the London Metal Exchange (LME).

## 2.5.4 Counteracting and detection of corruption and bribery

[ESRS G1-3]

### **Description of procedures used in order to prevent, detect and respond to allegations or incidents related to corruption and bribery**

In order to comply with the key anti-corruption rules in the KGHM Group, in 2020, the Management Board of the Parent Entity made a decision to implement the Anti-corruption Management System in the Divisions and in the Head Office of KGHM Polska Miedź S.A. and in the subsidiaries in accordance with the PN-ISO 37001:2017 standard. A series of training courses for employees was conducted, including training for prospective internal auditors and **Representatives for the Anti-corruption Management System in accordance with PN-ISO 37001:2017**.

In 2021, the KGHM Polska Miedź S.A. Group adopted the new Anti-corruption Policy. The team appointed to carry out the implementation work, with the support of an external expert, prepared, including updating and drafting, new regulations in the area of anti-corruption, in line with the requirements of the standard, to ensure the implementation of the existing Anti-corruption Policy. They were adopted by a resolution of the Management Board of KGHM Polska Miedź S.A. and are implemented in all Group entities as necessary supervisory measures.

Description of key anti-corruption policies and procedures:

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| <b>Anti-corruption policy</b>  | The Policy establishes basic principles and standards, whose goal is to ensure compliance with the anti-corruption regulations applicable in the jurisdictions in which the KGHM Polska Miedź S.A. Group operates and voluntary commitments to counteract corruption. The Group applies a zero tolerance policy towards corruption and bribery. The Policy contains a declaration of full commitment by the senior management to activities related to the maintenance and continuous improvement of the implemented Anti-corruption Management System compliant with the requirements of the PN-ISO 37001 standard.  |
| <b>KGHM/ ZSZ/ SZDA/P-10<br/>Corruption risk management</b>   | <p>The aim of the procedure is to ensure that the performance of all the business processes in the KGHM Group complies with the adopted Anti-corruption Policy and to ensure that Corruption Risk Management is a continuous process which guarantees an adequate level of monitoring and improvement of the efficacy of the adopted and applied means of supervision. The Procedure defines the framework for Corruption Risk Management.</p> <p>Significant elements of the procedure:</p> <ul style="list-style-type: none"><li>– responsibility and powers in the entire scope of Corruption Risk Management,</li><li>– connection between the AMS and Corruption Risk Management,</li><li>– corruption risk assessment,</li><li>– due diligence of candidates and personnel,</li><li>– rules for introducing means of supervising the anti-corruption area,</li><li>– awareness and training.</li></ul>  |
| <b>KGHM/ ZSZ/ SZDA/P-11<br/>Handling activities of corruptive nature</b>   | <p>The aim of the procedure is to ensure compliance of activities and processes performed by persons working for or on behalf of entities from the KGHM Group with the adopted Anti-corruption Policy. The regulations are applicable to all employees and representatives of the entities from the KGHM Group.</p> <p>Significant elements of the procedure:</p> <ul style="list-style-type: none"><li>– basic principles for corruption prevention – prohibition of corruptive behaviours,</li><li>– rules of conduct in contacts with public officers, counterparties and other stakeholders,</li><li>– procedure in the event of conflict of interest,</li><li>– handing business gifts,</li><li>– rules of conduct when corruption occurs (attempts to give undue benefits),</li><li>– consequences of non-compliance with principles of anti-corruption procedure.</li></ul>  |
| <b>KGHM/ZSZ/SZDA/P-12<br/>Management of corruption risk with respect to supervised organisations and business partners</b> | <p>The aim of the procedure is to ensure that, under Corruption Risk Management as regards the obtained risk assessment results, means of supervision will be applied to give an effective response to threats facing the Supervised Organisations and Business Partners.</p> <p>The procedure defines how to ensure performance of the Anti-corruption Policy in the Supervised Organisations and which regulations must be implemented and applied by these organisations. It also defines Rules of risk management connected with Business Partners.</p> <p>Significant elements of the procedure:</p> <ul style="list-style-type: none"><li>– assessment of corruption risk to which the Supervised Organisations are exposed,</li><li>– supervisory measures as regards corruption risk pertaining to the Supervised KGHM Organisations,</li><li>– verification of compliance and effectiveness of supervisory measures applied by the Supervised KGHM Organisations,</li><li>– internal audits of AMS in the Supervised Organisations,</li><li>– internal audits of implemented and applied systems and/or solutions regarding corruption risk management in the Supervised KGHM Organisations performed by KGHM Polska Miedź S.A.,</li><li>– review of the compliance and effectiveness of Corruption Risk Management / AMS,</li><li>– due diligence analysis with reference to business partners,</li></ul> |



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- standard supervisory measures with reference to business partners,
  - procedure in the event of donations and sponsorship.
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Policies associated with the area of anti-corruption:

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| <b>Procurement Policy</b>              | - The aim of the Procurement Policy is to establish the overarching principles that should be followed by all participants of the procurement process in the KGHM Polska Miedź S.A. Group, as well as the general regulations of this process. The Policy sets forth supervisory measures mitigating the risk of irregularities in the procurement process.   |
| <b>Responsible Supply Chain Policy</b> | - It is aimed at guaranteeing the selection only of responsible suppliers and at ensuring that the goods and services purchased by the KGHM Polska Miedź S.A. Group are not contributing to financing terrorism, and are manufactured or provided in accordance with basic human rights, labour standards, environmental protection and counteracting corruption.   |
| <b>Security Policy</b>                 | - The Policy sets forth common principles and goals for the entities and organisational units included in the KGHM Group related to security and loss prevention. Pursuant to the Policy, all KGHM 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 safety and loss prevention and avoidance of actions harmful to the employer. |
| <b>Competition Law policy</b>          | - Its purpose is to establish an operational framework for a system that will enable the maintenance of conformity with the competition law and is applicable in all the countries in which the KGHM Polska Miedź S.A. Group operates. Consequently, the KGHM Polska Miedź S.A. 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.  |

#### **Procedures for rapid, independent and objective incident investigation**

Irrespective of the process of investigating incidents related to corruption and bribery, there is a Corporate Risk Management system in place in KGHM Polska Miedź S.A., under which it is possible to take, among others, actions related to detected incidents. The process of corporate risk management, established in the document Corporate Risk Management Policy in the KGHM Polska Miedź S.A. Group, is aimed at ensuring that key risks were identified, assessed and analysed, and on the basis of their assessment, appropriate Risk Response Plans are prepared and Adjustment Actions are implemented that will enable the mitigation of risks and the achievement of assumed business objectives, and will support the identification of opportunities to build competitive advantage.

#### **Functions most exposed to corruption and bribery risk**

In accordance with current rules, in KGHM Polska Miedź S.A. there exist in individual Divisions Lists of positions and functions which, due to the results of the corruption risk assessment analysis, require in-depth due diligence. In accordance with the Corruption Risk Assessment Procedure, if the risk in a particular process is assessed as high or critical and positions and functions have been identified which may be associated with potential corruption activities in this process, due diligence analysis is required for candidates and personnel employed in these positions and/or functions.

## Ethics and anti-corruption training

Table 20. Topics and scope of training delivered in 2023.

| <i>Subject</i>  | <i>Scope</i>  | <i>Number of employees trained (including managers)</i>  |
|---|---|--|
| <b>Ethics and anti-corruption</b>   | <ul style="list-style-type: none"> <li>– circumstances in which corruption may occur in connection with the duties performed, how to recognise the symptoms of corrupt activities and key corruption risk indicators, how to prevent, avoid and respond to corrupt solicitations or offers, and the potential consequences of corruption;</li> <li>– the role of Employees in ensuring the effectiveness of the Corruption Risk Management/Anti-corruption Action Management System and the resulting benefits for the Organisational Unit and/or the KGHM Group as a whole;</li> <li>– the potential consequences of failing to comply with the requirements of the Corruption Risk Management/Anti-corruption Action Management System and violations of the Anti-corruption Policy and internal anti-corruption regulations;</li> <li>– paths of submitting comments and concerns regarding the functioning of the Corruption Risk Management/Anti-corruption Action Management System and suspected breaches of the Anti-corruption Policy and regulations as well as the benefits of reporting suspected corruption.</li> <li>– matters relating to the Code of Ethics and Anti-Abuse Procedure</li> </ul> | <p>1 786 persons</p> <p>Data refers to all employees in the Head Office, Divisions, selected domestic Group companies, including persons in managerial positions</p> |
| <b>Conflict of interest</b>   | <ul style="list-style-type: none"> <li>– Conflict of interest</li> </ul>  | <p>3 731 persons<br/>(414 persons)</p>   |
| <b>Specialised, industry-specific training for employees of the Security and Loss Prevention Head Office Division</b>   | <ul style="list-style-type: none"> <li>– issues related to handling whistleblower reports</li> <li>– training with the participation of a Central Anti-Corruption Bureau officer on contemporary corruption risks and mechanisms</li> </ul>   | <p><b>53 persons</b><br/>(15 persons)</p>  |
| <b>Specialised, industry-specific training for employees of the Security and Loss Prevention Division and Heads of Security Units in the Divisions and in 8 Group Companies</b> | <ul style="list-style-type: none"> <li>– detecting and counteracting abuse in groups, including counteracting corruption in the KGHM Polska Miedź S.A. Group under the Anti-Corruption Management System (AMS)</li> </ul>   | <p><b>47 persons</b><br/>(24 persons)</p>  |
| <b>Anti-corruption Management System according to ISO 37001</b>   | <ul style="list-style-type: none"> <li>– the essence, intent and benefits of application of ISO 37001,</li> <li>– getting acquainted with and "familiarisation" with the requirements, definitions and scope of ISO 37001,</li> <li>– familiarisation with the roles and responsibilities of management in the AMS,</li> <li>– process management, system procedures, process identification,</li> <li>– auditing rules,</li> <li>– principles of AMS integration based on the process approach with other systems.</li> </ul>  | <p><b>105 persons</b><br/>(19 persons)</p>   |
| <b>Counter-intelligence prevention, cyber-intelligence and security conducted by the Internal Security Agency</b>   | <ul style="list-style-type: none"> <li>– Broadly understood security of business entities, including in the area of counteracting economic crime, addressed to the management of the KGHM Group</li> </ul>  | <p><b>57 persons</b><br/>(57 persons)</p>  |

## 2.5.5 Investigating incidents related to corruption and bribery

### [ESRS G1-4]

The investigation of corruption-related incidents is described in the procedure on “Dealing with corruption-related activities”: Whenever an incident bearing the features of a corrupt activity, an ambiguous situation, an offer of corruption or an attempt to make a corrupt payment has occurred, and whenever there is a justified suspicion that an employee has been involved in a corrupt activity, **the Ethics and Anti-corruption Representative** investigates the circumstances and causes of the incident and conducts the appropriate analysis in order to potentially introduce organisational and legal changes to prevent similar situations in the future.

During the reporting period, no corruption-related events resulting in a final court judgement were recorded in KGHM Polska Miedź S.A.

#### **Methods of whistleblower protection**

The description of channels allowing the reporting of irregularities is contained in the Procedure for Disclosure of Irregularities and Protection of Whistleblowers, which is available to every employee of KGHM Polska Miedź S.A. through the internal normative acts system. Moreover, the corporate website of KGHM Polska Miedź S.A. provides access to the "[KGHM Ethics Line](#)" platform for Whistleblowers, available to both employees and third parties, including counterparties and clients, in four languages - Polish, English, Spanish and Russian. Access to the platform via the corporate website is available to any potential user of the KGHM Polska Miedź S.A. corporate website, both as an employee and a third party. The Platform enables anonymous reporting of irregularities and is an alternative channel for other forms of contact defined in the Procedure – telephone lines, e-mail boxes and mailing addresses.

In accordance with the provisions of the Procedure, any retaliatory behaviour is strictly prohibited in KGHM Polska Miedź S.A. towards a Whistleblower who submits a notification in good faith and in the reasonable belief that he/she is disclosing material irregularities, whereby it is irrelevant whether the disclosed information was successfully confirmed and whether the irregularities actually occurred.

KGHM Polska Miedź S.A. protects a Whistleblower against harassment, discrimination or psychological harassment in connection with his/her lawful activities in relation to the transmission of reports of detected or suspected irregularities.

#### **Independence of the investigation committee**

In accordance with the internal regulations, the composition of the investigation team and/or the Ethics Committee must ensure the impartiality and independence of the investigation, and consequently the members of the Commission/team who are related to any of the parties to the case through, inter alia, remaining in a superior-subordinate relationship, are excluded from the case and the composition of the Commission/team is supplemented accordingly.

#### **Procedure concerning reporting the results of the investigation to administrative, management and supervisory bodies**

Reporting to the top management level and to the governing body (Audit Committee of the KGHM Supervisory Board) regarding non-compliance with anti-corruption regulations, including disclosed irregularities, is carried out in accordance with procedure *KGHM/ZSZ/SZDA/P-12 Management of corruption risk with respect to supervised organisations and business partners*, as part of the review of compliance and effectiveness of Corruption Risk Management /SZDA.

#### **Policy communication method**

The Anti-Corruption Policy is available on the corporate website and on the Intranet, and is also distributed and made available in physical form in each organisational unit of KGHM. Each newly-recruited employee is made aware of the provisions of the Policy, which he/she confirms by making a declaration, and undergoes anti-corruption and ethics training, which is a cyclical training provided every 3 years.

KGHM introduces anti-corruption clauses into contracts with business partners, whereby it provides access to the Anti-Corruption Policy and commits partners to familiarise themselves with its content and respect its provisions.

Candidates applying for work in KGHM are made aware of the provisions of the Anti-Corruption Policy at the recruitment stage via the eRekrutacja portal.

#### **The extent of training provided to members of the administrative, management and supervisory bodies**

The management staff, including chief executives, are trained in the manner envisaged for all employees. Separate, dedicated, individual training courses are organised for Members of the Management Board, including training with representatives of special services such as the Central Anti-Corruption Bureau and the Internal Security Agency .

### **Number of convictions and amounts of fines for violation of anti-corruption and anti-bribery legislation**

As part of the existing corruption risk management process, indicators used to assess the risk have been established, including, among others, an indicator defined as “the number of corruption incidents resulting in a final conviction”. Throughout 2022 and 2023 and up to the date of signing of this report, KGHM Polska Miedź S.A. has not recorded any events according to the defined criteria.

### **Measures to address violations of anti-corruption and bribery procedures and standards**

Pursuant to the Policy, the KGHM Polska Miedź S.A. Group emphasises its commitment to fighting corruption in business, by 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.

Following the principle that **“prevention is better than cure”**, the KGHM Group manages corruption risk, identifying and eliminating factors which increase it by implementing adequate supervisory measures. Internal procedures in KGHM Polska Miedź S.A. also regulate, among others, principles for dealing with business gifts, situations bearing the features of corruption or conflicts of interest. Preventive measures also include regular training in the area of anti-corruption.

Each Employee and Representative, no later than within 30 days of his/her employment/establishment of cooperation with an Organisational Unit in the KGHM Group, is provided with training organised by the Ethics and Anti-corruption Representative during which he/she is provided with information on the risk of corruption and the approach applied in the Organisational Unit to this risk. The Representative for Ethics and Anti-corruption shall organise a further training course on the subject matter referred to above within 3 years of the initial training and thereafter repeat it periodically at 3-year intervals.

The company organizes communication and educational activities aimed at increasing staff awareness. Guides are published (ABC of Conflict of Interest, Anti-Corruption Guide), articles in the employee magazine Courier, including special supplements (Whistleblowers, gifts) and educational films. There are poster campaigns and competitions, as well as events with the participation of employees at workplaces.

### **Trainings**

In accordance with the provisions of the internal KGHM Procedure: Corruption Risk Management, each Employee and Representative of KGHM (i.e. any entity or person representing, on any legal basis, any of the Organisational Units of KGHM (acting on their behalf or for their benefit) in contacts with Business Partners, state authorities and other interested parties is obliged to confirm that they have been introduced into the Anti-corruption Policy and internal regulations in the area of corruption risk management and undertake to comply with them in the form of a declaration. Each Employee and Representative, no later than within 30 days of his/her employment/establishment of cooperation with an Organisational Unit in the KGHM Group, is provided with training organised by the Ethics and Anti-corruption Representative during which he/she is provided with information on the risk of corruption and the approach applied in the Organisational Unit to this risk, in particular:

- circumstances in which corruption may occur in connection with the duties performed, how to recognise the symptoms of corrupt activities and key corruption risk indicators, how to prevent, avoid and respond to corrupt solicitations or offers, and the potential consequences of corruption;
- the role of Employees in ensuring the effectiveness of the Corruption Risk Management/Anti-corruption Action Management System and the resulting benefits for the Organisational Unit and/or the KGHM Group as a whole;
- the potential consequences of failing to comply with the requirements of the Corruption Risk Management/Anti-corruption Action Management System and violations of the Anti-corruption Policy and internal anti-corruption regulations;
- paths of submitting comments and concerns regarding the functioning of the Corruption Risk Management/Anti-corruption Action Management System and suspected breaches of the Anti-corruption Policy and regulations as well as the benefits of reporting suspected corruption.

The Representative for Ethics and Anti-corruption shall organise a further training course on the subject matter referred to above within 3 years of the initial training and thereafter repeat it periodically at 3-year intervals.

## 2.5.6 Political influence and lobbying activities

### [ESRS G1-5]

The KGHM Group carries out lobbying activities, but does not engage in activities related to exerting political influence. Moreover, the Company did not make financial or in-kind contributions of a political or lobbying nature. Lobbying activities in KGHM Polska Miedź S.A. are supervised by the **Vice President of the Management Board (Corporate Affairs) and the Executive Director for Legal Affairs**.

The following table lists the main draft regulations to which KGHM has submitted comments, reservations or proposals for change.

Table 21. Main topics subject to the lobbying activity

| Topics                          | Name of the project   |
|---------------------------------|---|
| <b>Environment</b>              | <ul style="list-style-type: none"> <li>– Amendment to the Water Framework Directive (WFD), the Environmental Quality Standards Directive (EQSD) and the Groundwater Directive (GWD)</li> <li>– Draft Act on Revitalisation of the Odra River</li> <li>– Draft regulation amending the regulation on substances particularly harmful to the aquatic environment and the conditions to be met when discharging waste water into waters or into the ground, and when discharging rainwater or snowmelt into waters or into water facilities.</li> <li>– Draft regulation on unit rates of fees for water services.</li> <li>– Revision of the Air Quality Directive</li> <li>– Industrial Emissions Directive (IED)</li> <li>– Proposal for Directive on soil monitoring</li> <li>– Draft regulation on the assessment of the existence of a significant risk to human health or the environment in the event of surface contamination.</li> <li>– Regulation on Ecodesign for Sustainable Products (ESPR)</li> <li>– Draft Resolution of the Council of Ministers on the establishment of a multi-annual program entitled Comprehensive development of the Middle Odra River</li> </ul> |
| <b>Taxonomy</b>                 | <ul style="list-style-type: none"> <li>– European Union Stakeholder Request Mechanism on Taxonomy</li> <li>– A delegated act concerning taxonomy, establishing additional technical eligibility criteria for determining the conditions under which certain economic activities qualify as making a significant contribution to climate change mitigation or adaptation, as well as determining whether the activity does not cause serious harm to any other environmental goals</li> <li>– Delegated act on taxonomy and technical qualification criteria aimed at determining the conditions under which the economic activity qualifies as making a significant contribution to the sustainable use and conservation of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems, as well as whether that economic activity does not cause serious harm to any other environmental goals</li> </ul>  |
| <b>Explosives for civil use</b> | <ul style="list-style-type: none"> <li>– Draft Act on explosives for civil use</li> </ul>   |
| <b>Social security</b>          | <ul style="list-style-type: none"> <li>– Draft Regulation of the Minister of Family and Social Policy amending the regulation on the detailed principles for determining the basis for the assessment of contributions for pension and disability insurance</li> </ul>  |
| <b>Labour law</b>               | <ul style="list-style-type: none"> <li>– Draft Act on the protection of whistleblowers</li> <li>– Draft Act on collective labour disputes</li> </ul>  |
| <b>Spatial planning</b>         | <ul style="list-style-type: none"> <li>– Draft Regulation of the Minister of Development and Technology on the definition of a model form for the application for a spatial planning act</li> <li>– Draft Regulation of the Minister of Development and Technology concerning the method of preparing a draft municipal general plan</li> <li>– Draft Regulation of the Minister of Development and Technology on defining the form of the application for establishing the location of a public purpose investment or development conditions</li> <li>– Draft Act amending the Act on spatial planning and development and certain other acts</li> </ul>   |
| <b>Taxes</b>                    | <ul style="list-style-type: none"> <li>– Draft Regulation of the Minister of Finance on additional data to be added to the books to be submitted under the Act on Corporate Income Tax</li> <li>– Act on Corporate Income Tax</li> <li>– Act on the minerals extraction tax</li> </ul>  |
| <b>Climate</b>                  | <ul style="list-style-type: none"> <li>– Proposal for a regulation - Net Zero Industry Act</li> <li>– Industrial carbon management strategy</li> </ul>  |
| <b>Mining</b>                   | <ul style="list-style-type: none"> <li>– Proposal for a regulation - Critical Raw Materials Act</li> <li>– Draft regulation of the Minister of State Assets on mining and mine rescue qualifications</li> </ul>   |

|               |   |
|---------------|---|
| <b>Energy</b> | <ul style="list-style-type: none"> <li>– Support program for energy-intensive enterprises for 2023</li> <li>– Draft Regulation of the Council of Ministers on providing information and data necessary for the execution of investment in terms of construction of a nuclear energy facility and accompanying investments</li> <li>– Draft Regulation of the Council of Ministers on the detailed scope of the preliminary assessment of the site intended for the location of a nuclear energy facility</li> <li>– Draft Regulation of the Ministry of Climate and Environment amending the Regulation on detailed principles for shaping and calculating tariffs and settlements for heat supply</li> </ul>         |
| <b>OHS</b>    | <ul style="list-style-type: none"> <li>– Draft Directive of the European Parliament and of the Council amending Council Directive 98/24/EC and Directive 2004/37/EC of the European Parliament and of the Council as regards limit values for lead and its inorganic compounds and diisocyanates, COM (2023) 071</li> <li>– Regulation of the Minister of the Family, Labour and Social Policy of 12 June 2018 on the maximum permissible concentrations and intensities of factors harmful to health in the working environment,</li> <li>– Draft Regulation of the Minister of Family and Social Policy amending the Regulation on health and safety at work in workplaces equipped with screen monitors</li> </ul> |

Members of the management or supervisory bodies of the KGHM Group holding concurrently public administration positions in 2023:

- Tomasz Zdzikot, President of the Management Board - by virtue of serving as the Chairman of the Team of Public Advisors to the Minister of National Defence on Cyber Security from November 2021,
- Marek Wojtków, Member of the Supervisory Board - by virtue of acting in the capacity of Deputy Director of the Regional Branch of the Agency for the Restructuring and Modernisation of Agriculture in Wrocław from 2019,
- Piotr Ziubroniewicz, Member of the Supervisory Board - by virtue of acting as the Vice President of the National Real Estate Holding from January 2022.

## 2.5.7 Payment practices

### [ESRS G1-6]

Payments with external entities are made by the Company in accordance with generally accepted legal regulations and on the basis of internal regulations determined in the Principles of Financial Management and Economic System of KGHM Polska Miedź S.A. Trade payables are settled on the last day of the term specified in the payment terms of the contract.

Delays in payments result mainly from decisions to withhold payments, in accordance with the terms of the contract and instructions from the substantive unit of the division.

Withholding of payment occurs mainly when the counterparty has not provided the required contractual documents necessary to launch the payment and is most often the result of lack of payment to the subcontractors executing the contract.

Payment is launched upon receipt of statements that all financial obligations to the contractor's subcontractors have been settled.

Delays in payment are also due to incorrectly entered data in the financial and accounting system or the submission of a document for payment after its due date. These situations have an impact on the determination of the payment term and occur occasionally.

KGHM Polska Miedź S.A. does not monitor the average time needed to settle an invoice from the date of commencement of calculation of the contractual or statutory payment deadline.

### **Results in relation to payments**

| <i>Entity</i>           | <i>Average time of invoice settlement by an entity [days]</i> | <i>Number of court proceedings currently pending in relation to late payments.</i> | <i>Number of court proceedings currently pending in relation to late payments to SMEs</i> | <i>Percentage of payments to suppliers made on time (%)</i> |
|-------------------------|---|--|---|---|
| KGHM INTERNATIONAL LTD. | 26  | 1  | 1   | 91  |
| KGHM Metraco S.A.       | 19  | -  | -   | 99.9  |
| KGHM Polska Miedź S.A.  | no data   | -  | -   | 99.99   |
| KGHM ZANAM S.A.         | 45  | 18   | 1   | 100   |
| NITROERG S.A.           | 57  | -  | -   | 95.6  |
| PeBeKa S.A.             | 45  | 1  | 1   | 100   |
| "Energetyka" sp. z o.o. | 40  | -  | -   | 100   |
| <b>Total</b>            | <b>-</b>  | <b>20</b>  | <b>3</b>  | <b>-</b>  |

### **The Company uses contractual payment terms**

Typical payment terms set out in contracts are payment terms within 30 or 60 days of receipt of the invoice. Due to the volume of operations, the time of payment of trade payables to the main supplier of materials by Mercus Logistyka Sp. z o.o. also plays a significant role - in accordance with the agreement in force, a payment term of 14 days applies.

### **Number of legal proceedings currently pending due to delays in payment**

KGHM Polska Miedź S.A. maintains records of disputes, including those arising from potentially unsettled payments. From the point of view of ongoing litigation, however, it is difficult to assess that KGHM has not settled payments to suppliers, as external parties lodge claims for a variety of reasons, and the question of whether or not claims are settled shall be decided by the court in the course of proceedings.

### **Supplementary information**

At the stage of implementation of transfers by the finance unit, all documents authorised for payment passed substantive and accounting verification. No incidents of deliberate withholding of payments have been recorded, e.g. due to liquidity problems.

## **2.6 INFORMATION ON SOURCES OF SUPPLY OF MATERIALS USED IN PRODUCTION, IN GOODS AND SERVICES**

In the area covered by the Procurement Policy in the Group, KGHM Polska Miedź S.A. cooperated with 4 507 suppliers in 2023 (the number of bidders participating actively in procurement proceedings), of which 3 016 suppliers were selected to perform deliveries.

Share of foreign contractors in the total pool of suppliers - number of foreign suppliers in 2023 - 2 248, of which 339 suppliers were selected for realisation.

KGHM Polska Miedź S.A. cooperates with various groups of counterparties, i.e. intermediaries, wholesalers, distributors and direct suppliers. Moreover, within the Group, KGHM Polska Miedź S.A. uses Logistics Operator services – specialized companies performing procurement functions (Mercus Logistyka sp. z o.o., KGHM Metraco S.A., “Energetyka” sp. z o.o.).

In 2023, there were no significant changes in sources of procurement of materials for production, commodities and services for KGHM Polska Miedź S.A.

The ratio of all registered suppliers to the local suppliers having “the registered office in the territory of the Lower Silesia voivodship” is 15 941 against 3 665.

KGHM Polska Miedź S.A. also reinforces its market position as a reliable and ethical business partner by caring for 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 meet the requirements of business ethics and are socially responsible counterparties.

## **2.7 INFORMATION ABOUT SUPPLIERS / CUSTOMERS WHOSE SHARE EXCEEDS 10% OF TOTAL REVENUES**

The only entity whose turnover with the Parent Entity exceeded 10% of the sales revenues of KGHM Polska Miedź S.A. was KGHM Metraco S.A. (value of purchases: gross amount of PLN 6 316 million).

The copper smelters and refineries of KGHM Polska Miedź S.A. produce electrolytic copper from their own concentrates as well as from purchased copper-bearing material (concentrates, copper scrap and blister copper). In 2023, the production of electrolytic copper from purchased copper-bearing materials amounted to 206.8 thousand tonnes, which represented 35% of total electrolytic copper production.

**For the most part, this production came from copper scrap (146.2 thousand tonnes of copper, 25% of total electrolytic copper production),** which is supplied to the metallurgical plants of KGHM Polska Miedź S.A. by KGHM Metraco S.A. - a 100% subsidiary of the Parent Entity.

KGHM Metraco S.A., due to its specialisation and familiarity with the scrap market, as well as to its equity relationship with KGHM Polska Miedź S.A., supplies scrap to the metallurgical plants of KGHM based on exclusivity and as a result revenues from sales of this company to KGHM Polska Miedź S.A. are significant and represent 22% of KGHM Polska Miedź S.A.'s sales revenue and 19% of sales revenue of the Group.



## 2.8 SIGNIFICANT CONTRACTS FOR THE COMPANY AND GROUP<sup>23</sup>

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|                  |  |
|------------------|--|
| 3 January 2023   | KGHM Polska Miedź S.A. signed a contract with <b>Nexans France</b> for the supply of copper cathodes for the years 2023-2027, with an option of an automatic extension of the contract for subsequent five-year periods. The contract provides for annual deliveries of almost 22.8 thousand tonnes to 27.8 thousand tonnes of cathodes. The value of the contract is estimated at PLN 4.53 billion to PLN 5.54 billion, depending on the quantitative option used.                            |
| 28 February 2023 | KGHM Polska Miedź S.A. concluded the contract with <b>Vale International SA</b> for the purchase of Cu Salobo concentrates in the years 2023-2027. The value of the contract is estimated at PLN 8.4 billion to PLN 9.5 billion, depending on the quantitative option used. The contract provides for annual deliveries of almost 80 thousand tonnes to 100 thousand tonnes of dry weight.   |
| 7 August 2023    | KGHM Polska Miedź S.A. concluded the contract with the <b>NKT Group</b> for the purchase of copper wire rod in the years 2023-2027. The value of the transaction will range from PLN 9.6 billion to PLN 14.2 billion depending on options regarding the volume and term of the contract. The contract provides for an extension option to 2028 requiring agreement by both parties.  |
| 6 November 2023  | KGHM Polska Miedź S.A. Signed the 5-year framework agreement for the sale of copper cathodes to <b>China Minmetals</b> in the years 2024-2028. This is another framework contract with this counterparty. The contract covers the sale of copper cathodes in the total volume of 250 thousand tonnes to 600 thousand tonnes (in annual quantities from 50 thousand tonnes to 120 thousand tonnes). The estimated value of the 5-year contract ranges from PLN 8.4 billion to PLN 20.3 billion. |

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In addition, on 11 January 2024, a long-term sales contract was signed with one of the largest customers of copper wire rod – the Prysmian S.p.A. Group. The minimum value of the contract is estimated at USD 1.73 billion (PLN 6.88 billion), while the maximum value at USD 2.46 billion (PLN 9.77 billion). The contract is a continuation of a long-standing cooperation with the Prysmian Group.

## 2.9 INFORMATION ON TRANSACTIONS ENTERED INTO BETWEEN RELATED PARTIES, UNDER OTHER THAN ARM'S LENGTH CONDITIONS

In 2023, neither the Parent Entity nor its subsidiaries entered into related party transactions under other than arm's length conditions.

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<sup>23</sup> Values of contracts based on metal listings and currency exchange rates estimated on the date of contract signing

## 2.10 LITIGATION AND CLAIMS

### Proceedings regarding royalties for use of invention project no. 1/97/KGHM "Method for increasing the production capacity of the electrorefining sections of the Metallurgical Plants"

In the claim dated 26 September 2007, Plaintiffs (14 natural persons) filed a claim against KGHM Polska Miedź S.A. with the Regional Court in Legnica for the payment of royalties for the use by the Company of invention project no. 1/97/KGHM called „Sposób zwiększenia zdolności produkcyjnej wydziałów elektorafinacji Huty Miedzi” (Method for increasing the production capacity of the electrorefining sections of the Metallurgical Plants) for the 8th calculation period, together with interest due. The amount of the claim (principal amount) was set by the Plaintiffs in the claim in the amount of approx. PLN 42 million (principal amount without interest and court costs), interest as of 31 March 2019 amounted to approx. PLN 55 million. On 21 January 2008, in the response to the claim, KGHM Polska Miedź S.A. requested the dismissal of the claim in its entirety and filed a counter claim for the repayment of undue royalties paid for the 6th and 7th year of application of invention project no. 1/97/KGHM, together with interest due, also invoking the right of mutual set-off of claims. The amount of the claim (principal amount) in the counter claim was set by the Company in the amount of approx. PLN 25 million.

In a judgement dated 25 September 2018, the Regional Court in Legnica dismissed the counter claim and partially upheld the principal claim to the total amount of approx. PLN 24 million, and at the same time ordered the payment of interest in the amount of approx. PLN 30 million, totalling to PLN 54 million. Both parties to the proceedings appealed against this judgement.

In a judgement dated 12 June 2019, the Court of Appeal in Wrocław dismissed the appeals of both sides, altering the judgement of the court of first instance solely in the matter of the resolution of court costs from the hearings at the court of first instance and charging them to KGHM Polska Miedź S.A. The judgement is binding and was executed by KGHM on 18-19 June 2019. KGHM Polska Miedź S.A. filed a cassation appeal against the judgement of the court of second instance, i.e. with respect to the partially upheld principal claim in the amount of approx. PLN 24 million as well as with respect to the dismissed counter-claim in the amount of approx. PLN 25 million. The plaintiffs did not file a cassation appeal.

The cassation appeal of KGHM was accepted for examination. In a judgement dated 24 November 2022 the Supreme Court overturned the disputed judgement and ordered the case to be reheard. The case is pending before the Court of Appeal in Wrocław.

The case files were forwarded to the Court of Appeal in Wrocław and registered under the new reference number I ACa 52/23. In view of the fulfilment of the obligation - no basis for creating a provision exist. By letters dated 28 April and 4 May 2023 and additionally by a letter dated 25 May 2023, the plaintiffs submitted a response to the restitution request contained in the preparatory letter of KGHM Polska Miedź S.A. dated 4 May 2023, to which the declarations of the Plaintiffs on the disposal of cash obtained from the payment of receivables adjudicated by court judgements of the first and second instance were attached. By letter dated 13 June 2023, KGHM Polska Miedź S.A. requested the return of the reply to the application for restitution filed without the required order of the presiding judge or to be allowed to file a preparatory pleading as a reply to the application, which in turn was opposed by the Plaintiffs by a pleading dated 30 June 2023.

By a ruling dated 27 October 2023, the Court of Appeal in Wrocław decided to request the Supreme Court to interpret the judgement dated 24 November 2022 (file ref. III PSKP 10/22) regarding the scope of the revocation of the judgement of the Court of Appeal dated 12 June 2019 (file ref. I ACa 547/18) by indicating whether the revocation includes in paragraph II of the Court of Appeal's judgement only the ruling to the extent of dismissing the defendant's (counterclaimant's) appeal. On 17 November 2023, the lead plaintiffs' application to reassess this order was dismissed. The case will now be referred to the Supreme Court for interpretation of the decision of this court made in the case.

In accordance with the Company's position, the plaintiffs' claim should be dismissed in its entirety and the counter claim is justified. The Company in this regard paid the authors of the project royalties for a longer period of application of the project than anticipated in the initial contract entered into by the parties on advancing the invention project, based on an annex to the contract, extending the period of payment of royalties, whose validity is questioned by the Company. Moreover, the Company is questioning the rationalisation nature of the solutions, as well as whether they were in fact used in their entirety, and also their completeness and suitability for use in the form supplied by the plaintiffs as well as the means of calculating the economic effects of this solution, which were the basis for paying the royalties. The argumentation of KGHM Polska Miedź S.A. is additionally supported by the wording of the judgement of the Supreme Court dated 24 November 2022, which indicates the lack of cause to enter into an annex enabling the payment of additional remuneration to the Plaintiffs.

### 3 CORPORATE GOVERNANCE STATEMENT

#### 3.1 INDICATION OF LEGAL BASIS AND COLLECTION OF CORPORATE GOVERNANCE PRINCIPLES AND THE SCOPE OF THEIR APPLICATION

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

KGHM Polska Miedź S.A., a company listed on the Warsaw Stock Exchange S.A., in the period from 1 January 2023 to 31 December 2023, complied with the corporate governance principles determined in the document "Best Practice for GPW Listed Companies 2021" (hereinafter DPSN 2021), which was adopted by the Exchange Supervisory Board on 29 March 2021 by Resolution No. 13/1834/2021. The text of the principles is available on the official website of the Warsaw Stock Exchange dedicated to this subject <https://www.gpw.pl/best-practice2021> and on the corporate website of KGHM Polska Miedź S.A. in the corporate governance section <https://kg hm.com/en/investors/corporate-governance>.

In order to increase interest in the topic of corporate governance and shareholder involvement in companies' affairs, the Warsaw Stock Exchange has created a benchmarking exercise for companies that have provided information on the current status of application of the DPSN 2021 principles via the EBI system. The COMPLY factor used for this purpose was defined as a ratio of principles used to the total number of principles used and not used ("not applicable" responses are not included in the calculation). KGHM Polska Miedź S.A. applies the principles of the DPSN 2021 at a comparable level as declared by the companies included in the WSE index, or taking into account all companies that have published a report.

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

As part of increasing the level of compliance with corporate governance principles and in fulfilment of the disclosure obligations of listed companies with respect to the application of corporate governance rules set out in § 29 sec 3 of the Warsaw Stock Exchange Rules, on 20 October 2023 KGHM Polska Miedź S.A. published the updated "Statement on the company's compliance with the corporate governance principles contained in Best Practice for GPW Listed Companies 2021". The update of the declaration "the principle is not applied" and "the principle is applied" concerned principle 3.5. "Persons responsible for risk and compliance management report directly to the president or another member of the management board." Consequently, in 2023, KGHM Polska Miedź S.A. increased its COMPLY factor by two percentage points in relation to the Statement of compliance with Corporate Governance contained in the Report of the Management Board on the activities of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group in 2022.

Diagram 23. COMPLY ratio by KGHM Polska Miedź S.A.

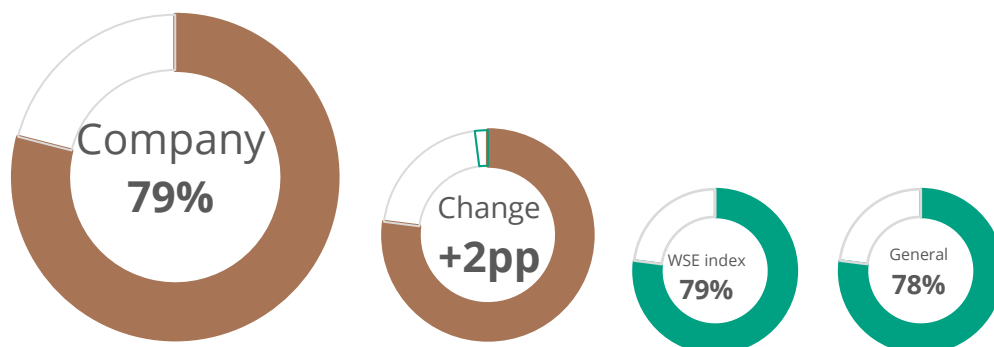
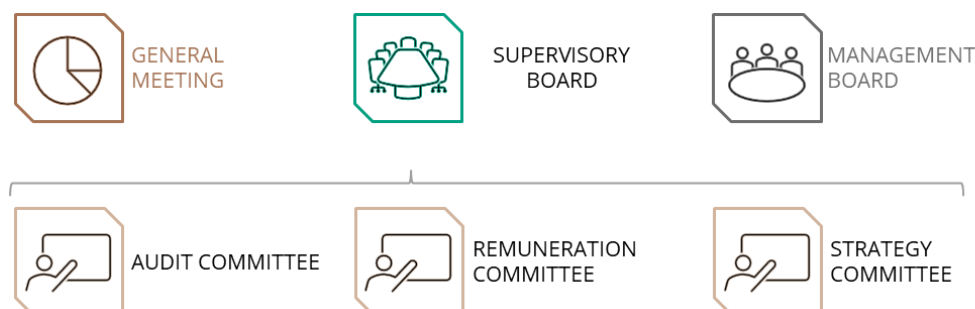


Diagram 24. Corporate governance structure in KGHM Polska Miedź S.A.



### 3.2 INFORMATION POLICY AND COMMUNICATION WITH INVESTORS

KGHM Polska Miedź S.A., under the principles indicated in section 1 of DPSN 2021, strives to achieve the goal of ensuring quality investor communications and pursuing a transparent and fair disclosure policy in the interest of all market participants and its own interest.

#### 3.2.1 Description of the application of DPSN 2021 – Information policy and communication with investors

KGHM Polska Miedź S.A., as a listed Company, systematically uploads to its website in the [Investors](#) section current and key information of importance to investors as well as other questions related with broadly understood corporate governance. The website's structure is clear and enables the rapid and intuitive location of all important information by separating the section on [Corporate Governance](#).

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

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

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

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

- informational material prepared for investors, the media or for promotional purposes, mainly with respect to the strategy, activities and financial results,
- information on analyst recommendations regarding the Company in each category: “buy”, “hold”, “sell”, with contact data for analysts covering the Company,
- information concerning operations on the company's shares and changes in share capital,
- an investor calendar containing among others the dates of publication of financial reports, meetings with investors and press conferences as well as other events important for investors,
- cyclical online discussions with investors with an archive of chats and audio/visual material from Individual Investor Days and Analyst Days,
- a list of frequently asked questions in the area of investor relations with Company answers; if an investor raises a question regarding the Company, the Company responds as soon as possible,
- in terms of the adopted business strategy, the Company provides information on the website on the elements of the strategy, measurable goals, including especially long-term goals, planned actions and progress in this regard, defined with the aid of financial and non-financial measures.

Moreover, in 2023, the Company carried out intensive activities in terms of communication with investors:

|  |   |
|--|---|
| <b>Investor conferences in Poland and abroad</b> | The Company actively met with investors and analysts in Poland and abroad during conferences organised by brokers. In 2023, the Company took part in more than a dozen investor conferences and in about 100 meetings with portfolio managers and analysts representing investment and pension funds as well as other asset management firms.   |
| <b>Result conferences</b>                        | The Investor Relations Department organised meetings with the Management Board to discuss the financial results of the Company and the Group. In 2023, the publication of financial results was accompanied by results conferences open to all stakeholders via live webcasts in Polish and English, with the possibility of submitting questions by email. Video recordings of these conferences are available on the Company's website in the section <a href="#">Investors</a> .   |
| <b>Capital Market Days</b>                       | In November 2023, the Investor Relations Department organised an Analyst Day at the Company. The invited guests went down to the Polkowice-Sieroszowice mine. They subsequently attended management presentations and a panel discussion at the Company Head Office. The panel discussed topics comprising risk management, the macroeconomic environment, controlling in the core business and the development of the Company's domestic resource base. A video recording of the event is available on the Company's website in the section <a href="#">Investors</a> .  |
| <b>Capital market events</b>                     | The Company participated in events organised by institutions of the Polish capital market, which are aimed at increasing investors' knowledge: <ul style="list-style-type: none"> <li>– WallStreet 27 Conference of the Association of Individual Investors: representatives of the Company actively participated in the conference, delivering a keynote lecture and providing an interview for the quarterly magazine "Shareholder";</li> <li>– Finance and Investment Forum of the Association of Individual Investors: during the Forum, representatives of the Company provided answers to numerous questions from participants at the KGHM stand;</li> <li>– 14th Investor Relations Congress of the Association of Stock Exchange Issuers: during the Congress, representatives of the Investor Relations Department conducted a workshop entitled: "Investor relations in practice".</li> </ul>   |
| <b>Investor chats</b>                            | Representatives of the Company were available to individual investors during on-line investor chats. They were organised on a regular basis following the publication of the Company's results. In 2023, four investor chats were held.   |
| <b>ESG</b>                                       | <p>The Company continued its participation in ESG processes (indicators and management of identified environmental, social and corporate governance topics) in accordance with the adopted Strategy of the KGHM Polska Miedź S.A. Group to the year 2030 with an outlook to 2040. Communication activities with the capital market, investors and rating agencies were carried out in this area. An expression of company's concern for stakeholders is the creation and continuous development of our <a href="#">ESG section</a> on the corporate website of the Company, which is dedicated to broadly understood ESG issues and facilitates access to any information related to sustainable development and integrated reporting by KGHM Polska Miedź S.A.</p> <p>In 2023, KGHM once again participated in the CDP initiative<sup>24</sup> and provided a wide range of information, including Scope 3 emissions of the KGHM Polska Miedź S.A. Group. In response to the global challenge of the growing threat posed by climate change, KGHM has committed to providing expanded environmental impact information in line with EU regulations and international initiatives, including CO<sub>2</sub> emission reporting, and has set greenhouse gas reduction targets in the perspective of 2030 and 2050. An expression of the Company's commitment is, among others, the certification awarded to its all three metallurgical plants under the prestigious Copper Mark program. In 2022, the Company published environmental and carbon footprint analyses for its products, i.e. cathodes, wire rod and Cu-OFE rod. The analyses were carried out by the Institute of Mineral and Energy Economy of the Polish Academy of Sciences and confirm that KGHM's smelters (Legnica Copper Smelter and Refinery, Głogów Copper</p> |

24 CDP - formerly, Carbon Disclosure Project, an international non-profit organisation that collects information on greenhouse gas emissions and emission reduction efforts.

Smelter and Refinery, Cedynia Wire Rod Division) produce metals in a responsible way and in accordance with the highest standards. Moreover, the analysis implies that KGHM's copper products have a footprint lower than the global average.

The life cycle analysis was carried out in accordance with ISO 14040, ISO 14044, ISO 14067; in addition, environmental declarations (type II - so-called self-declared environmental statements) were prepared for selected products in accordance with PN-EN ISO 14021, which were independently verified.

In addition, as part of its continuous improvement and due diligence, the Company updated KGHM's Policies in 2023, including the Health and Safety Policy, Anti-Corruption Policy, Environmental Policy and Energy Policy, based on ISO standards, and issued the first edition of the [Tax Policy](#). The Company also published, as a part of the ISMS implementation - the Information Security Policy in accordance with ISO 27001 and as a part of the BCMS implementation - the Business Continuity Management Policy in accordance with ISO 22301.

In order to maintain the highest levels of care, transparency and compliance with best practices of the capital market, the Investor Relations Team regularly responds to surveys, questionnaires and inquiries concerning ESG, among others from: Sustainalytics<sup>25</sup>, CDP, FTSE Russell, MSCI, WOOD, Refinitiv, Vigeo Eiris.

|                                    |   |
|------------------------------------|---|
| <b>Quarterly IR Newsletter</b>     | The initiative to publish the Investor Newsletter - an electronically distributed summary of the quarter's most important events to subscribers was continued. The goal of the publication is to assure its recipients with an accurate source of knowledge about KGHM and the global copper market and to facilitate analysis and assessment of the possibilities associated with investing in the Company's shares. |
| <b>KGHM IR profile on LinkedIn</b> | The Company maintains a dedicated KGHM Investor Relations profile for investors and analysts, available on the LinkedIn social media platform. On this profile, the Investor Relations Department publishes information that may be of interest to capital market participants.   |
| <b>IR Release</b>                  | The IR Release is a communication tool that provides information for investors and analysts on important events for the Company and Group. The IR Release is made available after each disclosure of the quarterly results and distributed in electronic form and is available to all stakeholders on the Company's corporate website.  |

Awards and prizes in 2023 for activities related to communication with investors and presence in the capital market:

|                                   |   |
|-----------------------------------|---|
| <b>Hero of the Capital Market</b> | KGHM Investor Relations won in the listed company category for best investor relations among WIG20 and mWIG40 companies.  |
| <b>The Best of The Best</b>       | The Institute of Accounting and Taxes granted annual awards to companies preparing the best consolidated annual reports. KGHM was one of the companies awarded. In addition, the Company received a special distinction for The Best of The Best winner and for the Integrated Report for 2022. |

In 2023, analytical reports concerning KGHM Polska Miedź S.A. were prepared by 9 "sell-side" analysts from Poland and 8 from abroad.

**Table 22.** List of brokerage houses preparing analytical reports on KGHM Polska Miedź S.A.

| <b>Poland</b>                  |                        |                            |
|--------------------------------|------------------------|----------------------------|
| Biuro Maklerskie mBanku        | Dom Maklerski BOŚ      | Santander Biuro Maklerskie |
| Dom Maklerski Banku Handlowego | Erste Group            | IPOPEMA Securities         |
| Biuro Maklerskie PKO BP        | Trigon Dom Maklerski   | Biuro Maklerskie Pekao     |
| <b>Abroad</b>                  |                        |                            |
| Bank of America Merrill Lynch  | Global Mining Research | Goldman Sachs              |
| Morgan Stanley                 | UBS                    | WOOD & Company             |
| JP Morgan                      | EVA Dimensions         |                            |

<sup>25</sup> Sustainalytics - an international analytical company specialising in providing sustainability assessments and ESG risk analysis.

### 3.2.2 Clauses of DPSN 2021 not complied with

In accordance with the published Statement on the Company's compliance with the principles contained in section 1 of DPSN 2021, the following principles regarding informational policy and communication with investors are partially applied:

|   |   |
|---|---|
| <b>Principle 1.3.1</b><br>involving the integration of ESG factors in the business strategy, in particular environmental factors, including measures and risks relating to climate change and sustainable development.  | <u>The principle is partially applied.</u> In connection with the publication of the Climate Policy of KGHM Polska Miedź S.A. as a directional document, whose chief goal is to present the climate-related ambitions of the Company and to set forth the scope of process and organisational changes needed to achieve them, the Company is currently working on solutions in this regard. The Climate Policy will be followed by the Decarbonisation Program of the KGHM Group, which will provide details on how the planned reduction goals will be attained, as well as total capital expenditures on the realisation of activities aimed at reducing emissions of greenhouse gases. |
| <b>Principle 1.3.2</b><br>involving the integration of ESG factors in the business strategy, in particular social and employee factors, including among others actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employees' rights, dialogue with local communities, customer relations. | <u>The principle is partially applied.</u> The Company regularly publishes a broad range of information on its actions as regards social and employee issues, proper working conditions, respecting employee rights, dialogue with local communities and relations with its customers and stakeholders. The Company in future will provide information on current and planned actions aimed at ensuring gender equality.  |
| <b>Principle 1.4.1</b><br>pursuant to which a company shall publish on their website information concerning the framework of the ESG strategy, which should among others explain how the decision-making processes of the company and its group members integrate climate change, including the resulting risks.                                    | <u>The principle is partially applied.</u> In connection with the publication of the Climate Policy of KGHM Polska Miedź S.A. as a directional document, whose chief goal is to present the climate-related ambitions of the Company and to set forth the scope of process and organisational changes needed to achieve them, the Company is currently working on solutions in this regard.   |

### 3.3 THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

**KGHM Polska Miedź S.A., acting under the principles set forth in section 2 of the DPSN 2021, strives to achieve the highest standards in the exercise of duties by the Management Board and Supervisory Board of the Company and to fulfil them in an effective manner.**

#### 3.3.1 Description of the application of DPSN 2021 – the Management Board of KGHM Polska Miedź S.A. (the Management Board)

##### **The principles of appointing and dismissing Members of the Management Board**

According to the Company's Statutes, the Management Board of the Company shall be composed of 1 to 7 persons, appointed to a mutual term of office. The term of office of the Management Board is three consecutive years. The number of members of the Management Board shall be determined by the Supervisory Board of KGHM Polska Miedź S.A., which appoints and dismisses the President of the Management Board and the Vice Presidents.

The Supervisory Board of KGHM Polska Miedź S.A. appoints the members of the Management Board following the conduct of qualification proceedings, the goal of which is to review and evaluate the qualifications of candidates and to select the best candidate for a member of the Management Board. Members of the Management Board may be dismissed by the Supervisory Board of KGHM Polska Miedź S.A. prior to the expiration of their term, which not shall interfere with their rights arising from their employment contract or other legal relationship relating to their functioning as a member of the Management Board.

##### **The manner of operation of the Management Board**

The Management Board acts on the basis of established law, the Statutes of the Company and the Bylaws of the Management Board of KGHM Polska Miedź S.A. The Bylaws of the Management Board of KGHM Polska Miedź S.A. and Statutes of the Company are publicly available on the website of the Company in the section [Corporate governance](#).

The work of the Management Board shall be organized by its President. In the event of a vacancy in the position of the President of the Management Board or during a break in his/her management operations, the powers of the President of the Management Board to convene and conduct meetings, as well as to pass resolutions of the Management Board outside the meeting, shall be exercised by a Member of the Management Board authorized by the President of the Management Board, or in the absence of an actual possibility of issuing or delegating authorization by the most senior Member of the Management Board. Members of the Management Board are obliged to participate in meetings of the Management Board.

The presence of at least two-thirds of the composition of the Management Board at a meeting shall be required in order for resolutions to be valid. Resolutions of the Management Board shall be adopted by an ordinary majority of votes of those present. In the case of a tie, the President of the Management Board has the deciding vote. The Resolutions of the Management Board are taken in open voting, unless the law provides otherwise or at least one of Members of the



Management Board requests a secret ballot. In justified circumstances, voting shall be permitted through written means, or through the use of long-distance means of direct communication. A resolution passed in this manner shall be valid if all Members of the Management Board were informed of the wording of the proposed resolution and at least two-thirds of the Management Board participated in adopting the resolution.

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

#### **Composition and Personnel changes of the Management Board and the breakdown of duties**

From 1 January 2023 to 31 December 2023, there were no changes in the personnel composition of the Management Board of the Company which was as follows:

- Tomasz Zdzikot                      President of the Management Board,
- Mateusz Wodejko                  Vice President of the Management Board (Finance),
- Mirosław Kidoń                      Vice President of the Management Board (International Assets) and Acting Vice President<sup>26</sup> of the Management Board (Development),
- Marek Świder                        Vice President of the Management Board (Production),
- Marek Pietrzak                      Vice President of the Management Board (Corporate Affairs).

Moreover, the following changes in the composition of the Management Board of the Company took place after the balance sheet date:

|                         |  |
|-------------------------|--|
| <b>9 January 2024</b>   | Marek Świder resigned from the function of the Vice President of the Management Board (Production) of KGHM Polska Miedź S.A., and therefore from his membership of the Management Board of KGHM Polska Miedź S.A. <sup>27</sup>  |
| <b>13 February 2024</b> | The Supervisory Board of the Company dismissed the following persons from the Management Board of KGHM Polska Miedź S.A.: Tomasz Zdzikot, Mateusz Wodejko and Marek Pietrzak.<br>At the same time, the Supervisory Board of the Company delegated a member of the Supervisory Board - Zbigniew Bryja, to act temporarily as the President of the Management Board of KGHM Polska Miedź S.A., Vice President of the Management Board (Finance) of KGHM Polska Miedź S.A, Vice President of the Management Board (Corporate Affairs) of KGHM Polska Miedź S.A. and Vice President of the Management Board (Development) of KGHM Polska Miedź S.A. for the period from 13 February 2024 until the date of the resolution of the qualification procedures for the position of President of the Management Board of KGHM Polska Miedź S.A. and at least one of the Vice Presidents of the Management Board of KGHM Polska Miedź S.A., however for a period not longer than three months.  |
| <b>6 March 2024</b>     | Zbigniew Bryja resigned from his position as a Member of the Supervisory Board of KGHM Polska Miedź S.A. and from temporarily performing the functions of President of the Management Board of KGHM Polska Miedź S.A., Vice President of the Management Board (Finance) of KGHM Polska Miedź S.A., Vice President of the Management Board (Corporate Affairs) of KGHM Polska Miedź S.A. and Vice President of the Management Board (Development) of KGHM Polska Miedź S.A. and simultaneously he resigned from the function in the Supervisory Board.<br>The Supervisory Board of the Company appointed the following persons to the Management Board of KGHM Polska Miedź S.A.: <ul style="list-style-type: none"> <li>– Andrzej Szydło, by granting him the function of the President of the Management Board,</li> <li>– Piotr Stryczek, by granting him the function of the Vice President of the Management Board (Corporate Affairs),</li> <li>– Mirosław Laskowski, by granting him the function of the Vice President of the Management Board (Production),</li> <li>– Zbigniew Bryja, by granting him the function of the Vice President of the Management Board (Development),</li> <li>– Piotr Krzyżewski, by granting him the function of the Vice President of the Management Board (Finance).</li> </ul> |
| <b>29 March 2024</b>    | Mirosław Kidoń resigned from the function of Vice President of the Management Board (International Assets) of KGHM Polska Miedź S.A., and thus from membership in the Management Board of KGHM Polska Miedź S.A., as of 1 April 2024.  |

After the above-mentioned changes, from 1 April 2024 the composition of the Management Board of the Company presents as follows:

- Andrzej Szydło                      President of the Management Board,
- Piotr Stryczek                      Vice President of the Management Board (Corporate Affairs),
- Mirosław Laskowski                Vice President of the Management Board (Production),
- Zbigniew Bryja                      Vice President of the Management Board (Development),
- Piotr Krzyżewski                  Vice President of the Management Board (Finance).

<sup>26</sup> From 2 January 2023 to 11 January 2024 . Up to 1 January 2023 this function was held by Tomasz Zdzikot.

<sup>27</sup> As a result of the resignation of Marek Świder, from 11 January 2024 the duties of the Vice President of the Management Board (Production) were performed by the Vice President of the Management Board, Mirosław Kidoń. Due to the temporary assignment of the duties of Vice President of the Management Board (Production) of KGHM Polska Miedź S.A. to Mirosław Kidoń, the Supervisory Board assigned the duties of the Vice President of the Management Board (Development) to Mateusz Wodejko, Vice President of the Management Board (Finance), as of 12 January 2024.

The distribution of competence in the Management Board as at 31 December 2023 and as at the day of signing the report is presented in [Diagram 13. Management structure of KGHM Polska Miedź S.A.](#)

The scope of the Management Board's responsibilities includes all aspects of the Company's affairs, except for the instances reserved in the Commercial Partnerships and Companies Code and the Statutes of the Company and other mandatory provisions of law as regards the rights of the General Meeting of KGHM Polska Miedź S.A. or the Supervisory Board of KGHM Polska Miedź S.A.

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

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

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

|   |  |
|---|--|
| <b>Andrzej Szydło</b><br>President of the<br>Management Board                       | <p>A graduate of the Faculty of Mechanical and Power Engineering at Wrocław University of Science and Technology, as well as the School for Managers in Industry and Studies in Strategic and Operational Corporate Management. Completed post-graduate studies in managing corporate value at the SGH Warsaw School of Economics.</p> <p>An experienced manager specialising in management and the implementation of innovative solutions, as well as the realisation of investment and maintenance projects. Among others he has been involved in implementing ISO-based management and also Integrated Management Systems. Skilled in conducting negotiations and managing projects using Prince2 and Ten Step methodology. He has enhanced his know-how during training in the areas of strategy, labour law and HR. He participated in the KGHM Executive Academy organised by IMD.</p> <p>Since 2021 he has been a member of the management board of Hyundai Engineering Poland, and previously a member of the management board of SPS Incon Sp. z o.o. Since the start of his professional career he has been involved with KGHM Polska Miedź S.A., where he progressed from shift master at the Głogów Copper Smelter and Refinery, to manager of the heat and power plant, head of the power unit, technical director and executive director of this division. In the years 2010 – 2014 he worked in the Head Office of KGHM Polska Miedź S.A. as a director of the production infrastructure department, a director of the technology department and a director of the Pyrometallurgy Modernisation Program. He was also chairman and later secretary of the Supervisory Board of one of the KGHM Polska Miedź S.A. Group's companies, Energetyka Sp. z o.o.</p> <p>He is a recipient of a Bronze Service Star, a Bronze Service Medal for Fire Fighting and a Silver Medal „Za Zasługi dla Obronności Kraju” (Medal of Merit for National Defence). He also received an honorary award from the Minister of the Economy „Za zasługi dla Energetyki” (Medal of Merit for Energy). In 2006 he received the honorary award “Zasłużony dla KGHM Polska Miedź S.A.” (In the Service of KGHM Polska Miedź S.A.).</p>   |
| <b>Zbigniew Bryja</b><br>Vice President of the<br>Management Board<br>(Development) | <p>An experienced manager specialising in the mining sector, especially in the management of companies, production oversight, supervision of investment activities as regards mining and metallurgy, as well as oversight of mine operations.</p> <p>Working for KGHM since the start of his professional career. In the years 1995-1997 he served in the Rudna mine of KGHM Polska Miedź S.A. as the Chief Engineer for Orebody Mechanics and Development, subsequently in the years 1997-2002 as the Director for Development and Production Preparation in this mine. He held the position of Executive Director of the Polkowice-Sieroszowice mine in the years 2002-2003. From 2003 to 2006 he worked in the Office of the Management Board of KGHM Polska Miedź S.A. (currently the Head Office) as the Executive Director for Mining, and later as the Executive Director for Investments and Development. In recent years he was President of the Management Board of the following companies: PAK KWB Adamów S.A., PAK KWB Konin S.A., PAK Górnictwo sp. z o.o.</p> <p>He has many years of professional experience in managing corporations, production and in the area of mining technology. He gained experience in improving production processes and investment projects both in KGHM and outside of the Group.</p> <p>He is a graduate of the Mining Faculty of Wrocław University of Science and Technology with a specialty in deposits mining technology, as well as mine geophysical studies at the AGH University of Science and Technology in Kraków. He completed a variety of managerial courses in international academic institutions involving the improvement of investment and financial processes in companies.</p> <p>He is the author and co-author of numerous articles and publications in areas in which he specialises.</p> <p>He holds the title of General Mine Director, 1st, 2nd and 3rd degree, granted by the Minister of the Economy. He was honoured by the President of the Republic of Poland with the Bronze, Silver and Gold Service Cross. He also received the honorary titles of „Zasłużony dla KGHM Polska Miedź S.A.” (Of service to KGHM Polska Miedź S.A.) and „Zasłużony dla ZG „Rudna” (Of service to the Rudna mine). In the years 2002-2005 he was appointed by the President of the Supreme Mining Office as a Member of the Commission on Tremors, Restoration and Corridor Direction in Copper Ore Mines, and in the years 1998 – 2000 as a Member of the Commission on Restoration of Corridors and Pillars.</p> |

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**Piotr Krzyżewski**  
**Vice President of the Management Board (Finance)**

A manager with many years of experience in both the production and investment sectors. Experienced in the management of companies, groups and finance in developed groups. Specialises in the evaluation of the profitability of investments, restructuring and optimising processes, managing financial risk, managing liquidity and developing and executing financing strategies.

He is a graduate of the SGH Warsaw School of Economics with a major in finance and banking as well as international economic relations. Completed doctoral studies in economics. Holds a broker license and completed numerous courses and training in the areas of team management, crisis management, communication and international cooperation.

In the years 2006-2014 he managed the area of finance in the company Polski Holding Obronny, and subsequently served as the President of ARP Venture. In the years 2016-2018 he was an advisor to the Management Board and CFO in the company Edge One Solutions. From 2018 to 2022 he was a Member of the Management Board of Luma Holding Ltd. (*family office*), as well as a Member of the Investment Committee. He was involved in the supervising of comprehensive finances of a group in Poland and abroad. From 2022 he worked as director of the financial office of the WIG20 company JSW S.A., where among others he was responsible for company and group liquidity, exchange rate hedging and financial supervision of key investments.

He created a business model, created and managed a second-round fund in Poland. He built and obtained the first Sustainability Linked-Loan (SLL) in Central and Eastern Europe, and one of the first in the European mining sector. He holds managerial experience in the mining and metallurgical sector in Europe and Africa. He carried out numerous trade finance transactions with partners on various continents.

He is experienced in negotiations, due diligence and the conduct and supervision of acquisitions of companies in Poland and abroad. A member of Supervisory Boards and Investment Committees – responsible for the processes of merger, restructuring and optimisation as well as the setting of development directions.

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**Mirosław Laskowski**  
**Vice President of the Management Board (Production)**

Since the start of his professional career in 1987 he has been connected with KGHM Polska Miedź S.A. In the years 2015-2016 he served as Vice President of the Management Board (Production) of KGHM Polska Miedź S.A. He was a Director in the following Divisions of the Company: the Rudna mine and the Polkowice-Sieroszowice mine. An experienced manager with successes in the management of large employee teams, responsible for implementing solutions supporting business efficiency and optimising company costs. Responsible among others for planning the development of the core business and for seeking and implementing new technologies and methods for managing organisational structures in the copper company.

He has many years of experience in preparing corporate development plans with a 40-50 year outlook. Actively participated in the implementation of Lean Management systems based on 5S and TPM. He is a co-creator of several copper ore deposit mining systems and is the originator and co-creator of KGHM's unified safety system based on 3 pillars: education, environment and health. He created in the copper company solutions involving the prevention of mine-related threats. He was also responsible for leading numerous rescue operations.

He received the Knight's Cross of the Order of Polonia Restituta for the rescue operation in the Rudna mine in March 2013.

A graduate of the Faculty of Mining, with specialisation in deposit mining technology at Wrocław University of Science and Technology. Also completed post-graduate studies in financial management and organisation and management at Wrocław University of Economics. He gained experience in the Leadership Academy and the Innovation Academy of the ICAN Institute and in the TenStep Academy in Warsaw.

In the years 2017-2018 he was a member of the Gas and Geodynamics Hazard Committee appointed by the President of the State Mining Authority. Since November 2018 he has been a member of the Hazards Committee under the President of the State Mining Authority.

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**Piotr Stryczek**  
**Vice President of the Management Board (Corporate Affairs)**

He holds experience in the conduct of business activities, strategic consultancy and corporate supervision. Specialises in corporate developmental restructuring and equity investments.

From 2015 he was president of the management board of Automatyka Spółka z o.o., a company involved in the comprehensive implementation of new, and the maintenance of existing, production line control systems based on modern solutions by global producers. Involved with KGHM Polska Miedź S.A., where he worked among others as director of the corporate supervision department. Carried out the processes of asset and equity restructuring in KGHM Polska Miedź S.A. and supervised Group companies. In the years 2002-2006 he was a vice president of a company in the KGHM Group, Pol-Miedź Trans Sp. z o.o. During his professional career he also held managerial functions in the companies Telefonika S.A. and TELBESKID.

A graduate of the Faculty of Law and Administration at Wrocław University majoring in law and administration, specialising in management. He is an Attorney-at-law. He has completed a variety of courses and training in the areas of accounting, strategic communication and equity acquisitions.

He was a member of the supervisory boards and management boards of many limited companies, including in the Legnica Special Economic Zone, Zagłębie Lubin, KGHM Metale and Krakowska Fabryka Kabli.

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

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

### 3.3.2 Description of the application of DPSN 2021 – the Supervisory Board of KGHM Polska Miedź S.A. (the Supervisory Board)

#### **The principles of appointing and dismissing the Members of the Supervisory Board**

According to the Company's Statutes the Supervisory Board shall be composed of 7 to 10 persons appointed by the General Meeting, including at least 3 members elected by employees of the KGHM Polska Miedź S.A. Group. The Supervisory Board Members are appointed for a mutual term of office, which lasts three years. Before the end of term of office the mandate of the Supervisory Board members expires in case of resignation, death or dismissing the member by the General Meeting.

#### **Composition and personnel changes of the Supervisory Board in 2023**

In the period from 1 January 2023 to 31 December 2023, there were no changes to the composition of the 11<sup>th</sup> term Supervisory Board of KGHM Polska Miedź S.A. which in this period was as follows:

- Agnieszka Winnik-Kalemba Chairwoman of the Supervisory Board
- Katarzyna Krupa Deputy Chairwoman of the Supervisory Board
- Wojciech Zarzycki Secretary
- Andrzej Kisielewicz
- Marek Wojtków
- Radosław Zimroz
- Piotr Ziubroniewicz

members elected by employees of the KGHM Polska Miedź S.A. Group:

- Józef Czyczerski
- Przemysław Darowski
- Bogusław Szarek

On 13 February 2024, the Extraordinary General Meeting of KGHM Polska Miedź S.A.:

- dismissed the following persons from the composition of the Supervisory Board of the Company: Andrzej Kisielewicz, Katarzyna Krupa, Agnieszka Winnik-Kalemba, Marek Wojtków, Wojciech Zarzycki, Radosław Zimroz and Piotr Ziubroniewicz, as well as
- appointed the following persons to the composition of the Supervisory Board of KGHM Polska Miedź S.A.: Zbigniew Bryja, Aleksander Cieśliński, Zbysław Dobrowolski, Dominik Januszewski, Tadeusz Kocowski, Marian Noga and Piotr Prugar.

In addition, on 6 March 2024, Zbigniew Bryja resigned from the membership in the Company's Supervisory Board.

Following the above changes, the composition of the Supervisory Board is as follows:

- Tadeusz Kocowski Chairman of the Supervisory Board
- Marian Noga Deputy Chairman of the Supervisory Board
- Aleksander Cieśliński
- Zbysław Dobrowolski
- Dominik Januszewski
- Piotr Prugar

members elected by employees of the KGHM Polska Miedź S.A. Group:

- Józef Czyczerski
- Przemysław Darowski
- Bogusław Szarek Secretary

#### **The manner of operation of the Supervisory Board**

The Supervisory Board acts on the basis of established law, the Statutes of the Company and the Bylaws of the Supervisory Board of KGHM Polska Miedź S.A. The Bylaws of the Supervisory Board of KGHM Polska Miedź S.A. and Statutes of the Company are publicly available on the website of the Company in section [Corporate governance](#).

The Supervisory Board shall select from among its members a Chairman of the Supervisory Board, his Deputy and, if necessary, a Secretary.

For resolutions of the Supervisory Board to be valid it is required that all Members of the Supervisory Board be invited to a meeting and that resolutions be adopted by an absolute majority of votes, in the presence of at least one-half of the members. The voting is open, unless the law provides otherwise or any Members of the Supervisory Board requests a secret ballot.

In justified instances the Supervisory Board may also pass resolutions in written form or through the use of long-distance means of direct communication. A resolution passed in this manner shall be valid if all Members of the Supervisory Board were informed of the wording of the proposed resolution and in the presence during adopting the resolution of at least one-half of the Members of the Supervisory Board.

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

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

The Supervisory Board should be convened at least once a quarter. In 2023, 6 meetings of the Supervisory Board were held. The absence of Members of the Supervisory Board was incidental and did not affect its work. In 2023, the Supervisory Board adopted five resolutions to justify the absence of a Member of the Supervisory Board at the meeting. The attendance rate of individual Supervisory Board Members in 2023 was as follows: Agnieszka Winnik-Kalemba (100%), Katarzyna Krupa (100%), Wojciech Zarzycki (100%), Andrzej Kisielewicz (83%), Marek Wojtków (100%), Radosław Zimroz (83%), Piotr Ziubroniewicz (67%), Bogusław Szarek (83%), Przemysław Darowski (100%), Józef Czyczerski (100%).

### **Qualifications and experience of Members of the Supervisory Board and their independence**

The Supervisory Board is the permanent supervisory authority of KGHM Polska Miedź S.A., in all of the Company's operational areas. This function is exercised among others through the right to receive cyclical or advisory information from the Company concerning its assets, as well as important circumstances involving the Company's affairs, in particular in terms of the operations, investments and staff.

The detailed scope of duties of the Supervisory Board and the manner of its proceedings is described in the Statutes of the Company and the Bylaws of the Supervisory Board of KGHM Polska Miedź S.A. are available on the Company website in the section [Corporate Governance](#). The Members of the Supervisory Board should, in performing their duties, exercise the due diligence arising from the professional nature of their activities as well as loyalty towards the Company.

As at 31 December 2022 and 31 December 2023, the following Members of the Supervisory Board: Agnieszka Winnik-Kalemba, Wojciech Zarzycki, Andrzej Kisielewicz, Piotr Ziubroniewicz, Radosław Zimroz and Marek Wojtków, had submitted declarations according to which they meet the criteria of independence referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision, and have no actual and material relations with any shareholder who holds at least 5% of the total vote in the Company (principle 2.3. of DPSN 2021).

As at the date of signing the report, the following Members of the Supervisory Board: Tadeusz Kocowski, Aleksander Cieśliński, Dominik Januszewski, Marian Noga, Piotr Prugar and Zbysław Dobrowolski had submitted declarations according to which they meet the criteria of independence referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision, and have no actual and material relations with any shareholder who holds at least 5% of the total vote in the Company (principle 2.3. of DPSN 2021).

### **Biograms of Members of the Supervisory Board**

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**Tadeusz Kocowski**  
**Chairman of the**  
**Supervisory Board**

Professor, habilitated doctor of law. Professor and a former Head of the Department of Economics Law of the Faculty of Management of Wrocław University of Economics and Business. A retired professor of Wrocław University, a former director of the Institute of Administrative Studies and a Head of the Department of Public Economic Law of the Faculty of Law, Administration and Economics of Wrocław University.

He is the author or co-author of around 200 academic publications, among others: Administracyjne prawo gospodarcze (Administrative economic law), Publiczne prawo gospodarcze (Public economic law), Reglamentacja działalności gospodarczej w polskim administracyjnym prawie gospodarczym (Rationing of economic activities in Polish administrative economic law), Prawo dla ekonomistów (Law for economists), Zamówienia publiczne jako przedmiot regulacji prawnej (Public procurement as a subject of regulations), Prawo geologiczne i górnicze (Mining and geological law). He promoted 10 doctors of law, prepared 11 reviews of doctoral theses and participated in 4 postdoctoral dissertations. Co-author of joint studies of the Wrocław University and Wrocław University of Economics and Business, the graduates of which receive diplomas of both universities, entitled Legal and Economic Consulting.

At the end of the last century, and currently as well, he actively participates in the process of economic transformation. Initially in affairs of a self-governing state-owned company and the self-government of its employees, restitution of commercial companies and local self-governments engaged in economic activities and subsequently in economic freedom and organisational-ownership changes. In the years 90-92 he cooperated with KGHM Polska Miedź S.A. in the process of transforming the combine.

He was an advisor in the Economic Development Section of the Voivodeship Office in Wrocław, a member of the Self-Government Appeal Court. He is an arbitrator in the Wrocław Center of Arbitration at the District Barristers Council in Wrocław. He is related with the issues of public procurement and public-private partnerships. He participated in the creation of regulations on safety and fire protection, organiser of many academic conferences on this topic.

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| <p><b>Marian Noga</b><br/>Deputy Chairman of the Supervisory Board</p>  | <p>Professor of economic sciences, he served as rector of Wrocław University of Economics and Dean of the Faculty of National Economy at the same university. In the years 2000-2004 he was a Senator of the 4th and 5th terms of the Republic of Poland. He was a member of the Monetary Policy Council in the years 2004-2010. Chairman of the Committee on Economic Sciences of the Polish Academy of Sciences in the years 2007-2014. In 2010, he was awarded the badge of honour "For merits to banking in the Republic of Poland". Author of 34 monographs and more than 170 scientific articles published in Poland, Germany, Ukraine and the United Kingdom. He is a regular economic commentator on television, radio and the press.</p>  |
| <p><b>Bogusław Szarek</b><br/>Secretary of the Supervisory Board, member of the Supervisory Board elected by the employees of the Group</p> | <p>Employed since 1982 at the Sieroszowice Mine of KGHM Polska Miedź S.A. as a mining machinery and tools mechanic. Secondary technical education. Since 1992 – Chairman of the Plant Committee of the trade union NSZZ „Solidarność” in the Sieroszowice Mine. Following the merger of the Polkowice mine with the Sieroszowice mine, since 1996 – Chairman of the Plant Committee of the trade union NSZZ „Solidarność” in the Polkowice – Sieroszowice mine. Since 2012 – employee-elected Member of the Supervisory Board of KGHM Polska Miedź S.A. Chairman of the Board of the trade union Krajowa Sekcja Górnictwa Rud Miedzi NSZZ „Solidarność” in Lubin. Vice-Chairman of the Krajowy Sekretariat Górnictwa i Energetyki of the trade union NSZZ „Solidarność” in Katowice. Member of the National Committee of the trade union NSZZ „Solidarność”.</p>   |
| <p><b>Aleksander Cieśliński</b></p>   | <p>Legal counsel with over 20 years of experience in developing legal and expert opinions in the area of EU law and international protection of human rights for entities in the public and private sectors, international law, as well as experience in participating in proceedings before the European Court of Human Rights and the Court of Justice of the European Union. Moreover, he engaged in economic activity related to international trade and has experience in trade negotiations with foreign entities. He is a graduate of the Faculty of Law and Administration of Wrocław University. He received recognition by the Council of the aforementioned Faculty for his doctorate in international law. He is a professor in the International and European Law Department of the Faculty of Law, Administration and Economics of Wrocław University. He conducts seminars and lectures on full-time and postgraduate studies, as well as English speaking studies such as LMM (Large Language Model). He has many years of experience in lecturing and teaching, among others for legal trainees, legal advisers and judges. He was a lecturer in the Department of Economic Law of Wrocław University of Economics, in the Copper Basin Vocational University in Lubin and in the Higher School of Trade in Wrocław. He is the author and co-author of many academic publications and scientific publications, among others in the area of EU and economic law, including "System prawa UE" (European Union law system) and "Komentarz do Traktatu o Unii Europejskiej" (Commentary to the Treaty on the European Union).</p>   |
| <p><b>Józef Czyczerski</b><br/>Member of the Supervisory Board elected by employees of the Group</p>  | <p>Secondary technical education. Since 1979 employed in KGHM Polska Miedź S.A., underground electromechanics. Chairman of the trade union Krajowa Sekcja Górnictwa Rud Miedzi NSZZ Solidarność. Employee-elected member of the Supervisory Board of KGHM Polska Miedź S.A. in the years 1999-2011, and then from 2014.</p>  |
| <p><b>Przemysław Darowski</b><br/>Member of the Supervisory Board elected by employees of the Group</p>                                     | <p>He has higher technical education. Professional work commenced in 1997 as a metallurgist, next as a Railways rolling stock specialist in Pol- Miedź Trans Sp. z o.o. From 2003 Head of the Unit responsible for maintenance planning and settlement as well as Maintenance Control, subsequently Head of the Railways Operations Unit in Głogów. From 2006, Senior Specialist / Commissioner of the Railway Cars Maintenance Handover Unit. Cooperated with the Municipality (Gmina) of Legnica, on behalf of which the Zespół Szkół Technicznych i Ogólnokształcących im. Henryka Pobożnego (Henryk Pobożny Technical and General School Complex) in Legnica acts as regards the operation of a training and examinations center for train drivers and candidates for train drivers. Former member of the railways commissions in Pol-Miedź Trans Sp. z o. which review railway accidents and incidents. Moreover, in the years 2017-2019 served as an Employee Labour Inspector. Currently Chairman of the Interdivisional Commission of the NSSZ „Solidarność” in Pol-Miedź Trans Sp. z o. Member of the trade union Sekcja Krajowa Górnictwa Rud Miedzi NSZZ „Solidarność”. Member of the Management Board of Region Zagłębie Miedziowe NSZZ „Solidarność”.</p>   |
| <p><b>Zbysław Dobrowolski</b></p>   | <p>Professor at Jagiellonian University in Kraków, Ph.D in Economics: economics and corporate organisation, with the status of habilitated doctor in the area of management. He has more than 30 years of experience in research and the evaluation of enterprises involving public property, including resulting from more than 25 years of work at the supreme national control body, among others as a manager of one of the delegations. Engaged in internal auditing activities. Author of numerous scientific publications on controlling, auditing and implementation of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) guidelines. Expert in many international programs, including those financed by the International Organization of Supreme Audit Institutions (INTOSAI), Organisation for Economic Co-operation and Development (OECD) and European Union (EU), as well as a speaker during the Organization for Security and Co-operation in Europe (OSCE) conference. In 1998 he took part in a prestigious internship aimed at the management of the highest governmental control bodies: the GAO International Auditor Fellowship Program of the U.S. Government Accountability Office. Since 2008 he had been involved with INTOSAI, where in the role of expert he trained employees of the highest governmental control bodies from several dozen countries, and co-founded three global standards and audit guidance. He is an expert involved in a dozen or so international enterprises, including those organised by the OECD or the European Union, aimed at improving the management of international organisations in other countries.</p> |

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| <b><u>Dominik Januszewski</u></b> | An experienced manager, an expert in the areas of management and finance. For more than 25 years he worked in the companies Ernst&Young and Arthur Andersen. In the years 2005-2019 he was a Partner in Ernst&Young responsible for projects involving business consultancy, transactional consultancy and privatisation, as well as the auditing of financial statements. As a Partner, he managed a team of more than 200 consultants. His clients included the largest financial institutions in Poland. Currently he is responsible for a strategic consulting team at JLL involved in developing and implementing an ESG strategy as well as a strategy to optimize the energy aspects of companies. He is a Polish Certified Auditor, and has taken numerous professional courses in the areas of auditing, consultancy and management. In 2022 he received a Certificate from the University of Cambridge: "Business Sustainability Management". He is a graduate of the University of Łódź, Faculty of Economics-Sociology, specializing in Finance and Banking. |
| <b><u>Piotr Prugar</u></b>        | A graduate of the Faculty of Law and Administration of Wrocław University. Legal counsel, with many years of experience in the area of legal services and management of economic entities. Co-worked as and served as the receiver, liquidator and proxy for company management boards. Served as a representative of creditors in insolvency and restructuring proceedings, among others in GetBack S.A w restrukturyzacji, Hawe Telekom S.A. w restrukturyzacji, Fakos sp. z o.o. (subsidiary of Kopex SA), Technical Glassworks (Huta Szkła Technicznego), Paper Mill in Dąbrowica (Fabryka Papieru w Dąbrowicy), Julia Glassworks (Huta Julia) and others.   |

### **Supervisory Board Committees**

Within the Supervisory Board there are three permanent committees which serve in an auxiliary role to the Supervisory Board in the preparation of assessments, opinions and other actions aimed at reaching decisions which must be made by the Supervisory Board. After the end of the year, the committees submit reports on their activities to the Supervisory Board. The Committees elect a Chairman from among themselves. Internal regulations on the basis of which the following Committees organize their work and their changes are adopted by the Supervisory Board.

#### **Audit Committee**

Responsible for supervision in the areas of financial reporting, the internal control system, risk management and internal and external audits.

In the period from 1 January 2023 to 31 December 2023, there were no changes to the composition of the Audit Committee of the Supervisory Board of KGHM Polska Miedź S.A. The composition of the Audit Committee of the Supervisory Board of from 1 January 2023 to 31 December 2023 was as follows:

- Wojciech Zarzycki Chairman
- Agnieszka Winnik-Kalemba
- Andrzej Kisielewicz
- Katarzyna Krupa
- Marek Wojtków
- Bogusław Szarek
- Przemysław Darowski

The composition of the Audit Committee of the Supervisory Board from 13 February 2024 is as follows:

- Zbysław Dobrowolski Chairman
- Aleksander Cieśliński
- Przemysław Darowski
- Dominik Januszewski
- Tadeusz Kocowski
- Marian Noga
- Piotr Prugar
- Bogusław Szarek

In terms of supervision over financial reporting the major tasks of the Audit Committee are as follows:

- monitoring of the financial reporting process,
- the conduct of financial review,
- conducting reviews of transactions carried out by the Company, which the Audit Committee considers as significant for the Company,
- submitting recommendations aimed at ensuring the transparency of the Company's financial reporting process.

In terms of internal and external audit the major tasks of the Audit Committee are as follows:

- providing an opinion on the Company's internal audit plan and the internal audit bylaws, as well as changes in the position of internal audit director who reports directly to the President or other Member of the Management Board,
- analysis of the conclusions and recommendations of the Company's internal audit together with monitoring the degree of implementation of recommendations made by the Management Board,



- controlling and monitoring the independence of the certified auditor and the auditing firm, in particular if the auditing firm provides other services to the Company apart from auditing,
- assessing the independence of the certified auditor and expressing consent for the certified auditor to provide permitted non-auditing services in the Company,
- developing a policy for selecting an auditing firm to conduct the audit, developing a policy for the auditing firm conducting audits, through entities related to the said auditing firm and by a member of the auditing firm's network, to provide permitted non-auditing services and setting forth the Company's procedures for selecting an auditing firm,
- making a recommendation to the Supervisory Board on the appointment of an independent auditor to review the internal audit function.

In 2023 there were 7 meetings of the Audit Committee. The absence of Audit Committee Members was incidental and did not affect its work. In 2023, the Audit Committee adopted four resolutions to justify the absence of a Member of the Audit Committee at a meeting. The attendance rate of individual Members of the Audit Committee of the Supervisory Board in 2023 was as follows : Wojciech Zarzycki (100%), Agnieszka Winnik-Kalemba (86%), Katarzyna Krupa (86%), Andrzej Kisielewicz (71%), Marek Wojtków (100%), Bogusław Szarek (100%), Przemysław Darowski (100%).

In 2023, the Audit Committee, during its meetings, dealt with and became acquainted with information on, among others:

- market and corporate risk management in the KGHM Polska Miedź S.A. Group, including in detail in matters relating to key risk,
- financial and production results in the KGHM Polska Miedź S.A. Group,
- expenses related to consulting services, auditing financial and legal statements, marketing and advertising, cultivating traditions, representation and sponsorship,
- the anti-corruption management system based on the international PN-ISO 37001 standard,
- procedures in the event that the audit firm has lost its license or is otherwise prevented from carrying out the audit,
- updating the procedure for selecting the audit firm to carry out the audit of financial statements in connection with the recommendation of the Polish Financial Supervision Authority,
- assessment of the independence of the auditing firm in the provision of permitted non-auditing services,
- implementation of the audit plan for 2022 and the first half of 2023.

#### **Independence assessment**

In the period from 1 January 2023 to 31 December 2023 the majority of the Members of the Audit Committee, including its Chairman, met the independence criteria referred to in art. 129 sec. 3 of the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision. The Members of the Audit Committee that met the criteria of independence were Agnieszka Winnik-Kalemba, Andrzej Kisielewicz, Marek Wojtków, Wojciech Zarzycki.

The Supervisory Board evaluated the submitted declarations regarding the fulfilment of independence criteria and adopted appropriate resolutions regarding verification of the declarations of members of the Supervisory Board's Audit Committee, which in the end determined that 6 of the 10 members of the Supervisory Board fulfilled independence criteria (60%).

As at the date of signing the report, most of Members of the Audit Committee, including its Chairman, meet the independence criteria referred to in art. 129 sec. 3 of the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision. The independent Members of the Audit Committee are: Tadeusz Kocowski, Aleksander Cieśliński, Dominik Januszewski, Marian Noga, Piotr Prugar, Zbysław Dobrowolski.

The Supervisory Board evaluated the submitted declarations regarding the fulfilment of independence criteria and adopted appropriate resolutions regarding verification of the declarations of members of the Supervisory Board's Audit Committee, which in the end determined that 6 of the 8 members of the Supervisory Board fulfils independence criteria (75%).

#### **Qualifications, knowledge and skills**

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

Dominik Januszewski has been selected as a Member of the Audit Committee by virtue of his knowledge and skills in accounting and auditing financial statements. Compliance with the requirements concerning the knowledge and skills pertaining to accounting and auditing financial statements was validated by means of verifying appropriate documents concerning education and work experience. In 1994, Dominik Januszewski graduated from the Faculty of Economics and Sociology of the University of Łódź, where he studied Finance and Accounting. Since 2001, he has been a qualified certified auditor.

Between 1994 and 2002 Dominik Januszewski worked at Arthur Andersen Polska, first as a consultant in the financial institution audit department before moving on to become a Manager responsible for auditing financial statements. In 2002, he joined Ernst & Young Polska as a Senior Manager in the audit department of financial institutions. In the years 2005-2019, he was a Partner at Ernst & Young Polska and during this period, among others in years 2007-2015, he served as a leader of the audit department of financial institutions at Ernst & Young Polska.

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

### **Firm auditing the financial statements**

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

- Policy of KGHM Polska Miedź S.A. for the selection of the auditing firm to conduct audits of the financial statements, adopted by Resolution No. 146/X/23 of the Supervisory Board of KGHM Polska Miedź S.A., dated 12 October 2023 (hereafter: the “Selection policy”),
- Policy for permitted non-auditing services to be provided by the auditing firm conducting audits of the KGHM Polska Miedź S.A. Group through entities associated with the auditing firm and through a member of the auditing firm’s network, adopted by the Resolution No. 152/X/21 of the Supervisory Board of KGHM Polska Miedź S.A. dated 22 October 2021 (hereafter: the “Services policy”),
- Procedure of KGHM Polska Miedź S.A. concerning the selection of the audit firm auditing the financial statements adopted by the Resolution No. 24/X/2023 of the Supervisory Board’s Audit Committee of KGHM Polska Miedź S.A. dated 12 October 2023 r. (hereafter: the “Selection procedure”).

Main tenets of the Selection policy:

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

Main assumptions of the Services policy:

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

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

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

On 22 October 2023, the Audit Committee of the Supervisory Board positively evaluated the services of the existing auditing firm and issued a recommendation to the Supervisory Board regarding the extension of the contract with the existing auditor for auditing and reviewing the financial statements of KGHM Polska Miedź S.A. for 2025 - 2028. On 31 October 2023, after reviewing the recommendation of the Audit Committee, the Supervisory Board decided to approve the conclusion of an annex to the existing agreement by the Company.

In 2023, the following permitted non-audit services were provided to the Company by the audit firm auditing its financial statements:

- an independent attestation service of the responsible gold and silver supply chain management process to confirm compliance with the requirements of the London Bullion Market Association ("LBMA"),
- confirmation of the correctness of data calculation in order to meet the requirements of art. 52 sec. 3 of the Act dated 20 February 2015 on renewable energy sources,
- issuing an opinion for the purposes of exemption from excise duty on electricity in energy-intensive plants in accordance with art. 31d sec. 8 of the Act dated 6 December 2008 on excise duty,
- evaluation of the Remuneration Report of the Management Board and Supervisory Board of KGHM Polska Miedź S.A.,
- verification of financial covenants in relation to loan agreements signed between KGHM Polska Miedź S.A. and the European Investment Bank,
- evaluation of the report prepared in accordance with the provisions of the Government program entitled "Aid for energy-intensive sectors related to sudden increases in natural gas and electricity prices in 2022",
- evaluation of the calculation report, which includes the calculation of the shares of revenues from specific PKD codes or PRODCOM codes in total revenues in accordance with the provisions of the Government Program entitled "Aid for energy-intensive industry related to natural gas and electricity prices in 2023",
- review of the financial statements for the first half of 2023.

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

Detailed information on remuneration of the entity entitled to audit the financial statements for the review and audit of financial statements and other remuneration is presented in note 12.9 of the separate and consolidated financial statements.

#### **Remuneration Committee**

Responsible for supervising the realisation of contracts signed with the Management Board, the remuneration system and benefits paid out in the Company and the Group, training and other benefits provided by the Company, as well as audits performed by the Supervisory Board in this regard.

The composition of the Remuneration Committee of the Supervisory Board from 1 January 2023 to 31 December 2023 was as follows:

- Katarzyna Krupa Chairwoman
- Józef Czyczerski
- Andrzej Kisielewicz
- Bogusław Szarek
- Agnieszka Winnik-Kalemba
- Marek Wojtków
- Wojciech Zarzycki
- Radosław Zimroz

The composition of the Remuneration Committee of the Supervisory Board of KGHM Polska Miedź S.A. from 13 February 2024 was as follows:

- Tadeusz Kocowski Chairman
- Zbigniew Bryja
- Aleksander Cieśliński
- Józef Czyczerski
- Zbysław Dobrowolski
- Marian Noga
- Bogusław Szarek

The composition of the Remuneration Committee from 7 March 2024 is as follows:

- Tadeusz Kocowski Chairman
- Aleksander Cieśliński
- Józef Czyczerski
- Zbysław Dobrowolski
- Marian Noga
- Bogusław Szarek

The tasks of the Remuneration Committee are as follows:

- the management of issues related to the recruitment and employment of members of the Management Board by preparing and arranging draft documents and processes to be submitted for the acceptance of the Supervisory Board,

- the preparation of draft contracts/agreements and other sample documents related to the establishment of an employment relationship with a Member/Members of the Management Board and oversight of the execution of the contractual obligations by the parties,
- oversight of the execution of the Management Board remuneration system, in particular the preparation of settlement documents with respect to variable/exchangeable bonus elements of the remuneration in order to submit recommendations to the Supervisory Board and development of a draft report of the Supervisory Board on the remuneration of Members of the Management Board and Supervisory Board,
- monitoring and periodic assessment of the remuneration system for the Company's senior management and, if necessary, the preparation of recommendations for the Supervisory Board,
- oversight of the proper execution of additional benefits for Members of the Management Board arising from agreements binding Members of the Management Board with the Company,
- other tasks ordered by the Supervisory Board.

### **Strategy Committee**

Supervises the realisation of company strategy, the company's annual and long-term operating plans, supervising the coherence of these documents, and also provides its opinion to the Supervisory Board on the strategic projects presented by the Management Board of the Company and any changes thereto, as well as on the company's annual and long-term operating plans.

The composition of the Strategy Committee of the Supervisory Board from 1 January 2023 to 31 December 2023 was as follows:

- Andrzej Kisielewicz Chairman
- Józef Czyczerski
- Przemysław Darowski
- Katarzyna Krupa
- Bogusław Szarek
- Agnieszka Winnik- Kalemba
- Marek Wojtków
- Wojciech Zarzycki
- Radosław Zimroz
- Piotr Ziubroniewicz

The composition of the Strategy Committee of the Supervisory Board from 13 February 2024 was as follows:

- Marian Noga Chairman
- Zbigniew Bryja
- Aleksander Cieśliński
- Józef Czyczerski
- Przemysław Darowski
- Zbysław Dobrowolski
- Dominik Januszewski
- Tadeusz Kocowski
- Piotr Prugar
- Bogusław Szarek

The composition of the Strategy Committee of the Supervisory Board from 7 March 2024 is as follows:

- Marian Noga Chairman
- Aleksander Cieśliński
- Józef Czyczerski
- Przemysław Darowski
- Zbysław Dobrowolski
- Dominik Januszewski
- Tadeusz Kocowski
- Piotr Prugar

The tasks of the Strategy Committee are as follows:

- execution on behalf of the Company's Supervisory Board of tasks in the area of oversight of issues associated with the Company's strategy and the annual and long-term operating plans of the Company,
- monitoring execution of the Company's strategy by the Management Board and issuing opinions on the degree to which the existing strategy is able to deal with changes in the actual situation,
- monitoring execution of the annual and long-term operating plans of the Company by the Management Board, and assessment of whether these plans need to be modified,
- assessment of the consistency of the annual and long-term operating plans of the Company with the Company's strategy as executed by the Management Board, and the presentation of any proposed changes in all such Company documents,

- submission to the Company's Supervisory Board of its opinions regarding the draft strategies of the Company and any changes thereto and of the annual and multi-year operating plans of the Company, as presented by the Company's Management Board, including the budget,
- other tasks ordered by the Supervisory Board.

### 3.3.3 Description of the application of DPSN 2021 - Diversity policy

The Company does not have a formally expressed Diversity policy for the Management Board and the Supervisory Board. However, diversity management applies to the members of the Supervisory Board and the Management Board of KGHM Polska Miedź S.A. The management and supervisory teams were composed of persons of various genders, ages and experiences.

Table 23. Diversity structure in the Management Board and the Supervisory Board as at 31 December 2023.

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

KGHM Polska Miedź S.A. applies best practices promoting diversity in relation to employees. As a global company, active on global markets, labour and employee relations standards are applied which are consistent with local laws in force, as well as with those defined by international institutions. Regulations and policies take account of the welfare of employees and mutual relationships, based on best practice, irrespective of the jurisdiction of the place of operation of KGHM Polska Miedź S.A.

KGHM Polska Miedź S.A. creates an environment and a workplace free of discrimination, therefore no forms of discrimination are tolerated, in particular on the grounds of gender, age, ethnic origin, nationality, citizenship, religion, political beliefs and trade union membership.

KGHM Polska Miedź S.A. manages diversity by striving to create an organisational culture based on mutual respect, equal treatment, access to development opportunities and exploitation of staff potential. The approach to diversity management is defined by the "Diversity Declaration of KGHM Polska Miedź S.A."

Moreover, the recruitment process in KGHM Polska Miedź S.A. is carried out with full respect to the principle of diversity and the principle of equal access to employment. All candidates meeting specific criteria of a given recruitment process procedure are treated equally. Participants in the process respect the non-discrimination rule. They strive to ensure reasonable diversity in the selection of personal composition of its workforce while maintaining the supremacy of knowledge, professional competence and social skills.

#### Instances of non-compliance

In accordance with the Statement on the Company's compliance with the corporate governance principles contained in section 2 of the DPSN 2021, the following principles regarding the Management Board and the Supervisory Board are partially applied or not applied:

Table 24. Principles in section 2 of DPSN 2021 partially applied or not applied

| Principle 2.1.   | The principle is partially applied.  |
|--|--|
| according to which a company should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30% | While the Company does not have a Diversity policy as regards the Management Board and Supervisory Board, due to the international scope of its operations, cultural differences and the nature of the sector in which the Group operates, the "Declaration of Diversity of KGHM Polska Miedź S.A." has been implemented. In its operations the Company complies with discrimination prohibitions and undertakes actions aimed at respecting diversity in the workplace. An organisational culture is nurtured based on mutual respect, equality, access to development opportunities and optimal use of employee talent regardless of, among others: ethnic origin, age, gender, sexual orientation, nationality, citizenship, religious orientation, political convictions or trade union membership. The practical application of the "Declaration of Diversity" results in fully respecting gender equality and sufficient selection in terms of expected skills, knowledge, experience and education. The management and supervisory teams were consequently composed of persons of various genders, ages and experiences. More information on the Company's approach to diversity in the supervisory bodies is presented in the further part of the said Corporate Governance Statement. |

|   |   |
|---|---|
| <p><b>Principle 2.2.</b><br/>according to which decisions to elect members of the management board or the supervisory board of a company should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.</p>         | <p><u>The principle is partially applied.</u> As described in reference to principle 2.1, the Company does not currently have a Diversity Policy. The management and supervisory teams were composed of persons of various ages and experiences. More information on the Company's approach to diversity in the supervisory bodies is presented in the further part of the said Corporate Governance Statement.</p>   |
| <p><b>Principle 2.4.</b><br/>according to which the supervisory board and the management board vote in an open ballot unless otherwise required by law.</p>   | <p><u>The principle is partially applied.</u> KGHM Polska Miedź S.A. strives at every stage of its operations to apply this principle and for full transparency in the process of the adopting of resolutions by these bodies. The Bylaws of the Supervisory Board and Management Board stipulate as a principle that voting shall be conducted in open ballot, which does not preclude the right of any Member of these bodies to request voting by secret ballot. The Company anticipates that, in a small number of situations involving the adoption of resolutions by the Supervisory Board regarding personal matters, there may occur cases of voting by secret ballot at the request of Members of the Supervisory Board or the Management Board.</p> |
| <p><b>Principle 2.11.6</b><br/>according to which the annual report, which in addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents to the annual general meeting once per year, including information regarding the degree of implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of goals referred to in principle 2.1.</p> | <p><u>The principle is not applied at present,</u> as discussed in the explanation regarding the non-application of Best Practice principle 2.1 – lack of a Diversity policy.</p>   |

### 3.3.4 Remuneration of members of the Parent Entity's bodies and of other key managers of the Group

#### **Information on remuneration of Members of the Management Board of KGHM Polska Miedź S.A.**

Detailed principles for setting the terms of remuneration of the Management Board Members were established by the Supervisory Board in accordance with the "Policy of remuneration of the Management Board and Supervisory Board Members of KGHM Polska Miedź S.A." in the templates for the management services contracts concluded by the Company with members of the management board (set forth in the form of resolutions, separately for the President of the Management Board and for the Vice Presidents of the Management Board).

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

Total remuneration received on their basis consists of a fixed part in the form of basic monthly remuneration, as well as variable remuneration representing supplementary remuneration for the Company's financial year.

The fixed monthly remuneration for individual Members of the Company's Management Board amounted to fifteen times in the case of the President of the Management Board, and fourteen times in the case of the Vice Presidents of the Management Board of the average monthly salary in the corporate sector, excluding payments from profit in the fourth quarter of the previous year, announced by the President of the Central Statistical Office.

Variable remuneration depends on the level of achievement of the management goals set by the Supervisory Board for a given financial year and may not exceed 100% of the annual fixed remuneration of the given Manager. In the case of a Manager functioning in the position for a period of less than one financial year, with the provision that the contract was performed for a period of at least three months, variable remuneration is calculated proportionally.

In March 2023, based on the Statutes of KGHM Polska Miedź S.A., the Bylaws of the Supervisory Board, the management services contracts, the provisions of resolution no. 8/2016 of the Extraordinary General Meeting and the Act on principles of shaping the remuneration of persons managing certain companies, the Supervisory Board set Management Goals for the Management Board of KGHM Polska Miedź S.A. for 2023.

Management goals whose execution is a contingent condition to receive variable remuneration for the financial year of the Company:

- forming and applying remuneration principles for members of management and supervisory bodies in line with the provisions of the Act of 9 June 2016 on the principles of shaping the remuneration of persons managing certain companies in all Group companies,

- implementation of the obligations referred to in articles 17-20, article 22 and article 23 of the Act of 16 December 2016 on the principles of state assets management.

The Supervisory Board also established additional management goals for individual members of the Management Board according to their areas of competence, split into common and individual objectives.

The common objectives consist of:

- KGHM Group adjusted EBITDA,
- KGHM Group payable copper production volume,
- C1 cost of the KGHM Group,
- Review and assumptions of the potential update of the KGHM Group Strategy,
- Management of risks identified as part of significant internal audit recommendations within the subordinate area.

The individual goals per individual Management Board members by competence are as follows:

- Net debt / EBITDA ratio for the KGHM Group,
- IT and Cybersecurity Strategy,
- Development of activities in the framework of social responsibility,
- Assessing the status of safety in the KGHM Polska Miedź S.A. Group,
- Energy transition,
- Automation and digitisation of accounting and payroll processes, including implementation of IT solutions resulting from legislation,
- Development of strategic planning tools,
- CAPEX - implementation of the budget of capital expenditures on property, plant and equipment,
- CAPEX and OPEX - mining preparatory works,
- Development of automation in production processes;
- Increasing the effectiveness of intellectual property protection,
- Enhancing occupational safety in KGHM Polska Miedź S.A.,
- Mining production of no less than 440 thousand tonnes of copper in ore on an annual basis,
- Maintaining metallurgical production of KGHM Polska Miedź S.A. at no less than 582 thousand tonnes on an annual basis,
- Service area management system in KGHM Polska Miedź S.A.,
- Strategy of collaboration with Vale Canada Ltd.,
- Decision on disposal or preparation of a development plan for selected international assets,
- Plan to improve accessibility of mining machinery use at Robinson Mine,
- Quantitative realisation of sales of copper produced in the international assets,
- Matrix of competence of domestic Companies of the KGHM Polska Miedź S.A. Group,
- The concept of extra-judicial dispute resolution within the KGHM Polska Miedź S.A. Group,
- Recommendation on the improvement of procurement processes in KGHM Polska Miedź S.A.,
- Centralising of legal services to ensure legal security within the Company.

Payment of variable remuneration is made following the submission by individual members of the Management Board of reports on the achievement of the management goals. Payment of the variable part is contingent on the achievement by a manager of the aforementioned management goals, approval of the Management Board's report on the activities of the Company and the Company's financial statements for the prior financial year, and the granting of approval by the General Meeting for the given management board member's performance of duties. On this basis, the Supervisory Board evaluates the execution of the management goals and sets the amount of the variable remuneration due by adopting appropriate resolutions.

Table 25. Potentially-due remuneration of Members of the Management Board of KGHM Polska Miedź S.A. for 2023

| <i>Name and surname</i> | <i>Position</i>  | <i>Potentially-due variable remuneration for 2023 (PLN thousand)</i> |
|-------------------------|--|--|
| Tomasz Zdzikot          | Member of the Management Board<br>- President of the Management Board      | 1 253.9  |
| Marek Świder            | Member of the Management Board<br>- Vice President of the Management Board | 1 170.3  |
| Mateusz Wodejko         | Member of the Management Board<br>- Vice President of the Management Board | 1 170.3  |
| Mirosław Kidoń          | Member of the Management Board<br>- Vice President of the Management Board | 1 170.3  |
| Marek Pietrzak          | Member of the Management Board<br>- Vice President of the Management Board | 1 170.3  |
| <b>Total</b>            |  | <b>5 935.1</b>   |

The Manager may join the Employee Pension Plan under the terms of the Company Agreement in force in this regard, provided that the amount of the monthly basic contribution in this Plan is included in the amount of the fixed remuneration due for this period.



Covering the Manager - at the Company's expense - by a life insurance agreement under the group life insurance policies already in place at the Company is permitted, including in the event of death, accident or illness. The coverage corresponds to that provided to the management staff, with the only difference being that if the Manager chooses a unit-linked life insurance, the portion of the premium relating to this option will not be funded by the Company.

Management services contracts also regulate matters concerning the application (use) of any resources (means) of the Company required to perform contractual obligations and to maintain security requirements as to the collection and transmission of data, including in particular:

- office space together with the equipment and technical facilities, including a portable personal computer with wireless Internet access and other necessary equipment, means of communication including a mobile phone,
- local housing appropriate to the Function served (in respect of which the Company covers the cost of such housing to the net amount of PLN 2 500),
- a company car,
- participation in conferences, seminars or meetings of a business nature related to the Company's scope of operations and, insofar as necessary for the performance of such obligations, travel in the country and abroad,
- incurring or refinancing costs of individual training for the Manager related to the Contract in question and contractual obligations, in each case with the prior consent of the Chairman of the Supervisory Board of the Company,
- civil liability insurance for the Manager related to serving in the function,
- other benefits, in particular such as those ensured by the Company to the Company's management staff in appropriate internal regulations or resolutions of Company bodies - under condition that the principles for the granting of such benefits to the Manager, or their utilisation of such, are set forth by the Supervisory Board in resolutions.

The Contracts also provide that if the Manager serves as a member of a body in a subsidiary of the Company within the Group, the Manager will not receive additional remuneration for this function, apart from the remuneration provided for in the management services contract. In addition, the Manager is obligated to inform the Supervisory Board of the possession of shares in publicly-listed companies and to gain its consent for accepting a position or serving in a function in the body of another commercial law company - excluding companies of the Group, the acquisition or possession of shares in another commercial law company, as well as performing work or services on behalf of other entities based on an employment contract, mandate contract or based on any other legal relationship.

The contracts signed with the members of the management board regulate the question of compensation in the case of termination, with or without notice, of the management services contract for reasons other than breach of the contract's basic obligations. It stipulates that the Company will provide severance pay of no higher than three times the amount of the fixed part of remuneration (if the contract was in force for at least 12 months).

The contracts with the members of the Management Board - both during the period of employment as well as following the period of employment - deal with the question of forbidding competition. In particular, they provide that for a period of six months from the date when employment in the function ceases, they are not allowed to engage in any competing activities. For adherence to the clause on forbidding competitive activities, KGHM pays the Management Board member compensation throughout the period during which competitive activities are banned in the amount of 50% (and in the case of the President of the Management Board 100%) of the monthly fixed remuneration. The condition for payment of the compensation in question is to serve in the function of manager for at least six months and having provided the Company with an appropriate written declaration. A Member of the Management Board who breaches the provisions of the aforementioned contract will be required to pay a contractual penalty equal to the total compensation received. Payment of the contractual penalty shall not exclude the Company's right to claim damages in excess of the amount of the penalty on general terms.

#### **Information on the remuneration of Members of the Supervisory Board of KGHM Polska Miedź S.A.**

The remuneration of members of the supervisory body was set on 7 June 2019 by the General Meeting based on the Act dated 9 June 2016 on principles of shaping the remuneration of persons managing certain companies. According to the "Policy of remuneration of Management Board and Supervisory Board Members of KGHM Polska Miedź S.A." the amount of monthly remuneration of individual members of the Supervisory Board depends on the function served and is set as 2.2x or twice the average monthly remuneration in the corporate sector excluding payments from profit in the fourth quarter of the previous year, announced by the President of the Central Statistical Office. Members of the Supervisory Board are not remunerated for any month in which they did not attend any of the formally convened meetings for unjustified reasons, which are assessed and qualified by the Supervisory Board.

Apart from the above-mentioned remuneration, Members of the Supervisory Board are not entitled to receive any additional remuneration components, including bonuses or other cash benefits.

According to the Commercial Partnerships and Companies Code, the Company also covers or reimburses to Members of the Supervisory Board costs related to participation in the work of the Supervisory Board.

Detailed information on the amount of remuneration and other benefits for supervising as well as managing persons may be found in note 12.8 of the separate and consolidated financial statements and in the "Report on the remuneration of Members of the Management Board and Supervisory Board KGHM Polska Miedź S.A. for 2023".

**General information on the adopted and applied remuneration system for key managers of KGHM Polska Miedź S.A.**

The principles of the remuneration of key managers of KGHM Polska Miedź S.A. – the executive directors of the Head Office and the executive directors of the Company's divisions – is set by the Company's Management Board.

The employment contracts concluded with the above-mentioned directors provide that they are entitled to the following components of remuneration and benefits:

- basic monthly remuneration, which amounts – depending on the function served – from 9- to 11-times the average monthly remuneration in the corporate sector, excluding payments from profit, in the fourth quarter of the previous year, announced by the President of the Central Statistical Office.
- an annual bonus up to 40% of the annual fixed part of remuneration, paid in accordance with the principles for bonuses based on:
  - part A – evaluation of the degree of achievement of business KPIs and individual goals (up to 30%) - the system is based on collective and individual KPIs and goals, the basis of which are the key performance indicators of the Management Board and goals resulting from the Company's strategy
  - part B - evaluation of the work of a director (up to 10%) reflecting among others their attitude, initiative, engagement, innovation and creativity,
- additional benefits, such as life insurance, the Employee Pension Plan, a Health Care Package,
- a company car,
- severance pay of three times the amount of the basic monthly remuneration, in the case of termination, of the contract by notice given by the Employer prior to the lapse of the contractual period (if the contract was in force for at least three months).

### 3.4 SYSTEMS AND FUNCTIONS

KGHM Polska Miedź S.A., under the principles indicated in section 3 of DPSN 2021, strives to maintain effective systems and functions as essential tools for supervising the Company in all of its operating activities.

#### 3.4.1 Description of the application of DPSN 2021 – Systems and functions

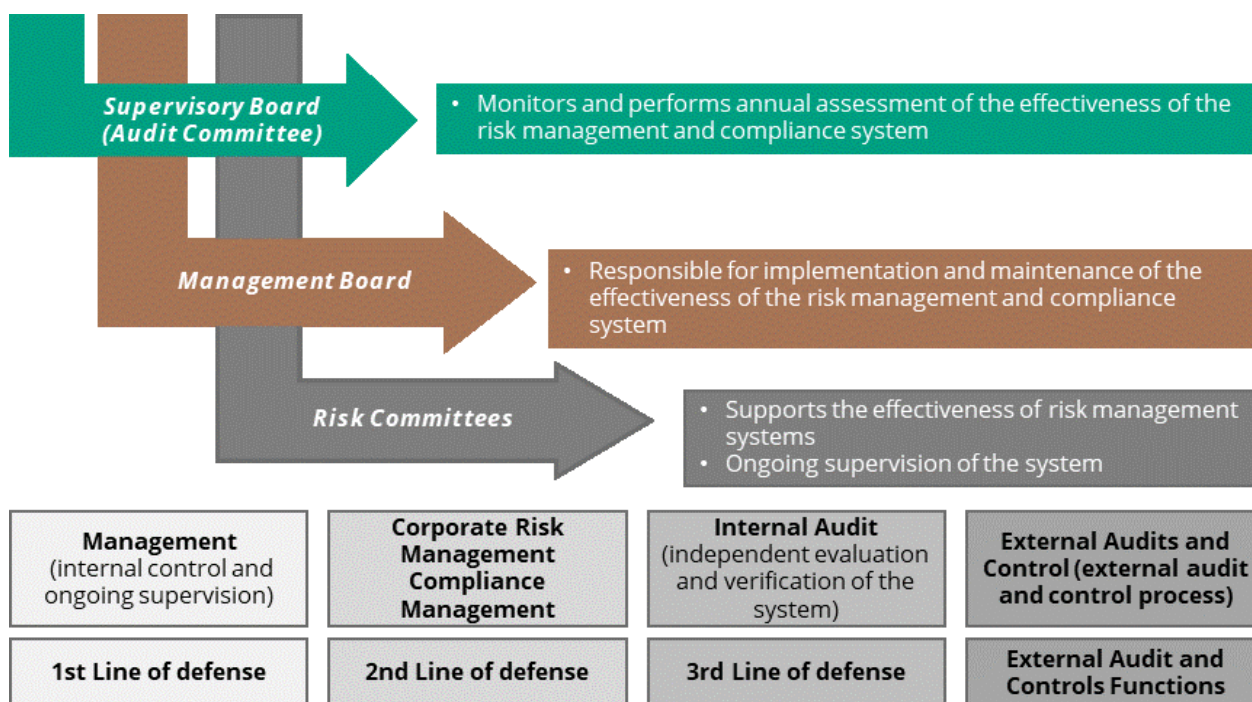
The Company maintains effective internal control and risk management systems and oversight of *compliance* activities, as well as effective internal audit function, appropriate for the size and nature of the KGHM Polska Miedź S.A. Group. The Company's structure separates entities responsible for the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

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

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

In terms of corporate risk management systems, *compliance* activities and internal audit (including in terms of financial reporting) the Audit Committee engages in regular monitoring of these functions. Responsibility for the realisation of these obligations and their role in these systems reflects the principles existing in the organization for the breakdown of duties at various operational and management levels and support the achievement of defined business goals. As shown in the following diagram 25, the Company applies the model of *three lines of defence* (3LoD), assigning to the first line management risk through business units and risk owners, as well as control mechanisms in the company's operational processes, to the second the function of support of risk management, and to the third – internal audit controlling the other lines.

Diagram 25. Three lines of defence of KGHM Polska Miedź S.A.'s risk management system



### 3.4.2 Description of main characteristics of internal control and risk management systems as applied by KGHM Polska Miedź S.A. in the process of preparing financial statements and consolidated financial statements

|   |  |
|---|--|
| <p><b>Supervision of the application of uniform accounting principles by the Parent Entity and the companies of the KGHM Polska Miedź S.A. Group during the process of preparing reporting packets to prepare the consolidated financial statements of the KGHM Polska Miedź S.A. Group</b></p> | <p>In order to ensure truthfulness and accuracy in the keeping of the accounting records of the Parent Entity and the uniformity of the accounting principles applied when preparing the financial statements of Group subsidiaries, the Management Board of the Parent Entity has introduced for continuous use an Accounting Policy for the Group in accordance with International Financial Reporting Standards approved by the European Union which is regularly updated in compliance with new regulations.</p> <p>Control over the accounting policies applied in the process of preparing the financial statements of KGHM Polska Miedź S.A. and of the Group subsidiaries is based on the control mechanisms embedded in the functioning of the reporting systems.</p> <p>The reporting packets of subsidiaries are also reviewed by substantives services in the Parent Entity for consolidation purposes.</p>  |
| <p><b>Centralised financial and accounting services</b></p>   | <p>KGHM Polska Miedź S.A. performs its accounting activities within a centralised financial and accounting services structure. Bookkeeping in the Parent Entity is performed by the Accounting Services Center under the Head Office of KGHM Polska Miedź S.A. The centralisation of accounting services under a process model which provides for the transparent breakdown of duties and responsibilities ensures minimisation of the risk of bookkeeping errors and high-quality of financial statements. Actions are systematically being taken aimed at optimising the functioning of the accounting services structures.</p>  |
| <p><b>Finance and accounting systems</b></p>  | <p>KGHM Polska Miedź S.A. keeps accounting records in an integrated IT system. The modular structure of this system ensures a transparent segregation of processes and duties, coherence of accounting records and control over ledgers: special purpose ledger, general ledger and sub-ledgers. Access to this data at various levels and in various units is available via a well-developed reporting system. The Parent Entity continuously adapts the IT information system to changing accounting principles or other legal standards. The solutions applied by the Parent Entity are implemented in the IT systems of the Group's subsidiaries.</p> <p>To ensure the adequate utilisation and protection of systems, data, secure access to data and computer equipment, appropriate organisational and systemic solutions have been implemented. Access to the resources of the financial and accounting system, as well as financial reporting, is limited by a system of authorisations that are granted to authorised employees solely with respect to the duties which they carry out. These entitlements are subject to regular review and audits. Control over this access is carried out at each stage of financial statements preparation, beginning with the entering of source data, through the processing of data, to the generation of output information.</p> <p>A key element in limiting the risk of errors and misstatements in accounting for economic activities are the actions taken which are aimed at increasing the use of IT tools to automate control over and the settlement of purchasing processes in the Company. These actions include:</p> <ul style="list-style-type: none"> <li>– the Workflow system of electronic document settlement and approval,</li> <li>– the system for transmitting data between the system in the Parent Entity and IT systems in Group companies,</li> <li>– customer settlement based on e-invoices for procurement and sales.</li> </ul> |
| <p><b>Corporate risk management</b></p>   | <p>Under the Corporate Risk Management Policy and Procedures and the Corporate Risk and Compliance Committee Rules, corporate risk management is an ongoing process in the Group. Risks associated with the Group's various operations are continuously identified, assessed and analysed in terms of their possible limitation.</p> <p>The Executive Director for Risk and Audit who, through his subordinate Corporate risk management and compliance department, monitors and escalates risks and reports incidents, is responsible for overseeing the entire corporate risk management process and developing the methods and tools used by managers in the Parent Entity, all subsidiaries and projects.</p> <p>These activities also comprise risk management with respect to the process of preparing the consolidated financial statements of the Group.</p> <p>The process of corporate risk management is annually subjected to an effectiveness audit (in compliance with the guidelines of "Best Practice for GPW Listed Companies 2021").</p> <p>Detailed information regarding the risk management system applied in the KGHM Polska Miedź S.A. Group together with an indication of the key risk is presented in section <a href="#">2.3 Risk management</a>.</p>   |

|   |   |
|---|---|
| <p><b>Internal audit</b></p>                                      | <p>A fundamental element of risk management with respect to the functioning of control mechanisms and the existence of risks in the operations of KGHM Polska Miedź S.A. is the work carried out by the Internal Audit Department. This work also indirectly strengthens the process of preparing financial statements as well as their accuracy.</p> <p>The Internal Audit Department carries out its tasks based on the "Audit Plan" for the given calendar year approved by the Management Board of KGHM Polska Miedź S.A. and assessed by the Audit Committee of KGHM Polska Miedź S.A.</p> <p>The goal of an audit is to provide the Management Board and the Audit Committee of the Supervisory Board of KGHM Polska Miedź S.A. with independent and objective information on internal control and risk management systems as well as with analyses of business processes within KGHM Polska Miedź S.A. and in the Group's companies. Independently from internal audit and institutional control, the obligation fully remains in KGHM Polska Miedź S.A. for each employee to exercise self-control in respect of their duties and for all levels of management to exercise their control as part of their coordination and supervision duties.</p>  |
| <p><b>External audit</b></p>                                      | <p>In accordance with prevailing law, consolidated financial statements of the KGHM Polska Miedź S.A. Group are submitted for half-year review and annual auditing by a certified auditor. The Supervisory Board selects the certified auditor through a tender process, based on the recommendations of the Supervisory Board's Audit Committee and the report on the tender conducted by the Committee.</p> <p>The appropriate entity to audit the financial statements of KGHM Polska Miedź S.A. for the years 2019-2024 is PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. As part of the audit work performed the certified auditor performs, on the basis of prevailing audit methodology, an independent evaluation of the accounting principles applied by Parent Entity in preparing the financial statements and the accuracy and reliability of the separate and consolidated financial statements.</p>  |
| <p><b>Supervision over the process of financial reporting</b></p> | <p>The body which supervises the process of financial reporting in KGHM Polska Miedź S.A. and which cooperates with the independent auditor is the Supervisory Board's Audit Committee, which is appointed by the Supervisory Board of the Parent Entity. The Audit Committee, in accordance with its duties as set forth in the Act dated 11 May 2017 on certified auditors, auditing firms and public oversight, in particular:</p> <ul style="list-style-type: none"> <li>– monitors the process of financial reporting in terms of compliance with the Accounting Policy approved by the KGHM Polska Miedź S.A. Group and prevailing laws,</li> <li>– monitors the effectiveness of internal control systems, internal audit and risk management,</li> <li>– monitors the independence of the certified auditor and of the entity entitled to audit financial statements, and</li> <li>– conducts the process of selecting the entity entitled to audit financial statements of the Parent Entity to provide a recommendation to the Supervisory Board.</li> </ul> <p>Monitoring of the process of financial reporting and assessment of the financial statements by the Supervisory Board is the final step of the review and control carried out by this body, ensuring the reliability and accuracy of the data presented in the separate and consolidated financial statements of the KGHM Polska Miedź S.A. Group.</p> <p>Proper management of the process of keeping records and preparing financial statements ensures the security and the high quality of the information.</p> |

### 3.4.3 Instances of non-compliance with DPSN 2021

In accordance with the published Statement on the Company's compliance with the principles in section 3 of DPSN 2021, the following principles regarding systems and functions are partially applied or not applied:

Table 26. Principles in section 3 of DPSN 2021 applied partially or not applied in KGHM Polska Miedź S.A.

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

In accordance with the published Statement on the Company's compliance with the principles in section 3 of DPSN 2021, the following principles regarding systems and functions are not applicable to the Company:

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

### **3.5 GENERAL MEETING AND RELATIONS WITH SHAREHOLDERS**

KGHM Polska Miedź S.A., under the principles indicated in section 4 of DPSN 2021, strives to activate stakeholders and their engagement in the Company's affairs, mainly expressed in their active, personal or through a proxy, participation in a general meeting.

#### **3.5.1 Description of the application of DPSN 2021 – the General Meeting and relations with shareholders**

##### **General Meetings of KGHM Polska Miedź S.A. (the General Meeting)**

The General Meeting of KGHM Polska Miedź S.A. is the Company's highest authority. It meets in either ordinary or extraordinary form, based on generally prevailing law, the Statutes of the Company and the Bylaws of the General Meeting of KGHM Polska Miedź S.A. with its registered head office in Lubin. An Ordinary General Meeting is convened within six months of the end of each financial year. The General Meeting is convened by the Company's Management Board. In situations defined by the Commercial Partnerships and Companies Code, the General Meeting may be convened by the Supervisory Board or by shareholders. The Statutes of the Company also authorise the Polish State Treasury to convene a the General Meeting. The General Meeting is convened by an announcement published on the Company website and in the manner set forth in the Act dated 29 July 2005 on public offerings and conditions governing the introduction of financial instruments to organised trading, and on public companies. A General Meeting may adopt resolutions if at least one-fourth of the share capital is represented. Resolutions are adopted by a simple majority of votes cast, unless the law or the Company's Statutes state otherwise. Additional issues related to the functioning of the General Meeting are regulated by the Bylaws of the General Meeting of KGHM Polska Miedź S.A. with its registered head office in Lubin adopted by the General Meeting on 17 May 2010, which are available on the Company's website, [www.kghm.com](http://www.kghm.com).

The duties of the General Meeting include in particular:

- examining and approving the report of the Management Board on the Company's activity and the financial statements; including the financial statements of the Group, for the past financial year,
- adopting resolutions on the appropriation of profits or coverage of losses,
- acknowledging the fulfilment of duties performed by members of the bodies of the Company,
- changing the subject of the Company's activity,
- changing the Company Statutes,
- increasing or decreasing the share capital,
- the manner and conditions for retiring shares,
- merging, splitting and transforming the Company,
- dissolving and liquidating the Company,
- issuing convertible bonds or senior bonds,
- consenting to the disposal and lease of an enterprise or of an organised part thereof, as well as the attachment of limited property rights to same,
- all decisions relating to claims for redress of damage suffered during the foundation of the Company, or from management or supervisory activities,
- purchase of the Company's own shares, which are to be offered to employees or persons who were employed by the company or by related companies for a period of at least three years,
- establishing principles of the remuneration of members of the Supervisory Board, and
- establishing principles of the remuneration of members of the Management Board.

The schedule of work on organising the General Meetings of the Company is planned in such a way as to ensure that the obligations towards shareholders are properly met and to enable them to exercise their rights.

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

##### **Changes in the Company's statutes**

The introduction of changes to the Company's Statutes requires resolutions of the General Meeting and the insertion of an entry in the National Court Register. Changes in the Company's Statutes are made through the General Meeting in accordance with laws in force, in a manner and form described by the Commercial Partnerships and Companies Code, i.e. a majority three-fourths of votes cast in the presence of persons representing at least half of the share capital.

##### **Shareholders and their rights**

Shareholders of the Company exercise their rights in a manner and within the limits prescribed by prevailing law, the Statutes of the Company and the Bylaws of the General Meeting of KGHM Polska Miedź S.A.



Shareholders are entitled to exercise their voting rights either personally or through a proxy. The authority to participate in a General Meeting and to exercise voting rights should be granted in writing or in electronic form. Shareholders shall inform the Company of the granting of proxy authority in electronic form by filling out and sending to the Company the form placed on the website of the Company, or other information containing analogous data, no later than 24 hours prior to the planned date of the General Meeting.

Pursuant to the Company's Statutes, all of the shares are bearer shares, and their transformation into registered shares is not allowed. Each share represents one vote. The shares of the Company may be redeemed with the permission of the shareholder through their purchase by the Company (voluntary redemption). Redemption may not be carried out more than once per financial year. The resolution of the General Meeting on the redemption of shares should especially describe the legal basis for redemption, the amount of compensation to be paid to the shareholder for the redeemed shares or the justification for redeeming shares without compensation, and the way in which the share capital will be decreased. The resolution on the redemption of shares may be preceded by an agreement with the shareholder whose shares are to be redeemed. The agreement shall set forth the number of shares to be redeemed and the price for which the shares will be purchased. The validity of the agreement shall depend on the passage of a resolution by the General Meeting.

Moreover, in a situation where the Supervisory Board conducts qualification proceedings in the case of the existence of circumstances justifying the appointment of a Member of the Management Board, it shall inform shareholders of the results of such proceedings and shall provide the minutes of the qualification proceedings. The Supervisory Board is also obliged to annually present to the Ordinary General Meeting a concise assessment of the standing of the Company, which should be included in the Company's annual report, made available to shareholders within such a time period as to allow them to review the report prior to the Ordinary General Meeting.

There is no limitation to the transfer of ownership rights to the shares of the Company or with respect to the execution of voting rights on the shares of the Company, other than those generally prescribed by laws in force.

The Company has not issued securities which would grant special control rights in respect of the Company.

Special rights held by the State Treasury as a shareholder may result however from laws generally in force, among others:

- The Act of 16 December 2016 on the principles of state property management,
- The Act of 24 July 2015 on audits of certain investments.

Independent of the above, the rights shareholders of KGHM include among others:

- to request to convene a General Meeting - in cases described by the Commercial Partnerships and Companies Code, a General Meeting may be convened by shareholders representing at least half of the share capital or shareholders authorised by a court of registration to represent at least one-twentieth of the share capital,
- to announce draft resolutions and their justification - Shareholders may utilise electronic contact with the Company through the Company's website, in particular to enable the submission of motions to include specific issues in the agenda of the General Meeting, to announce draft resolutions and their justification. Towards this end it is necessary to carry out the prior authentication of a shareholders for their identification, in the manner indicated by the Company on its website. The Company shall also provide on its website the proxy form and the form to facilitate voting through a proxy,
- to convene a General Meeting - the Polish State Treasury as a shareholder may convene an Ordinary General Meeting if the Management Board does not do so in the statutory timeframe as well as an Extraordinary General Meeting if it considers its convening as warranted,
- to request that a matter included in the agenda of the General Meeting be removed or not considered - removal of an issue from the agenda, or not considering an issue placed on the agenda at the request of the shareholders, requires the adoption of a resolution by the General Meeting, following the earlier-expressed approval of all shareholders present who had put forward such a proposal, and supported by at least 75% of the votes cast,
- to request the inclusion of specified matters on the agenda of the next General Meeting - shareholders representing at least one-twentieth of the share capital may order the inclusion of specified matters on the agenda of the next General Meeting,
- to announce candidates for Chairperson of the General Meeting - the General Meeting shall carry out an election of the Chairperson from amongst any number of persons entitled to participate in the General Meeting who are put forward by shareholders as a candidate for Chairperson,
- participation in dividends - the General Meeting may designate part of the profit for a shareholders' dividend if the General Meeting of the Company had adopted a decision to designate part of the profit for a shareholders' dividend. The Management Board of the Company is authorised, with the consent of the Supervisory Board, to adopt resolutions in the matter of an interim payment to shareholders on the anticipated dividend at the end of the financial year, if the Company is in the possession of sufficient funds for said payment. The rights date for dividends and the date for payment of dividends shall be set by the General Meeting and announced by the Management Board of the Company. Payment of dividends should commence within two months of the date the resolution on appropriation of profits is adopted. The payment of an interim dividend requires the approval of

the Supervisory Board. The Company may make an interim payment on the anticipated dividend, if its approved financial statements for the prior financial year show a profit. The interim dividend may represent at most half of the profit earned since the end of the prior financial year, as shown in the financial statements audited by a certified auditor, and increased by the reserve capitals created from profit, which, for the purpose of payment of the interim dividend, may be used by the Management Board, and decreased by uncovered losses and treasury shares,

- upon the motion of a shareholder representing at least one-fifth of the share capital, group elections for the Supervisory Board shall be carried out at the nearest General Meeting. A motion to hold group elections for members of the Supervisory Board should be submitted to the Management Board of the Company, in sufficient time to include it in the agenda of the General Meeting,
- at the request of a shareholder representing at least one-twentieth of the share capital, the General Meeting may carry out elections for a three-person Voting Committee, from among those candidates put forward by the participants of the General Meeting. Should a Voting Committee be elected, its responsibilities shall include supervision to ensure that all voting is properly carried out, supervision of the electronic voting system, and checking and transmitting to the Chairman of the General Meeting the results of voting. The Voting Committee shall have the right to review the results of voting which was held prior to the election of the Voting Committee;
- at the request of a shareholder, the Management Board shall be required to provide the shareholder with a copy of the Bylaws of the General Meeting.

### **Ownership structure**

As at 31 December 2023, the Company's largest shareholders were the Polish State Treasury (31.79% share in the share capital and total number of votes), Allianz Polska Otwarty Fundusz Emerytalny (5.98%) and Nationale-Nederlanden Otwarty Fundusz Emerytalny (5.05%). Detailed information on the ownership structure can be found in section [1.5. Shareholders and the capital market](#).

### **3.5.2 Instances of non-compliance with DPSN 2021**

In accordance with the published Statement on the Company's compliance with the principles in section 4 of DPSN 2021, the following principles regarding general meeting are not applied:

**Table 27. Principles in section 4 of DPSN 2021 applied partially or not applied in KGHM Polska Miedź S.A.**

|   |   |
|---|---|
| <p><b>Principle 4.1.</b></p> <p>A company should enable their shareholders to participate in a general meeting by means of electronic communication (e-meeting) if justified by the expectations of shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed.</p>   | <p><u>The principle is not applied at present.</u></p> <p>The principle is not applied at present. In the Company's opinion, introduction of the possibility of participation in General Meetings using electronic means of communication may carry risks of a legal and technical nature leading to interference with the efficient conduct of General Meetings, and as a result to the possible questioning of any resolutions adopted. In the Company's opinion, the principle of participation in the general meetings of KGHM Polska Miedź S.A. enables all shareholders to exercise the rights attached to owning the shares and protects the interests of all shareholders. The Company's Statutes do not restrict the participation of shareholders in general meetings in terms of the use of electronic means of communication, and the Company is able to ensure the requisite technical infrastructure to conduct such general meetings. The Company is considering the implementation of the principle in a situation where the technical and legal aspect no longer raises any doubts, and when such introduction will be justified by a real need for this form of communication with shareholders. Since 2016 KGHM Polska Miedź S.A. has been providing real-time streaming webcasts of its General Meetings.</p> |
| <p><b>Principle 4.8.</b></p> <p>Draft resolutions of the general meeting on matters put on the agenda of the general meeting should be tabled by shareholders no later than three days before the general meeting.</p>  | <p><u>The principle is not applied.</u></p> <p>The Company applies the Commercial Partnerships and Companies Code in this regard. In the Company's opinion, this principle restricts the rights of shareholders to propose items for the agenda during general meetings.</p>  |
| <p><b>Principle 4.9.1.</b></p> <p>If the general meeting is to appoint members of the supervisory board or members of the supervisory board for a new term of office: candidates for members of the supervisory board should be nominated with a notice necessary for shareholders present at the general meeting to make an informed decision and in any case no later than three days before the general meeting; the names of candidates and all related documents should be immediately published on the company's website.</p> | <p><u>The principle is not applied.</u></p> <p>Years of practical experience by the Company have shown that proposals of a shareholder (pursuant to the shareholder's rights arising from the Commercial Partnerships and Companies Code) of candidates to the Supervisory Board usually occur during the course of a General Meeting, i.e. in breach of principle 4.9.1. In the Company's opinion, despite the fact that such announcements are made during the course of a General Meeting, candidates are assessed with due consideration, based on complete materials regarding the given candidate.</p>  |

### **3.6 CONFLICTS OF INTEREST AND TRANSACTIONS WITH RELATED PARTIES**

**KGHM Polska Miedź S.A., under the principles indicated in section 5 of DPSN 2021, strives to maintain best standards of due diligence in the management of conflicts of interest and in concluding transactions with related parties under conditions of the potential arising of conflicts of interest.**

#### **3.6.1 Description of the application of DPSN 2021 – Conflicts of interest and transactions with related parties**

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

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

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

#### **3.6.2 Instances of non-compliance with DPSN 2021**

In accordance with the published Statement on the Company's compliance with the principles in section 5 of DPSN 2021, the Company applies all principles regarding conflicts of interest and transactions with related parties.

In 2023, neither the Parent Entity nor its subsidiaries entered into related party transactions under other than arm's length conditions.

### **3.7 REMUNERATION**

**KGHM Polska Miedź S.A., under the principles indicated in section 6 of DPSN 2021, strives for stability in its management staff, among others by the transparent, fair, consistent and non-discriminatory principles for its remuneration, manifested among others in wage equality between women and men.**

#### **3.7.1 Description of the application of DPSN 2021 – Remuneration**

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

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

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

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

### 3.7.2 Instances of non-compliance with DPSN 2021

In accordance with the published Statement on the Company's compliance with the principles in section 6 of DPSN 2021, the following principle involves remuneration and is partially applied:

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**Principle 6.4.**

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

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

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## 4 CARE FOR THE ENVIRONMENT

### 4.1 ENVIRONMENTAL IMPACT MANAGEMENT

Environmental impact management is a component of sustainability management, which is discussed in a separate section of this Report (section [2.2 Management of sustainable development and ESG risks](#)). Meanwhile, the subsequent chapters present KGHM's impact and the management of impacts on individual environmental components, including climate, water resources and biodiversity.

### 4.2 CLIMATE IMPACT MANAGEMENT

#### 4.2.1 Transformation plan for climate change mitigation

##### [ESRS E1-1]

As part of its efforts to achieve climate neutrality in 2050, KGHM Polska Miedź S.A. must undertake a significant effort associated with decarbonising all key elements of its operations. Given the level of development and the availability of modern technology, the Company's main activities in the 2030 timeframe will be targeted towards reducing Scope 2 indirect emissions, while key activities to reduce Scope 1 direct emissions will be implemented successively over the 2050 timeframe.

Since most of the decarbonisation technology is in early advancement stage, it is assumed that by 2030 KGHM Polska Miedź S.A. will focus its efforts primarily on the continuation or launch of research and development work in selected areas, as well as on launching pilot projects. Full implementation of new innovative solutions, leading to achievement of the expected decarbonisation effects in the direct emissions area, will be effected in 2030-2050.

The main direction of decarbonisation in the area of indirect Scope 2 emissions will be a gradual shift away from the use of market-sourced electricity and heat to an increasing use of own energy sources. A key element in supporting the reduction of Scope 2 emissions will be the continued improvement of energy efficiency in production units and process improvements.

The development of own zero- and low-carbon sources will include in the short to medium term the construction or acquisition of RES (photovoltaic plants and wind energy), and in the long term will be supplemented by the use of small-scale nuclear power (SMR). Due to the need to ensure technical security, i.e. uninterrupted energy supply, the development of own sources will be supported by the construction of hydrogen energy storage infrastructure.

It is assumed that by 2030, KGHM Polska Miedź S.A. will meet at least 50% of its energy demand from its own sources - primarily emission-free sources. Ultimately, by 2050, the Company will achieve the status of a self-producer of energy, with a significant share of energy production from SMRs. Comprehensive capital expenditure related to the implementation of greenhouse gas emission mitigation measures will be determined in 2024 in the KGHM's Decarbonisation Program to be published at the end of 2024.

The idea of transformation was the foundation for building the applicable Strategy of the KGHM Polska Miedź S.A. Group to the year 2030 with an outlook to 2040. Importantly, the Business Strategy is a complementary document to the Climate Policy and takes into account its objectives and the main directions of decarbonisation. Green transformation through renewable energy and modern technologies is the subtitle of the binding Strategy and at the same time the leading idea of the document's main narrative. The strategy includes a number of transformation-related elements which, in principle, can be considered as transformation plans. The key ones, as mentioned above, are related to the development of indigenous, zero- and low-carbon energy sources. The decomposition of the Strategy implies the implementation of its objectives through the operation of Strategic Programmes. One of these is the Energy Development Program, based on the RES and nuclear energy components. Both the adoption of the Business Strategy and the establishment of the Strategic Energy Development Program involved the approval of the Management Board of KGHM. At the same time, accepting the Strategy as well as the Strategic Program means declaring key strategic assumptions for financial planning.

The Company's strategy is presented in section [1.2 Strategy of the KGHM Polska Miedź S.A. Group](#), while the plans and goals related to the environment are presented in sections [4.2.6 Targets related to climate change mitigation and adaptation](#), [4.3.3 Pollution-related goals](#), [4.4.3 Goals related to water and marine resources](#), [4.5.6 Goals related to biodiversity and ecosystems](#) and [4.6.4 Goals related to the use of resources and circular economy](#).

## 4.2.2 Material impacts, risks and opportunities and their interaction with strategy and business model

### [ESRS 2 SBM-3]

#### Importance of copper for the energy transition

In 2011, as part of the work to determine demand for non-ferrous metals, the Minerals Education Coalition calculated<sup>28</sup> that during their lifetime, each person consumes more than 460 tonnes of copper. It is precisely this demand which serves the European non-ferrous metals industry. It is a complex ecosystem of mining, smelting, processing, refining and recycling operations spread across the continent. In more than 900 plants producing and processing base, precious and specialty metals, half a million people are employed.

It is the output of the European non-ferrous metals industry that makes energy transformation and the vision of a climate-neutral Europe possible.

Copper therefore holds an exceptionally important place in this process. The raw material was listed as a scarce resource for the European Union in 2020.

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. A single 3 MW wind turbine contains as much as 4.7 tonnes of copper and the construction of a 1 MW solar power plant requires from 3.1 to 4.5 tonnes of this metal. After silver, which is expensive and found in much smaller quantities, copper has the highest electrical conductivity of any metal. Copper-containing devices (e.g. motors) are therefore much more efficient than counterparts using other metals. Typical reductions in energy consumption with its use reach 20-30%.

Copper shows an even greater advantage in the manufacture of wiring. Its current-carrying capacity is approximately 60% greater than that of the same size of aluminium cables and also offsets energy losses in the transmission itself (the ease with which electrons can move in copper is much easier - especially with the purity produced by KGHM Polska Miedz S.A. The thermal conductivity of copper is more than half that of aluminium.

All of this makes copper cables more reliable and easier to use: construction, electrical, energy, heavy marine industries, and they are also easy to transport, handle, assemble and store outdoors (copper does not corrode through passivation). This is complemented by the high specific weight of copper, which makes it much easier to lay submarine cables for offshore wind energy purposes. Copper is also an essential raw material for the development of electromobility.

Overall, 22 million tonnes of copper will be needed by 2050 for the technologies facilitating a 75% reduction of EU greenhouse gas emissions<sup>29</sup>. This amount is roughly the same as the current level of global metallurgical production of copper (which is slightly over 22.6 million tonnes) and more than ten times greater than the current production capacity of the European Union. An analysis by the International Energy Agency (IEA) indicates moreover that advancement of the Paris Accords on the reduction of greenhouse gases by 2030 will alone lead in the next several years to increased demand for copper by more than 40%. 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. Compared to the 1990 levels, the European copper industry has reduced unit energy consumption by 60%, while emissions from copper production in Europe currently represent just 0.4% of all EU greenhouse gas emissions.

It is worth remembering that copper is a material that can be recycled indefinitely, and the reuse of copper does not affect its conductivity. It is estimated that up to 80%<sup>30</sup> of the copper produced to date is still in production use.

Our efforts to counteract climate change, as well as the significance of copper in the energy transformation, are attested to by being awarded a place in the Carbon Clean 200™ ranking<sup>31</sup>.

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28 <https://mineralseducationcoalition.org/>

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

30 <https://copper.org/applications/architecture/awards/2011/Arizona-State-Univer/>

31 CarbonClean200™™ is a joint venture between AsYouSow and Corporate Knights. It is an educational tool exploring the impact of companies on people, the planet and profits.

KGHM Polska Miedź S.A. was the only company from Poland to be so honoured amongst 6 thousand entities from around the world. Furthermore, in November 2023, KGHM Polska Miedź S.A. was awarded the title of Climate Aware Company 2023 as part of the Corporate Climate Crisis Awareness (CCA) study.

### **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)<sup>32</sup>, Sustainable Development Scenario (SDS)<sup>33</sup>, Net Zero Emissions by 2050 (NZE2050)<sup>34</sup>, RCP4.5<sup>35</sup> and RCP8.5<sup>36</sup>.

In the scenario analysis, the assumptions are considered in three time horizons: short-term (2024-2025), medium-term from 1 to 5 years and long-term (2030), over 5 years (2050), making a number of assumptions:

- for **scenarios examining transition-related risks**, in terms of the implementation of the adopted climate policy and the resulting changes in parameters relevant from KGHM's perspective: e.g. prices of emission allowances, energy consumption, changes in demand for copper,
- for **physical risk scenarios**, the starting point for the analysis are the levels of greenhouse gas concentrations in the atmosphere and the resulting changes in the Earth's temperature and their consequences.

KGHM Polska Miedź S.A. has also started **work associated with the preparation of its own scenarios** to serve as a basis for analysing the impact of climate change on the organisation.

At the same time, KGHM has started work on identifying and assessing the impact of climate risk on financial and non-financial reporting with the aim of, inter alia, determining the consistency of the climate scenarios used with the critical climate assumptions used in financial reporting.

### **Impact of climate change on KGHM Polska Miedź S.A.**

As part of the third stage of the risk management process (Analysis and Response), an in-depth cause-and-effect analysis is carried out, part of which is, among other things, **a resilience analysis containing ways of dealing with the risks** which, in line with the assumptions of the corporate risk management process, is intended to enable a decision to maintain or possibly change the current management. The directional decision is called Risk Response and, in the case of climate risk, is related to a company's ability to adapt to the uncertainty associated with climate change, in other words to climate resilience and mitigation of that risk.

The analysis covered all risks identified in the climate risk category associated with the adverse impact of climate change on the activities of KGHM Polska Miedź S.A. The results of the analysis reflect the status as at 31 December 2023, while the analysis was carried out taking into account the three time horizons shown in the table below.

**Table 28.** Time perspectives used in the analysis

| <i>Symbol</i> | <i>Time perspective</i> | <i>Period</i>     | <i>Years</i> |
|---------------|-------------------------|-------------------|--------------|
| ›             | Short                   | up to 1 year      | 2024 - 2025  |
| ››            | Medium                  | from 1 to 5 years | 2025 - 2030  |
| ›››           | Long                    | over 5 years      | 2030 - 2050  |

32 Stated Policies Scenario - a scenario resulting from the policies currently in force

33 Sustainable Development Scenario - includes meeting the Paris Agreement targets and assumes energy production from renewable sources only

34 Climate Neutrality Scenario up to 2050 - supplements SDS and assumes energy production from renewable sources only

35 RCP4.5 scenario (Representative Concentration Pathways) - estimates the amount of radiative forcing by greenhouse gases in the year 2100 by 4.5 W/m<sup>2</sup>

36 RCP8.5 scenario (Representative Concentration Pathways) - estimates the amount of radiative forcing by greenhouse gases in the year 2100 by 8.5 W/m<sup>2</sup>



Diagram 26. Potential change in the level of impact of climate risk on KGHM by time horizon

|                         | Time perspective |              |            |
|-------------------------|------------------|--------------|------------|
|                         | Short (>)        | Average (>>) | Long (>>>) |
| <b>Physical violent</b> |                  |              |            |
| <b>Physical chronic</b> |                  |              |            |
| <b>Regulatory</b>       |                  |              |            |
| <b>Reputational</b>     |                  |              |            |
| <b>Technological</b>    |                  |              |            |
| <b>Market</b>           |                  |              |            |

impact unchanged     
 potential increase in impact     
 potential decrease in impact

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.

**Physical climate risk**

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

|  |  |
|--|--|
| <b>Description of risks and risk factors</b> | <p>In the corporate risk management process (which includes analysis of physical scenarios – medium and high emission), the following key factors have been identified that may cause materialisation of acute physical risk:</p> <ul style="list-style-type: none"> <li>– accumulated dry days (draught),</li> <li>– heatwaves,</li> <li>– heavy daily rainfall,</li> <li>– very frosty days,</li> <li>– thick snow cover,</li> <li>– strong/fierce winds,</li> <li>– lightning.</li> </ul> <p>Materialisation of this risk may have an adverse impact on both the infrastructure and on working conditions and employee safety. Acute weather events as a consequence of climate change may result in restrictions in operations both as a result of damage to infrastructure and the occurrence of temporary hindrances and interruptions in individual elements of the KGHM Polska Miedź S.A. value chain (e.g. utility supply, logistics disruption). With regard to days without precipitation (droughts), relevant factors include a) restrictions on the availability of water for the needs of the Core Production Business processes, b) the level of the Odra river, which affects the quantity and management of process water. The potential materialisation of the risk in question may involve increased costs relating to the remedying of the adverse consequences of risk materialisation in the form of increased operating costs, maintenance work, energy consumption and other losses, e.g. associated with the suspension of production. The consequences of such materialisation are examined on a case by case basis for the individual elements of the value chain of KGHM Polska Miedź S.A.</p> |
| <b>Mitigation</b>                            | <ul style="list-style-type: none"> <li>– Appointment of task forces and expert teams in the area of counteracting the effects of the materialized extreme weather events on business continuity and development of instructions on the procedure in case of emergency situations.</li> <li>– Ongoing communication and cooperation with utility suppliers concerning potential supply interruptions.</li> <li>– Periodic overhauls of key infrastructure equipment on the basis of predetermined schedules.</li> <li>– Preventive management of key infrastructure elements affecting production continuity and application of crisis response procedures.</li> <li>– Active search for technical and technological solutions to reduce the negative impact of operations on the climate, including technologies that enable remote control and reduce response times.</li> <li>– Application of solutions counteracting the effects of climate hazards using neutral measures.</li> <li>– Ongoing monitoring of the microclimate parameters and introduction of remote control and visualisation and surveillance systems in workplaces with particularly adverse climate parameters.</li> </ul>  |

|   |   |
|---|---|
|   | <ul style="list-style-type: none"> <li>– The Mine-Smelter Emergency Rescue Division of KGHM Polska Miedź S.A. ensures the safety of employees and provides comprehensive assistance in dealing with the effects of natural hazards and acute physical events associated with climate change, while ensuring the safety of people and facilities.</li> </ul> |
| <b>Indicator used for risk assessment</b> | <p>Acute events associated with climate change that had a negative impact on infrastructure and/or burdensome work (including the timing and impact of these events):</p> <ul style="list-style-type: none"> <li>– throughout 2023 and 2022, KGHM Polska Miedź S.A. did not record any events according to the criteria defined.</li> </ul>                 |

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

|  |  |
|--|--|
| <b>Description of risks and risk factors</b> | <p>In the corporate risk management process (which includes analysis of physical scenarios – medium and high emission), the following key factors have been identified that may cause materialisation of acute physical risk:</p> <ul style="list-style-type: none"> <li>– change in average daily temperature,</li> <li>– change in total precipitation,</li> <li>– change of wind intensity,</li> <li>– change of cooling/heating degree days (hot/cool- temperature above/below 18°C),</li> <li>– change in the number of days with snow cover.</li> </ul> <p>Materialisation of this risk may lead, among other things, to changes in the conditions in which the operations must be conducted, interruption of business continuity of the Core Production Business, including higher and faster depreciation of infrastructure components than before. Permanent changes in weather patterns as a consequence of climate change can also increase the onerousness of work (e.g. as a result of changes in the average daily temperature, changes in wind intensity, changes in the number of days with snow cover) and consequently necessitate the provision of additional personal protective equipment and reorganisation of work. The potential materialisation of this risk may involve increased costs relating to the upgrading or replacement of individual infrastructure components and increased costs of higher consumption of energy used, for example, for cooling processes. The consequences of such materialisation may be presented for the individual elements of the Parent Entity's value chain.</p> <p>Taking the above factors into account, KGHM Polska Miedź S.A. also recognises the opportunity associated with investments in its own renewable energy sources, which may reduce production costs and ensure business continuity while reducing greenhouse gas emissions.</p> |
| <b>Mitigation</b>                            | <ul style="list-style-type: none"> <li>– Periodic overhauls and comprehensive modernisation of key infrastructure equipment on the basis of predetermined schedules and/or investment plans.</li> <li>– Maintaining the required level of supporting/alternative facilities and infrastructure elements (e.g. power generators, photovoltaic infrastructure, retention infrastructure).</li> <li>– Systematic limitation of energy consumption under the implemented, ISO 50001:2018 compliant Energy Management System. Planned increase in the efficiency and flexibility of the KGHM Polska Miedź S.A. Group in terms of its Polish and international assets, among others by partially satisfying the needs for electricity from its own sources as well as from renewable energy sources ("RES") by the end of 2030.</li> <li>– 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).</li> <li>– Diversification and efforts towards sustainable development through building own power capacity from low-emission sources is one of the main Pillars of the 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.</li> <li>– An 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.</li> </ul>  |
| <b>Indicator used for risk assessment</b>    | <p>Identified significant change in business conditions due to a change in weather patterns resulting in a change in revenue and/or operating costs:</p> <ul style="list-style-type: none"> <li>– throughout 2023 and 2022, KGHM Polska Miedź S.A. did not record any events according to the criteria defined.</li> </ul>   |

## Transition-related climate risk

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

|  |   |
|--|---|
| <b>Description of risks and risk factors</b> | The existing and increasing climate-related legal requirements may have direct and indirect impact on KGHM Polska Miedź S.A. This pertains to both European regulations as well as requirements at the domestic level, which will be effectively enforced. This may be materially impacted by the planned full implementation of the European Green Deal in domestic documents and climate/energy frameworks till 2030 and fulfilment of the EU's climate neutrality objective by 2050. An incorrect interpretation or a failure to observe new regulations may potentially result in non-compliance with the law, exposure to court disputes or sanctions. New legal regulations may also cause interruptions in operations or the necessity to reorganize work and consequently may substantially impact the operations of the KGHM Polska Miedź S.A. Group (among others, transition to the low-carbon economy, implementation of circular economy).   |
| <b>Mitigation</b>                            | <ul style="list-style-type: none"><li>– As part of the Corporate Risk Management process in the KGHM Polska Miedź S.A. Group, each identified risk is assessed in terms of impact on Laws and Regulations (assessment of the compliance of occurrences with the applicable laws, the necessity to participate in proceedings before public administration authorities responsible for supervision and regulation and potential sanctions resulting from such proceedings).</li><li>– A consistent <i>compliance</i> system in place in the KGHM Polska Miedź S.A. Group is an element of effective management as part of corporate governance through, for example, a more efficient response and readiness for regulatory changes, care for reputation and ethical culture building in the organisation as well as awareness raising and enhancement of the sense of responsibility for compliance among employees.</li><li>– Active cooperation with the academic environment, which issues opinions on changes to legal acts, and the ongoing 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 in order to adapt to organisational, infrastructural and technological changes.</li></ul> |
| <b>Indicator used for risk assessment</b>    | Number of lawsuits filed, penalties imposed related to non-compliance with applicable legal requirements in terms of climate: <ul style="list-style-type: none"><li>– throughout 2023 and 2022, KGHM Polska Miedź S.A. did not record any events according to the criteria defined.</li></ul>   |

### Reputation risk related to perception of clients and other stakeholders – how they view the activity of the KGHM Polska Miedź S.A. Group in the context of climate change.

|  |   |
|--|---|
| <b>Description of risks and risk factors</b> | <p>The KGHM Polska Miedź S.A. Group is exposed to the risk of increasing expectations of stakeholders (e.g. investors, customers, ESG rating agencies) towards the Company with respect to reduction of its impact on climate resulting in a deterioration of the Company's image and/or loss of stakeholder confidence.</p> <p>Potential difficulties in attracting customers, employees, business partners and investors if the KGHM Polska Miedź S.A. Group's activity is considered to be harmful to the climate. In extreme cases, the materialisation of this risk may lead to the blocking of development plans.</p> <p>The opportunity (positive risk) identified in this area is associated with investments in renewable energy, which support combating greenhouse gas emissions – an image-and market-related opportunity with respect to the industry, i.e. the image of a company caring for the natural environment and striving 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.</p> |
| <b>Mitigation</b>                            | <ul style="list-style-type: none"><li>– Care and due diligence in identification of expectations and requirements of external stakeholders concerning the climate and environmental issues.</li><li>– Establishing commercial and business relationships with entities who declare an attitude of caring about environmental protection and compliance with existing laws in this regard.</li><li>– Increasing the awareness of climate change in the organisation and improvement of communication with all stakeholders in this respect, among others through the improvement in the quality of reporting on climate-related information after climate reporting was launched.</li><li>– Implemented and improved effective system for resolving sustainable development themes (ESG) in the form of regular meetings of the Sustainable Development Council.</li><li>– In 2023, an organisational unit was created in the KGHM structure responsible for ESG issues.</li></ul>   |
| <b>Indicator used for risk assessment</b>    | Number of key customers lost due to negative perception of the business in the face of climate change: <ul style="list-style-type: none"><li>– throughout 2023 and 2022, KGHM Polska Miedź S.A. did not record any events according to the criteria defined.</li></ul>  |

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

|  |  |
|--|--|
| <b>Description of risks and risk factors</b> | <p>The EU's ambitious climate targets and the existing pressure on the implementation of new low-carbon solutions and the search for reduction of CO<sub>2</sub> emissions in order to achieve the approved emission goals may have a direct impact on KGHM Polska Miedź S.A.'s activities. The need to make the necessary investments and/or a potentially sudden reduction in carbon dioxide emissions in a relatively short period of time may generate considerable costs and difficulties in adapting new solutions to the technology that is used currently. As a result of the necessary changes, the level of complexity of production activities in the new conditions and the increased technical, economic or legal requirements for the Company will rise at the same time, resulting in the need for KGHM Polska Miedź S.A. staff to continuously and dynamically increase their qualifications. Due to the rise in popularity of topics related to the progress towards a low-carbon economy, an increase is seen in the importance of decarbonisation technology providers and a significant increase in demand for their services. In the case of a decision to use solutions offered on the market, the availability of suppliers within the required timeframe may be limited and the need to wait a long time for the procurement of services or goods necessary for the implementation of new technologies may arise, thus extending the project implementation period.</p> <p>In the technology area an opportunity has been identified arising from increased consumption and capability to process a volume of copper scrap and copper-bearing materials by smelters and refineries of KGHM Polska Miedź S.A., which results in improved efficiency of waste management in global terms in the context of resource use and longer copper life cycle – a change in the customer's and the Regulator's approach in favour of a circular economy and low-carbon economy.</p> |
| <b>Mitigation</b>                            | <ul style="list-style-type: none"> <li>– Ongoing monitoring of policy changes intended to reduce CO<sub>2</sub> emissions and the potential tightening of regulations, analysis of market standards, technological innovations, opportunities for using alternative energy sources (RES). Taking pre-emptive actions to adapt to changes in the technological area. Monitoring the activities of competitors and related industry players (e.g. steel industry). Research market observation, technology scouting. Continuous monitoring of ongoing calls for projects financed from national and European funds, which could be used to finance research or investment projects of KGHM Polska Miedź S.A. in the area of climate transformation.</li> <li>– Since most of the technology is in early advancement stage, it is assumed that by 2030 KGHM Polska Miedź S.A. will focus its efforts primarily on the continuation or launch of research and development work in selected areas, as well as on launching pilot projects. Full implementation of new innovative solutions, leading to achievement of the expected decarbonisation effects in the direct emissions area, will be effected in 2030-2050.</li> <li>– A Transformation Head Office division dedicated for this risk has been in place since 2022.</li> </ul>   |
| <b>Indicator used for risk assessment</b>    | <p>Number of key customers lost due to excessive carbon footprint of products offered by KGHM Polska Miedź S.A., excessive level of greenhouse gas emissions of KGHM Polska Miedź S.A. as an organisation or too low emission reduction target:</p> <ul style="list-style-type: none"> <li>– throughout 2023 and 2022, KGHM Polska Miedź S.A. did not record any events according to the criteria defined.</li> </ul>  |

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

|  |  |
|--|--|
| <b>Description of risks and risk factors</b> | <p>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 also involve a focus on the production method rather than merely the quality and price of the final product.</p> <p>At the same time, KGHM Polska Miedź S.A. points to the opportunity coming from increased demand for copper arising from the necessity to supply it to meet the needs of the low-carbon economy as a result of a higher level of electrification (through increased copper consumption for purposes related to manufacturing components for electrical vehicles and development of electromobility) and increased consumption of copper in power networks. A stable growth of the global demand for copper is expected in the outlook up to 2040. The forecast growth will be an effect of, among others, the dynamically increasing demand from industries associated with renewable energy sources.</p> |
| <b>Mitigation</b>                            | <ul style="list-style-type: none"> <li>– Care and due diligence in monitoring and identification of expectations and requirements of business partners concerning the climate and environmental issues and consideration given to these issues in the long-term, strategic perspective.</li> <li>– Ongoing analysis of technical and technological solutions, which satisfy stakeholder requirements concerning climate issues affecting changes in supply and demand.</li> <li>– Continuous improvement of management systems in line with best recognised practices and standards.</li> </ul>  |
| <b>Indicator used for risk assessment</b>    | <p>Significant change in the structure and source of revenue related to changes in the demand and supply of products and services due to increased stakeholder expectations and awareness of climate issues:</p> <ul style="list-style-type: none"> <li>– throughout 2023 and 2022, KGHM Polska Miedź S.A. did not record any events according to the criteria defined.</li> </ul>   |

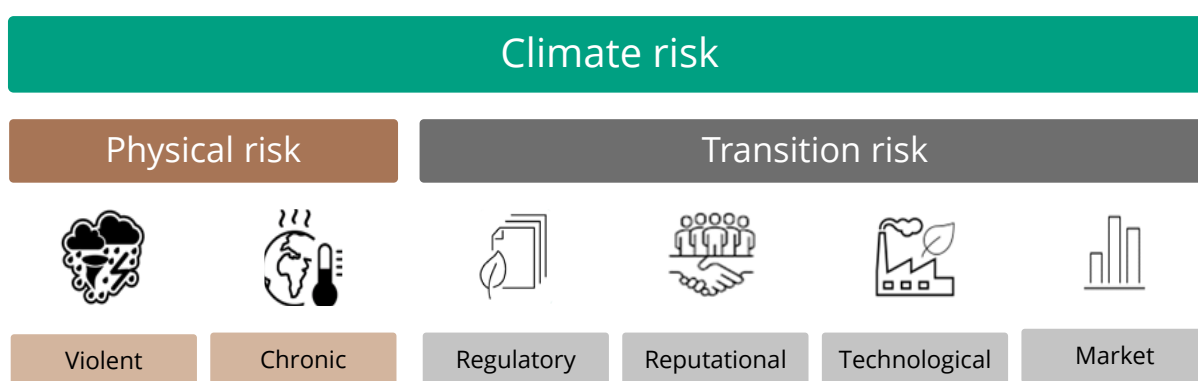
## 4.2.3 Description of processes in order to identify and assess significant impacts, risks and opportunities

### [ESRS 2 IRO-1]

Managing climate risk and adapting to climate change is crucial for KGHM Polska Miedź S.A. as an informed and responsible participant in the green transition. KGHM Polska Miedź S.A., as an organisation aware of the impact of climate change on business activity, has fully integrated the Climate Risk Management process with the Corporate Risk Management Process of the KGHM Polska Miedź S.A. Group, as described in section [2.3 Risk management](#). As a result of these measures, KGHM identifies a new category: climate risk, with importance equivalent to other main risk categories in the Company, i.e. value chain, technological, external, internal and market risk.

The corporate risk management process in the KGHM Polska Miedź S.A. Group consists of four stages: (I) Context definition, (II) Identification and Assessment, (III) Analysis and response, (IV) Monitoring and communication. The critical stages in the recognition of climate risks include the first stage (scenario analyses as part of Context Definition) and the second stage (taxonomy of climate risk as part of Identification and Assessment). Scenario analyses are described in more detail in section [4.2.2 Material impacts, risks and opportunities and their interaction with strategy and business model](#) and represent the foundation for the identification and assessment of risks, taking into account the climate risk categories which, according to the classification adopted, fall into the following subcategories:

Diagram 27. Categories of climate risk



With regard to climate risk, at this stage of the process, risks are identified taking into account whether assets and business activities may be exposed to climate risk and whether it may affect the achievement of targets at the KGHM Polska Miedź S.A. Group level. The extent to which assets and business activities are likely to be exposed (impact and likelihood) and vulnerable (susceptibility) to identified climate-related risks is subsequently assessed in accordance with the applicable Risk Assessment Matrix. It should be mentioned that KGHM Polska Miedź S.A. is currently subject to the process of implementing the Decarbonisation Program of the KGHM Group, which will indicate which assets and activities will be subject to transformation in order to move towards a climate-neutral economy by 2050.

The remaining stages of the climate risk management process are consistent with the general corporate risk management process in the KGHM Polska Miedź S.A. Group.

In accordance with the process in place, the **Strategy Risk Map** is prepared and presented annually as a graphical representation of the results of the risk assessment. The Strategy Risk Map incorporating climate risks, contains the evaluation of the climate change risks identified in KGHM in relation to the individual strategic areas over the three time horizons within the scenario analyses used. The approach applied allows for adequate adjustment and updating of the strategy and business model to climate change.

Identified risks at the strategic level are decomposed into a corporate risk level and a project and program risk level, allowing for effective management of individual risks. As part of the corporate risk management process, an element that provides another important tool to enable KGHM to adapt and adjust its strategy and business model to climate change are the **Adaptation Measures**. The Adaptation Measures are understood as a change of conduct in terms of the specific risk management, i.e. organisational, process, system, strategic and other changes aimed at reducing the level of that risk.

#### 4.2.4 Policies related to climate change mitigation and adaptation

[ESRS E1-2]

##### **Climate policy of KGHM Polska Miedź S.A.**

Being an ambitious participant in the green transformation, KGHM Polska Miedź S.A. undertakes obligations not only with respect to further development of the core business, but also to carry out a number of changes in the functioning of the Company aimed at demonstrating awareness of climate change and deepening communication in this respect with all stakeholders.

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

##### **Key assumptions of the Climate Policy.**

KGHM Polska Miedź S.A. intends to develop its activities continuously and consciously in accordance with the principles of sustainable development and responsible business, carrying out operations in a manner that takes into account both the organisation's impact on the climate and the impact of climate change on the Company.

KGHM Polska Miedź S.A. meets the challenges posed by the changing regulatory environment and the resulting obligations with regard to the impact of the Company's activities on the climate, as well as the impact of climate change on KGHM.

Due to the dominant share of greenhouse gas emissions from KGHM Polska Miedź S.A. in the KGHM Group, the Climate Policy currently covers only KGHM Polska Miedź S.A. Work on a climate policy for the KGHM Group is in progress. The results of this work will be published by the end of 2024 at the latest.

##### **Energy Policy of KGHM Polska Miedź S.A.**

The primary objective of KGHM Polska Miedź S.A. in terms of energy management is to engage in rational energy management while ensuring the security of energy supply to facilities and installations within the Company's core business. It has been and is implemented on the basis of the best European and global standards and within this framework, primarily in accordance with the ISO 50001 standard.

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 the current and future electricity 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 46.4 MWe each, as well as a Surface-based Central Air Conditioning Station located next to shaft R-XI in Grodowiec and at the GG-1 shaft in Kwielice, where natural gas powered engines with the total capacity of 8.8 MWe were installed at each of the Stations. The Company is in the process of advancing further investments to increase electricity generation, with nitrogen-rich natural gas used as fuel. By 2030, two more Stations will be built with the total capacity of 17.6 MWe.

One of the significant 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 considering building a small modular light water nuclear unit with a capacity of up to 500 MW. KGHM takes into consideration mainly SMR projects based on the well-known concept of small high-pressure light water reactors demonstrating modular, integrated structure which allows for simplification and shortening of the investment and construction process. On 12 July 2023, the Company received a fundamental decision from the Minister of Climate and Environment, which is the first administrative decision in the system of permits and authorisations for a nuclear power plant in Poland. Meanwhile, on 22 December 2023, the President of the State Atomic Energy Agency (PAA) issued a general opinion on selected technical assumptions for the NuScale NPM-20 reactor technology - one of the technologies indicated by KGHM in its application for the issuance of the fundamental decision. In the general opinion, the PAA verified the compliance of the selected technical assumptions described in the application for a general opinion with Polish nuclear safety requirements.

The strategic goal of KGHM Polska Miedź S.A. related to energy transition in the 2030 perspective assumes covering at least 50%, i.e. approximately 1 500 GWh, of the demand for electricity from own sources, including renewable energy sources. The Company has been implementing activities related to the achievement of its strategic objectives, including the acquisition of projects from the market (M&A) and the preparation and construction of its own RES installations on the land owned by KGHM Polska Miedź S.A. Currently, photovoltaic power plant projects and wind farm projects are carried out on the land owned by KGHM, i.e. at the Głogów Copper Smelter and Refinery and at the Cedynia Copper Wire Rod plant and in the Obora Sandpit area as well as on the land owned by the Tailings Division, with the total estimated capacity at a level of 200 MW. Other projects are also being prepared on KGHM's own land.



Moreover, KGHM Polska Miedź S.A. is also active on the market of mergers and acquisitions in terms of renewable energy sources and is engaged in several due diligence and valuation processes for assets available for sale. The activities of the Company in this scope carried out to date are presented in section [1.1.3 Organisational structure of the Company and the Group](#) addressing changes in the organisational structure of the Group.

#### **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 the 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 recertification audit conducted in KGHM Polska Miedź S.A. and in „Energetyka” sp. z o.o. in June 2023 confirmed that the system is compliant with the requirements of the standard, undergoing continual enhancement, while the energy result is improved. The audit conducted by the UDT CERT Certification Unit confirmed 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 awarded once again for subsequent three years.

Among others, the EMS reduces the costs of purchase and consumption of power utilities, including the cost of CO<sub>2</sub> emission allowances, acquired as a result of lower greenhouse gas emissions. The intention of the Company is 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.

#### **4.2.5 Measures and resources in relation to climate policy**

##### **[ESRS E1-3]**

In November 2023, design work was commenced with the aim to develop the Decarbonisation Programs for the Core Production Business of KGHM Polska Miedź S.A., taking into account the targets for reduction of greenhouse gas emissions specified in the Climate Policy with the outlook of 2030 and 2050.

In parallel, financial plans for climate change mitigation and adaptation activities will also be developed. The work is expected to be completed by the end of 2024. It is assumed that, due to the level of development and availability of modern technology, the Company’s main activities in the 2030 timeframe will be aimed at reducing indirect Scope 2 emissions, i.e. emissions associated with the use of electricity

The main direction of decarbonisation in the area of indirect emissions of KGHM Polska Miedź S.A. will be a gradual withdrawal from the use of market-sourced electricity and heat to the increasing use of own energy sources. The development of own sources will include the construction or acquisition of RES installations (photovoltaic power plants and wind power), as part of strategic projects in the area of solar and wind energy development. A detailed description of the work carried out in this area is included in Section [1.2.1 Advancement of the Strategy in 2023 – best practice and key achievements](#).

Measures to reduce Scope 1 direct emissions will be implemented successively in the 2050 timeframe, including, among others, taking into account a potential investment to build the CCS/CCU (*Carbon Capture and Storage/Carbon Capture and Utilization*) installation at the Głogów Copper Smelter and Refinery, preceded by dedicated R&D work.

#### **4.2.6 Targets related to climate change mitigation and adaptation**

##### **[ESRS E1-4, ESRS E1-E4 Addendum B]**

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

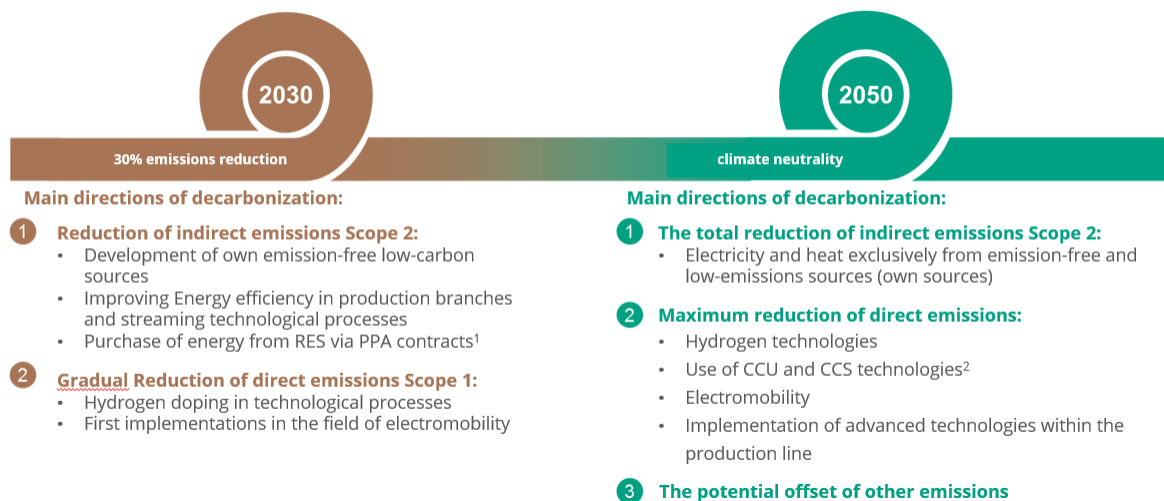
The interim target is to reduce combined Scope 1 and Scope 2 emissions by 30% by 2030 compared to 2020 emissions<sup>37</sup>.

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<sup>37</sup> GHG emissions are calculated in accordance with the GHG Protocol. The protocol indicates that companies select and report a base year for which verifiable emission data is available. The first emission calculation in accordance with the protocol was performed based on 2020 data (earlier calculations did not include all emission sources). 2020 is therefore indicated in the Climate Policy as the base year.



Diagram 28. Main directions of decarbonisation



1. PPA – Power Purchase Agreement, a contract for the supply of electricity between two parties

2. CCS/CCU Carbon Capture, Storage and Utilisation Technologies

The reduction targets comprising the entire KGHM Group will be published by the end of 2024 at the latest. The emission reduction targets indicated in the Climate Policy for the Parent Entity of the KGHM Group, namely KGHM Polska Miedź S.A., already cover the key part of the KGHM Group's greenhouse gas emissions.

Work will also begin in 2024 with the aim to set reduction targets for Scope 3 - indirect emissions arising throughout the value chain.

#### 4.2.7 Energy consumption and energy mix

[ESRS E1-5, ESRS E1-5 Addendum B]

As at the date of signing the Report, data on energy consumption divided into conventional and renewable sources and energy intensity was not available. This information will be published in a separate procedure. The Company will take appropriate steps to ensure that up-to-date information can be included in future years' reports.

#### 4.2.8 Gross Scope 1, 2 and 3 greenhouse gas emissions and total greenhouse gas emissions

[ESRS E1-6]

##### Scope 1

Scope 1 greenhouse gas emissions are direct emissions from sources that are owned or controlled by KGHM, such as emissions from combustion in its own boilers, furnaces and vehicles.

##### Scope 2

Scope 2 emissions are indirect emissions associated with the generation of purchased or acquired electricity, process steam, heat or cooling consumed by KGHM.

Scope 2 emissions were calculated in accordance with the *GHG Protocol<sup>38</sup> Scope 2 Guidance* using two methods:

- The location-based method quantifies Scope 2 greenhouse gas emissions based on average energy production emission factors for specific locations, including local, regional or national boundaries.

<sup>38</sup> Greenhouse Gas Protocol - a global standard that is used to measure and manage greenhouse gas emissions. Emissions are divided into three scopes: Scope 1, Scope 2, Scope 3.

In case of KGHM Polska Miedź S.A., we used the emission factors for electricity, from the National Balancing and Emissions Management Center, and for heat, from the Energy Regulatory Office, to calculate the value of Scope 2 emissions based on location.

- The market-based method calculates Scope 2 GHG emissions based on the emissions of the generators from which the reporting entity buys electricity under a contract bundled with financial instruments or the instruments themselves separately. We used emission intensity factors from local electricity and heat operators to calculate Scope 2 market emissions.

### Scope 3

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

The GHG Protocol distinguishes more than a dozen categories of GHG emissions within Scope 3, i.e. those arising in the company value chain:

#### SCOPE 3 - UPSTREAM

- Purchased raw materials and services (emissions related to the extraction and production of raw materials and services)
- Capital goods (emissions related to the production of capital goods)
- Energy and fuel-related emissions not included in Scope 1 and 2
- Upstream: transport and distribution (transport and distribution of products purchased by the reporting company during the reporting period between the supplier and the reporting company by vehicles or equipment not owned or controlled by the reporting company)
- Waste generated as a result of operations (disposal and treatment of waste during the reporting period in facilities that are not owned and controlled by the reporting company)
- Business travel (business-related transport of employees during the reporting period by vehicles that are not owned or managed by the reporting company)
- Employees' commuting (transportation of employees between their homes and their workplaces during the reporting year by vehicles not owned or operated by the reporting company)
- Upstream: leased assets (issues related to the operation of assets leased by the reporting company (lessee) during the reporting year and not covered by scope 1 and 2).

#### SCOPE 3 - DOWNSTREAM

- Downstream - transport and distribution
- Processing of products sold (Processing of intermediate products sold in the reporting year to customers (e.g. manufacturers) - this calculation would require close cooperation with customers in collecting information on their Scope 1 and 2 emissions.
- Use of products sold
- End-of-life treatment of products sold
- Downstream: leased assets (handling of assets owned by the reporting company (lessor) and leased to others during the reporting year, not included in Scope 1 and 2)
- Franchise
- Investment (investment activities (including equity and long-term investments and project financing) during the reporting year, not covered by Scope 1 or 2).

The Company's emission data in the years 2020-2023 is presented below.

As at the day of preparation of the Report, data related to Scope 3 greenhouse gas emission was not available. This information will be published separately. The Company will take appropriate steps to ensure that up-to-date information can be included in future years' reports. Moreover, the company is working on setting the reduction targets for Scope 3 emissions, including on setting the base year.

Chart 14. Greenhouse gas emissions in production divisions of KGHM Polska Miedź S.A. in the years 2020-2023 (kt e CO<sub>2</sub>)

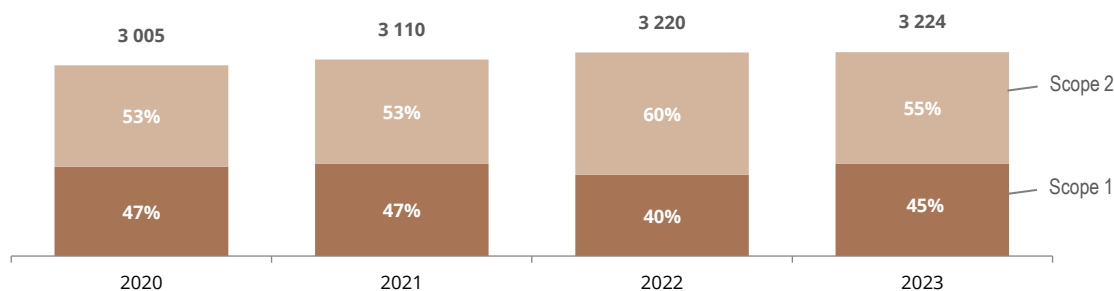


Table 29. Greenhouse gas emissions in KGHM Polska Miedź S.A. Divisions in the years 2020-2023 [kt eCO<sub>2</sub>]

|   | 2020<br>Base<br>year | 2022           | 2023           | y/y<br>change,<br>base (%) | y/y<br>change<br>base (%) | y/y<br>change | y/y<br>change<br>(%) | 2030<br>target | 2050<br>target |
|---|----------------------|----------------|----------------|----------------------------|---------------------------|---------------|----------------------|----------------|----------------|
| <b>SCOPE 1 greenhouse gas emissions</b>                                       |                      |                |                |                            |                           |               |                      |                |                |
| <b>Gross greenhouse gas emissions</b>   | <b>1 413.1</b>       | <b>1 288.1</b> | <b>1 464.8</b> | <b>+51.6</b>               | <b>+3.7%</b>              | <b>+176.7</b> | <b>+13.7%</b>        | -              | -              |
| Percentage of emissions from regulated emission trading schemes (%)           | 86                   | 83             | 84             |                            |                           |               |                      |                |                |
| <b>SCOPE 2 greenhouse gas emissions</b>                                       |                      |                |                |                            |                           |               |                      |                |                |
| <b>Gross greenhouse gas emissions</b><br>location-based method                | <b>1 592.4</b>       | <b>1 931.8</b> | <b>1 759.0</b> | <b>+166.6</b>              | <b>+10.5%</b>             | <b>-172.8</b> | <b>-8.9%</b>         | -              | -              |
| <b>Gross greenhouse gas emissions</b><br>market-based method                  | <b>1 605.6</b>       | <b>1 899.5</b> | <b>1 854.5</b> | <b>+248.9</b>              | <b>+15.5%</b>             | <b>-45.0</b>  | <b>-2.4%</b>         | -              | -              |
| <b>Greenhouse gas emissions, TOTAL Scope 1 and 2</b><br>location-based method | <b>3 005.5</b>       | <b>3 219.8</b> | <b>3 223.8</b> | <b>+218.3</b>              | <b>+7.3%</b>              | <b>+3.9</b>   | <b>+0.1%</b>         | <b>-30%</b>    | <b>-100%</b>   |
| <b>Greenhouse gas emissions, TOTAL Scope 1 and 2</b><br>location-based method | <b>3 018.7</b>       | <b>3 187.6</b> | <b>3 319.3</b> | <b>+300.6</b>              | <b>+10.0%</b>             | <b>+131.7</b> | <b>+4.1%</b>         | <b>-30%</b>    | <b>-100%</b>   |
| <b>SCOPE 3 greenhouse gas emissions</b> <sup>39</sup>                         |                      |                |                |                            |                           |               |                      |                |                |
| <b>Greenhouse gas emissions</b>   | -                    | <b>1 112.3</b> | -              | -                          | -                         | -             | -                    | -              | -              |
| - Purchase of goods and services  | -                    | 748.1          | -              | -                          | -                         | -             | -                    | -              | -              |
| - Investment goods  | -                    | 140.3          | -              | -                          | -                         | -             | -                    | -              | -              |
| - Activities related to fuel and energy (not included in Scope 1 or 2)        | -                    | 97.8           | -              | -                          | -                         | -             | -                    | -              | -              |
| - Upstream transport and distribution   | -                    | 91.1           | -              | -                          | -                         | -             | -                    | -              | -              |
| - Waste generated within the operation  | -                    | -              | -              | -                          | -                         | -             | -                    | -              | -              |
| - Business travel   | -                    | 0.2            | -              | -                          | -                         | -             | -                    | -              | -              |
| - Employees' commuting to work  | -                    | 20.3           | -              | -                          | -                         | -             | -                    | -              | -              |
| - Leased senior assets  | -                    | -              | -              | -                          | -                         | -             | -                    | -              | -              |
| - Downstream transport  | -                    | 14.5           | -              | -                          | -                         | -             | -                    | -              | -              |
| - Processing of products sold   | -                    | -              | -              | -                          | -                         | -             | -                    | -              | -              |
| - Use of products sold  | -                    | -              | -              | -                          | -                         | -             | -                    | -              | -              |
| - Processing of products sold at end of life                                  | -                    | -              | -              | -                          | -                         | -             | -                    | -              | -              |
| - Leased junior assets  | -                    | -              | -              | -                          | -                         | -             | -                    | -              | -              |
| - Franchise   | -                    | -              | -              | -                          | -                         | -             | -                    | -              | -              |
| - Investments   | -                    | -              | -              | -                          | -                         | -             | -                    | -              | -              |
| <b>TOTAL greenhouse gas emissions</b><br>location-based method                | -                    | <b>4 332.1</b> | -              | -                          | -                         | -             | -                    | -              | -              |
| <b>TOTAL greenhouse gas emissions</b><br>market-based method                  | -                    | <b>4 299.9</b> | -              | -                          | -                         | -             | -                    | -              | -              |

39 As at the day of preparation of the Report, data related to Scope 3 greenhouse gas emission was not available. This information will be published in a separate procedure. The Company will take appropriate steps to ensure that up-to-date information can be included in future years' reports. Moreover, the company is working on setting the reduction targets for Scope 3 emission, including determining of the base year.

Table 30. Greenhouse gas emissions in KGHM Polska Miedź S.A. Group in 2020-2023 [kt e CO<sub>2</sub>]

|   | 2020<br>Base<br>year | 2022           | 2023           | YoY<br>change,<br>base | YoY<br>change<br>(%),<br>base | YoY<br>change | YoY<br>change<br>(%) | 2030<br>target | 2050<br>target |
|---|----------------------|----------------|----------------|------------------------|-------------------------------|---------------|----------------------|----------------|----------------|
| <b>SCOPE 1 greenhouse gas emissions</b> <sup>40</sup>                                       |                      |                |                |                        |                               |               |                      |                |                |
| <b>Gross greenhouse gas emissions</b>   | -                    | <b>2 261.6</b> | <b>2 318.6</b> | -                      | -                             | <b>+57.0</b>  | <b>+2.5%</b>         | -              | -              |
| <i>Percentage of emissions from regulated emission trading schemes (%)</i>                  |                      |                |                |                        |                               |               |                      |                |                |
| <b>SCOPE 2 greenhouse gas emissions</b> <sup>41</sup>                                       |                      |                |                |                        |                               |               |                      |                |                |
| <b>Gross greenhouse gas emissions</b><br>location-based method                              | -                    | <b>2 283.4</b> | <b>2 180.9</b> | -                      | -                             | <b>-102.5</b> | <b>-4.5%</b>         | -              | -              |
| <b>Gross greenhouse gas emissions</b><br>market-based method                                | -                    | <b>2 353.0</b> | <b>2 350.4</b> | -                      | -                             | <b>-2.6</b>   | <b>-0.1%</b>         | -              | -              |
| <b>Greenhouse gas emissions, TOTAL Scope 1 and 2</b> <sup>42</sup><br>location-based method | -                    | <b>4 545.0</b> | <b>4 499.5</b> | -                      | -                             | <b>-45.5</b>  | <b>-1.0%</b>         | -              | -              |
| <b>Greenhouse gas emissions, TOTAL Scope 1 and 2</b> <sup>43</sup><br>location-based method | -                    | <b>4 614.6</b> | <b>4 669.5</b> | -                      | -                             | <b>+55.0</b>  | <b>+1.2%</b>         | -              | -              |
| <b>SCOPE 3 greenhouse gas emissions</b> <sup>44</sup>                                       |                      |                |                |                        |                               |               |                      |                |                |
| <b>Greenhouse gas emissions</b>   | -                    | <b>1 849.0</b> | -              | -                      | -                             | -             | -                    | -              | -              |
| - Purchase of goods and services  | -                    | 1 130.5        | -              | -                      | -                             | -             | -                    | -              | -              |
| - Investment goods  | -                    | 280.1          | -              | -                      | -                             | -             | -                    | -              | -              |
| - Activities related to fuel and energy (not included in Scope 1 or 2)                      | -                    | 256.7          | -              | -                      | -                             | -             | -                    | -              | -              |
| - Upstream transport and distribution   | -                    | 122.5          | -              | -                      | -                             | -             | -                    | -              | -              |
| - Waste generated within the operation  | -                    | -              | -              | -                      | -                             | -             | -                    | -              | -              |
| - Business travel   | -                    | 0.4            | -              | -                      | -                             | -             | -                    | -              | -              |
| - Employees' commuting to work  | -                    | 44.2           | -              | -                      | -                             | -             | -                    | -              | -              |
| - Leased senior assets  | -                    | -              | -              | -                      | -                             | -             | -                    | -              | -              |
| - Downstream transport  | -                    | 14.5           | -              | -                      | -                             | -             | -                    | -              | -              |
| - Processing of products sold   | -                    | -              | -              | -                      | -                             | -             | -                    | -              | -              |
| - Use of products sold  | -                    | -              | -              | -                      | -                             | -             | -                    | -              | -              |
| - Processing of products sold at end of life  | -                    | -              | -              | -                      | -                             | -             | -                    | -              | -              |
| - Leased junior assets  | -                    | -              | -              | -                      | -                             | -             | -                    | -              | -              |
| - Franchise   | -                    | -              | -              | -                      | -                             | -             | -                    | -              | -              |
| - Investments   | -                    | -              | -              | -                      | -                             | -             | -                    | -              | -              |
| <b>TOTAL greenhouse gas emissions</b><br>location-based method                              | -                    | <b>6 394.0</b> | -              | -                      | -                             | -             | -                    | -              | -              |
| <b>TOTAL greenhouse gas emissions</b><br>market-based method                                | -                    | <b>6 463.5</b> | -              | -                      | -                             | -             | -                    | -              | -              |

#### 4.2.9 Removal and storage of greenhouse gases

##### [ESRS E1-7]

Within the key directions for reducing the carbon footprint in the area of direct emissions, the construction of a CCS/CCU facility (*Carbon Capture and Storage/Carbon Capture and Utilization*) at the Głogów Copper Smelter and Refinery is being considered in creating the Decarbonisation Program.

Given the level of development and availability of CCS/CCU technology, R&D initiatives will be undertaken in the first instance while key activities will be carried out successively in the 2050 timeframe. In 2023, the preparation of the feasibility study for the CCS demonstration installation at the Głogów Copper Smelter and Refinery was launched. Work will continue in 2024.

40 The KGHM Group is in the process of preparing the Climate Policy including determination of reduction targets and the base year

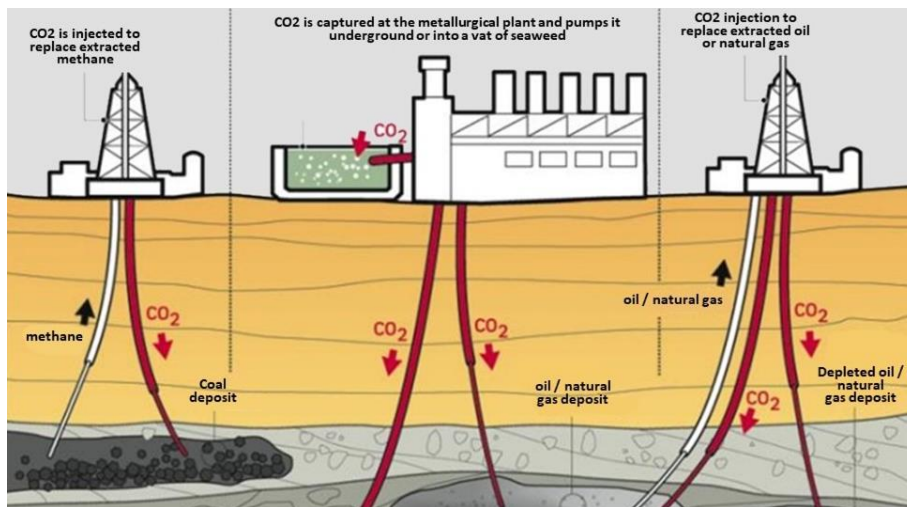
41 See above

42 See above

43 See above

44 As at the day of preparation of the Report, data related to Scope 3 greenhouse gas emission was not available. This information will be published in a separate procedure. The Group will take appropriate steps to ensure that up-to-date information can be included in reports for subsequent years. Moreover, the company is working on setting the reduction targets for Scope 3 emission, including determining of the base year.

Diagram 29. Carbon Capture and Storage Technology



#### 4.2.10 Internal determination of fees for greenhouse gas emission

[ESRS E1-8]

In KGHM Polska Miedź S.A., no internal fee for greenhouse gas emissions has been set.

#### 4.2.11 Anticipated financial effects

[ESRS E1-9]

KGHM Polska Miedź S.A. omits information on the anticipated financial effects of climate-related impacts, risks and opportunities using the transitional provision for phased-in disclosure requirements (Appendix C, ESRS 1).

### 4.3 ENVIRONMENTAL POLLUTION MANAGEMENT

[ESRS 2 IRO-1]

The KGHM Polska Miedź S.A. Group conducts ongoing monitoring of its own sites and activities in order to determine the impact of these activities on the environment.

Direct measurements in the environment exposed to the impact of KGHM's installations comprise atmospheric air quality monitoring, groundwater monitoring, surface water monitoring and soil monitoring. The monitoring carried out since the 1980s provides a full image of the impact on the environment, as well as knowledge of the effects that have been achieved as a result of the pro-environmental initiatives and investment activities carried out to date.

KGHM Polska Miedź S.A., being aware of its impact on the environment through its mining and processing operations, introduces technological solutions and undertakes environmental protection initiatives. An example of key measures aimed at improvement of ambient air quality, following extensive consultation with the local community, is the BATAs investment program, the implementation of which has contributed significantly to further reductions in emissions from metallurgical processes. Activities of this type are key elements of the environmental policy of KGHM Polska Miedź S.A.

A detailed analysis of impacts, risks and opportunities for the KGHM Polska Miedź S.A. Group is included in section [2.2.7 Material impacts, risks and opportunities and their interaction with strategy and business model](#).

#### 4.3.1 Pollution policy

[ESRS E2-1]

##### **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 organisational activities based on best available techniques, which mitigate our impact on the environment and climate. The Vice President of the Management Board (Production) is responsible for the implementation of the policy.

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 ecological production, protection of the environment and climate, as well as adoption of Circular Economy concepts, including increasing the share of materials originating from the secondary market.

By improving the Environmental Management Systems (EMS) which have been in place for many years and are certified in the Metallurgical Divisions, Concentrators Division and the Tailings Plant, based on the PN-EN ISO 14001 standard, on 12 July 2023 the 2nd edition of the Environmental Policy of KGHM Polska Miedź S.A., approved by the President of the Management Board, was adopted in the Company.

**Also in terms of improvements, in 2021 the process of implementing the Environmental Management System at the Head Office and in the Mining Divisions in accordance with the ISO 14001 standard commenced, and was completed in December 2023, as confirmed by group certification by the external entity TUV NORD Polska, and the receipt of a Certificate for a subsequent 3 years.**

In implementing the approved Environmental Management Policy, the management of the Company undertakes to:

- ensure continuous prevention and mitigation of adverse impact on the environment and climate, through improvement and technological development of processes,
- modernization and replacement of machinery and prevention of pollution and breakdowns,
- ensure rational use of natural resources, such as land, water, forests,
- ensure rational management of natural resources,
- reduce the volume of produced waste and continuously develop waste management techniques,
- reduce pollution of air, water and soil,
- reduce greenhouse gas emissions, considering the necessary economic aspects,
- recover the usable value of 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 the accepted and justified requirements and expectations of stakeholders,
- comply with the requirements of applicable law while respecting ethical principles applicable in the KGHM Group,
- respect legally designated protected areas and ensure that any new operations or changes to existing operations are carried out lawfully within our licence to operate,
- refrain from conducting activities at World Heritage Sites and, where our activities are adjacent to World Heritage Sites, we will ensure that our activities do not compromise the safety and value of these sites,
- conduct an open and respectful dialogue with the local community and relevant authorities for the benefit of the environment and the climate,
- responsibly manage chemicals in accordance with the EU REACH and CLP regulations,
- 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, and
- provide transparent reporting of our real environmental and climate impacts and progress to all stakeholders,

The principles adopted in the Environmental Policy of KGHM Polska Miedź S.A. are complied with by all employees of the Company, as well as other persons and entities performing tasks needed for its operation.

Moreover, the Environmental Policy of KGHM Polska Miedź S.A. takes into account the interests of key stakeholders. The needs of local communities are incorporated in the processes of designing and implementing investments by applying pro-environmental solutions required by law. KGHM also takes into account the interests of key stakeholders on a voluntary basis, going beyond legal requirements.

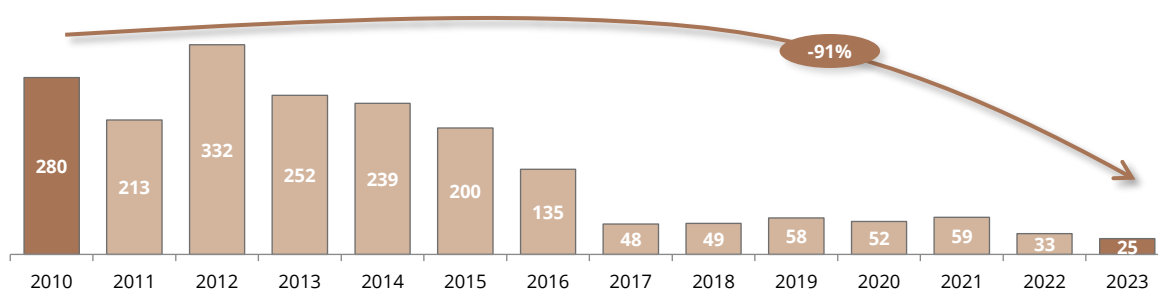
#### 4.3.2 Pollution-related activities and resources

[ESRS E2-2]

##### **Air pollution**

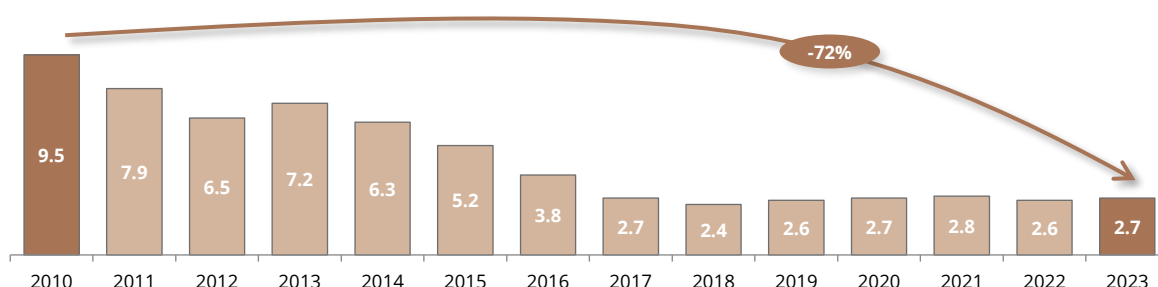
Copper production generates dust emissions which may contain metals and metal compounds. The consistent application of the Best Available Techniques (BAT) enabled a reduction in dust emissions from electrolytic copper production in KGHM Polska Miedź S.A. by 91%. The main focus for reducing emissions 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.

Chart 15. Dust emissions from metallurgical production of KGHM Polska Miedź S.A. in 2023 [g/t of electrolytic copper]



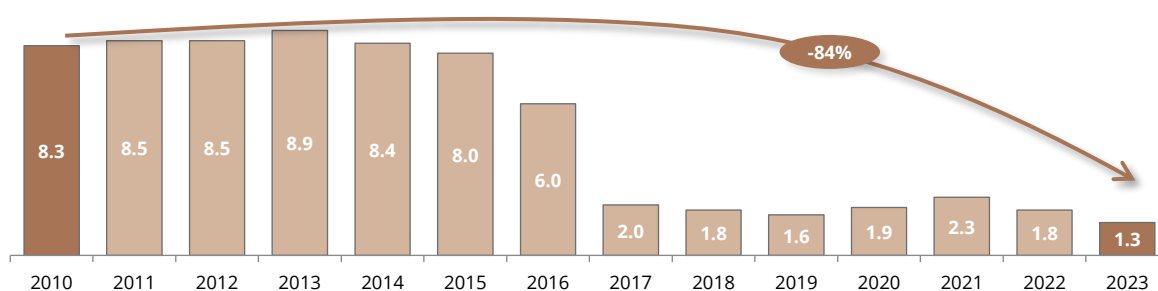
Dust emissions from mining production continue to decrease in spite of the growing output. This is made possible by a proper organisation of the mining process and replacement of mining machinery and equipment driven by combustion engines with low-emission or electric machinery. Dust emissions from the ore enrichment process were effectively reduced in the 20th century. The current projects are aimed at sealing the process even further and reducing fugitive emissions. All these measures have led to a 72% decrease in dust emissions from mining production (2023 status vs 2010).

Chart 16. Dust emissions from mining production of KGHM Polska Miedź S.A. in 2023 [g/t of ore]



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. KGHM is a pioneer in reduction of sulphur dioxide emissions: emissions per tonne of copper produced have been reduced by approximately 84% vs. 2010. The aim of KGHM is to maintain a consistent level of sulphur dioxide emissions.

Chart 17. Emission of SO<sub>2</sub> of KGHM Polska Miedź S.A. in 2023 [kg/t of electrolytic copper]



### Air pollution - BATs program

In June 2016, the European Commission issued an executive decision establishing BAT conclusions (guidelines) for the non-ferrous metals industry. 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 implementation was completed in 2023. In the Głogów Copper Smelter and Refinery and in the Legnica Copper Smelter and Refinery, the above-mentioned program was implemented by building new and adapting the existing technological installations. The goal of the Program was to reduce dust and gas emissions, including arsenic compounds, through the installation of modern filters and further sealing of technological processes. Under the Program, by the end of 2023:



### 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 yard for lead-bearing materials at the Głogów II Smelter and Refinery was built,
- a gas desulphurisation installation at the Kaldor furnace of the Precious Metals Plant was built,
- gas bypass pipelines for the flash furnaces 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 and Refinery was built,
- the desulphurisation and dust removal installation for technological gases from converters at the Głogów II Smelter and Refinery was modernised,
- an installation to remove mercury- and arsenic-containing dust from gases from the raw lead production furnace was upgraded,

### In 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 modernised,
- a second-stage wet de-duster was built at the drying plant's dust removal installation in order to reduce arsenic and mercury emissions,
- installations for wet dust removal from gases above the TM-16 casting machines were designed and constructed,
- a desulphurisation and dust removal installation for gases from the copper granulation process was developed,
- an installation to remove arsenic and mercury from gases at the SOLINOX installation was constructed.

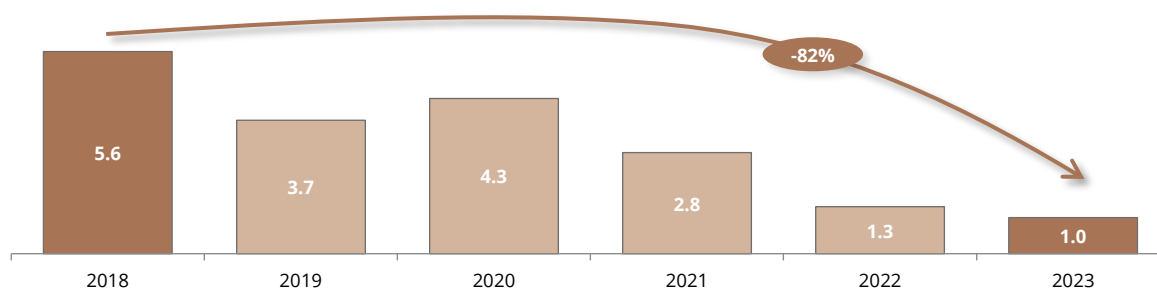
Table 31. Results of investment projects completed by 2023 in KGHM Polska Miedź S.A. in the area of unit adaptation to meet the requirements of the BAT Conclusions for the non-ferrous metals industry.

| <i>Name of task/initiative</i>  | <i>BAT-associated emission levels (BAT-AEL). Expected adaptation to BAT</i>  | <i>Task completion date<br/>Parameters achieved (in guaranteed parameter tests)</i>   | <i>Effects</i>                                 |
|---|--|---|--|
| <b>HML- Modernisation of the Psz.1 bag filter dedusting system and Psz2 and Psz3 cassette filters in the Shaft Furnaces</b>                       | Dust – 2÷5 mg/m <sup>3</sup> <b>(BAT 39)</b><br>As – 0.05 mg/m <sup>3</sup>  | December 2019<br>Dust – < 1 mg/m <sup>3</sup> ,<br>As – < 0.05 mg/m <sup>3</sup> , average 0.02 mg/m <sup>3</sup>   | Dust – decrease by 97%<br>As – decrease by 84% |
| <b>HML - Construction of 2nd-stage wet dedusting system on the dryer dedusting units to reduce As emissions down to the BAT Conclusion levels</b> | Dust – 3÷5 mg/m <sup>3</sup> <b>(BAT 38)</b><br>As – 0.05 mg/m <sup>3</sup>  | December 2020<br>Dust – < 1 mg/m <sup>3</sup> ,<br>As – < 0.02 mg/m <sup>3</sup> , average 0.01 mg/m <sup>3</sup>   | As – decrease by 84%                           |
| <b>HML - Design and construction of installation to eliminate arsenic from gases above the TM-16 casting machines</b>                             | Dust – < 15 mg/m <sup>3</sup> <b>(BAT 44)</b>  | December 2020<br>Dust – < 15 mg/m <sup>3</sup> , average 9.5 mg/m <sup>3</sup>  | Dust – decrease by 68%                         |
| <b>HMG (P-1) Sealing of conveyor belt tightening stations for carrying copper concentrate and of the ore blending warehouse</b>                   | BAT 8 and BAT 25:<br>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<br>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)     | Reduction of fugitive emissions                |
| <b>HMG (PG) Installation of ground de-leaded slag feeding into flash furnace</b>  | BAT 54:<br>Specifies methods to reduce the amount of copper production primary and secondary waste materials to be stored<br>BAT 90:<br>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<br>The installation enables air-sealed transport of the waste material, i.e. de-leaded slag, to flash furnace for metal recovery (compliance with BAT54).<br>A pneumatic transport system applied for dust-generating materials (compliance with BAT90a). | Reduction of fugitive emissions                |

| <i>Name of task/initiative</i>  | <i>BAT-associated emission levels (BAT-AEL). Expected adaptation to BAT</i>  | <i>Task completion date Parameters achieved (in guaranteed parameter tests)</i>  | <i>Effects</i>   |
|---|--|--|--|
| <b>HMG (P-31) Building a warehouse and storage area for lead-bearing materials</b>  | BAT 90<br>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<br>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. | Reduction of fugitive emissions  |
| <b>HMG (P-30) Building a gas desulphurisation installation from the Kaldo furnace at the Precious Metals Plant</b>                          | Dust – 2÷5 mg/m <sup>3</sup> ( <b>BAT 140</b> )<br>SO <sub>2</sub> – 50÷480 mg/m <sup>3</sup> ( <b>BAT 142</b> )   | May 2021<br>Dust – average 0.6 mg/m <sup>3</sup><br>SO <sub>2</sub> – < 470 (mg/m <sup>3</sup> )   | Dust – decrease by 91%<br>SO <sub>2</sub> – decrease by 96%            |
| <b>HMG (P-22) Building an installation for removing dust from gases from flash furnace slag and copper outlets at the Głogów II Smelter</b> | Dust – 2÷5 mg/m <sup>3</sup> ( <b>BAT 39</b> )<br>As – 0.007 kg/h  | December 2021<br>Dust – average 0.054 mg/m <sup>3</sup><br>As – average 0.0019 kg/h  | Dust – decrease by 88%<br>As – decrease by 88%                         |
| <b>HMG (P-23) Building an installation for removing dust from converter gases</b>   | Dust – 2÷5 mg/m <sup>3</sup> ( <b>BAT 39</b> )<br>As – 0.002 kg/h  | December 2021<br>Dust – average 0.067 mg/m <sup>3</sup><br>As – average 0.00098 kg/h   | Dust – decrease by 94%<br>As – decrease by 92%                         |
| <b>HML - Building a desulphurisation and dust removal installation for gases from the granulation process</b>                               | Dust – 2÷5 mg/m <sup>3</sup> ( <b>BAT 45</b> )<br>SO <sub>2</sub> – 50÷500 mg/m <sup>3</sup> ( <b>BAT 49</b> )   | June 2022<br>Dust – average 3 mg/m <sup>3</sup><br>SO <sub>2</sub> – average 380 mg/m <sup>3</sup>   | Dust – decrease by 94%<br>SO <sub>2</sub> – decrease by 98%            |
| <b>HMG (P-31) Development of an installation reducing pollutants in air emissions of process gases from Dörschel furnaces – stage 2</b>     | Dust – 2÷4 mg/m <sup>3</sup> ( <b>BAT 96</b> )<br>Hg – 0.01÷0.05 mg/m <sup>3</sup> ( <b>BAT 11</b> )<br>As – 0.05 mg/m <sup>3</sup>  | December 2022<br>Dust – < 1 mg/m <sup>3</sup> , average 0.118 mg/m <sup>3</sup><br>Hg – < 0.001 mg/m <sup>3</sup> , average 0.0005 mg/m <sup>3</sup><br>As – < 0.01 mg/m <sup>3</sup> , average 0.006 mg/m <sup>3</sup>                                  | Dust – decrease by 91%<br>Hg – decrease by 99%<br>As – decrease by 98% |
| <b>HML - an installation to remove arsenic and mercury from gases at the SOLINOX installation was constructed.</b>                          | Hg – 0.01÷0.05 mg/m <sup>3</sup> ( <b>BAT 11</b> )<br>As – 0.05 mg/m <sup>3</sup>  | August 2023<br>Hg – average 0.02 (mg/m <sup>3</sup> )<br>As – average 0.05 (mg/m <sup>3</sup> )  | Hg – decrease by 96%<br>As – decrease by 97%                           |

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 82% in 2023 vs. 2018.

Chart 18. Arsenic emissions from metallurgical production of KGHM Polska Miedź S.A. in 2023 [g/t of electrolytic copper]



## **Water pollution**

### **Metallurgical production**

The water used in production processes in the Legnica Copper Smelter and Refinery and Głogów Copper Smelter and Refinery is routed back to the company "Energetyka" for treatment. Industrial effluents treatment plants operating to meet the needs of the smelters specialise in the removal of heavy metals, including arsenic, mercury and cadmium compounds, which are especially problematic.

The wastewater treatment technology relies mainly on neutralisation processes supported by coagulants and flocculants. Because of the high quality of effluents, approximately 30% of the global stream is reused for production processes in the technological processes of the smelters. Approximately 8 million m<sup>3</sup> of the remaining treated effluents is discharged to the

Odra river (in the case of the Głogów Copper Smelter and Refinery) and to the Pawłówka stream, which feeds the Kaczawa river (in the case of the Legnica Copper Smelter and Refinery). The efficiency of the treatment of wastewater transferred to “Energetyka”, including the load of metals discharged to the environment, is shown in the table below.

Table 32. Efficiency of wastewater treatment in “Energetyka” treatment plants

|                                     | <i>Metal load transferred for treatment</i> | <i>Efficiency of wastewater treatment in the “Energetyka” company</i> | <i>Metal load discharged into the environment</i> |
|-------------------------------------|---|---|---|
| Głogów Copper Smelter and Refinery  | 610 633 kg                                  | 99.82 %   | 1 120 kg  |
| Legnica Copper Smelter and Refinery | 121 360 kg                                  | 99.79 %   | 251 kg  |

The Cedynia Wire Rod Plant has separate sewerage systems capturing the following types of effluents:

- sanitary,
- rainwater-industrial,
- oily.

Wastewater from the area of the copper wire rod plant hall (including used process emulsions) is directed to the oily wastewater tanks located in the vicinity of the Power Station building. The wastewater collected in the tanks is processed entirely in the VACUDEST vacuum de-emulsifier.

The sanitary and rainwater-industrial wastewater captured is directed to the wastewater treatment plant, where it is treated in the sanitary wastewater treatment line and the rainwater-industrial wastewater treatment line. Treated sanitary and rainwater-industrial effluents are mixed and discharged via a common discharge collector into the Odra River. Since 2021, part of the stream of treated rainwater and effluents from filter flushing at the Water Treatment Plant has been returned for reuse in the cooling circuits. In 2023, the volume reached 6 212 m<sup>3</sup>.

### **Mine production**

Due to the fact that there is a constant inflow of mine water and rainwater into the system of water circulation in the ore enrichment process, excess water must be removed. Discharge of mine/technological wastewater/water from the operations of KGHM Polska Miedź S.A. is carried out in accordance with the applicable laws and regulations and the provisions of the water law permit, taking into account the hydrological conditions of the Odra River, which means adjusting the volume of discharge on a daily basis to the water level in the river and its chemical condition. The retention and dosing system operating at KGHM Polska Miedź S.A. enables full control and oversight of the discharge of water into the Odra River. Consequently, at low water levels in the receiving water body, the discharge of wastewater can be stopped. In addition, the condition of regulating the load of salt contained in the discharged effluent to prevent exceeding 1 000 mg/l of the sum of chlorides and sulphates in the river waters after mixing with the effluent, is strictly observed. The retention and dosing system in place also allows for periodic suspension of the discharge of wastewater.

### **Evaporated salt plant**

In June 2023, the Management Board of KGHM Polska Miedź S.A. passed a resolution on the development of a feasibility study on the construction of a plant for the production of evaporated salt from saline mine water pumped out of mine workings using evaporative technology. The basic idea of the project is the selective management of mine water aimed at concentrating water streams with a higher salt content and routing them to the target area of the main dewatering pumping station, where they can be routed for further processing. The use of process steam, available from existing processes, will allow the water streams to be desalinated and commercially important salt products (evaporated salt) to be produced in quantities depending on the magnitude of the chloride concentrations in the evaporated waters. In addition to the measurable economic effects, these activities will reduce the total salt load deposited with water acquired from rock dewatering, thereby significantly reducing the Company's environmental impact. Based on preliminary calculations and similar recent investments, estimated capital expenditure could reach up to PLN 1 billion. According to the preliminary estimates, the planned implementation period, including the preparatory phase, could be up to six years. The additional use of desalinated water for the cooling facilities of the smelters is assumed, which will allow efficient use of existing resources and cost optimisation. The forthcoming activities will aim to analyse in detail the capital expenditure and operating costs, carry out technological trials of the desalination processes themselves, including waste management, and define a detailed schedule of activities of an investment nature. Once these tasks have been completed, a decision will be made on the choice of technology and the scale of the investment.

## **KGHM INTERNATIONAL LTD.**

KGHM INTERNATIONAL LTD. mines also undertake numerous measures to protect water. Carlota Copper Company does not discharge water into the environment as part of its production activities.

The engineering solutions used at the Carlota mine ensure the separation of contaminated and non-contaminated 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.

### **4.3.3 Pollution-related goals**

#### **[ESRS E2-3]**

The most important environmental objective for the KGHM Group is the continuous reducing of emissions of pollutants into the air and water, which is achieved by improving purification techniques, further sealing of the processes and reducing fugitive emissions. The levels of emissions achieved in recent years are so low that their further reduction resulted in every investment project requiring an in-depth analysis of the cost-effectiveness of the investment in terms of the environmental effect that can be achieved.

A characteristic element of the current legal regime, in addition to the need to comply with the requirements of the BAT conclusions is, in the case of changes in the installation, the setting of permissible conditions for the discharge of pollutants into ambient air. These conditions are verified by means of a uniform methodology based on mathematical modelling of pollutant dispersion and, on the basis of the results obtained, setting of allowable emissions limits as pollutant loads in an administrative decision. It is therefore a very demanding system for oversight of the amount of pollutants discharged into the air, while at the same time taking into account the location of the installation, the environmental conditions in the area and the impact of atmospheric conditions on the levels of air concentrations in the area of the installation in question.

### **4.3.4 Air, water and soil pollution**

#### **[ESRS E2-4]**

KGHM Polska Miedź S.A. omits information on air, water and soil pollution due to the need to implement solutions consolidating emission data from various activities at the level of the KGHM Polska Miedź S.A. Group.

Disclosures concerning the ESRS E2-4 indicator will be reported for 2024.

### **4.3.5 Substances of high concern and substances of very high concern**

#### **[ESRS E2-5]**

##### **Potentially hazardous substances.**

As one of the leading European non-ferrous metals producers, KGHM POLSKA MIEDŹ S.A. follows principles of responsible chemical substance management compliant with the EU Regulations REACH and CLP. The Company has registered all the substances introduced into trade with the European Chemicals Agency. Pursuing its REACH implementation strategy, it 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:

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

In 2023, the consortia worked on the revised edition of the registration dossiers for substances and semi-finished products, taking account of the newest research results and the most recent guidelines of the European Chemicals Agency.

In accordance with the provisions of the Environmental Protection Law and the criteria set out in the regulation of the Minister of Development of 29 January 2016 on the types and quantities of hazardous substances present in a plant, determining its classification as a plant with an increased or high risk of a major industrial accident, the Głogów Copper Smelter and Refinery, the Legnica Copper Smelter and Refinery and the Concentrators in Rudna and Polkowice were included in the group of plants with a high risk of a major industrial accident. Any substance classified as a hazardous substance used in the production process has a valid Safety Data Sheet. In accordance with the manufacturer's recommendations, the substances are transported, used and stored according to the recommendations indicated in the aforementioned sheets.

KGHM's production process uses copper concentrates and auxiliary substances that exhibit potential hazardous properties in accordance with the ESRS definition. Substances recognised as SVHCs (*Substances of Very High Concern*) are also used in the production process. The use of these substances takes place in accordance with the conditions set out in the exposure scenarios and safety data sheets.

Table 33. Substances used in the production process of KGHM Polska Miedź S.A. Group in 2023

| <i>Potentially hazardous substances</i> | <i>tonnes</i> |
|---|---------------|
| Copper concentrate                      | 1 947 609     |
| Auxiliary substances                    | 54 162        |
| <i>SVHC</i>                             |               |
| Auxiliary substances                    | 5 396         |

The production process produces mainly unclassified electrolytic copper. Nevertheless, substances with potentially hazardous properties and SVHC are also produced. All substances of potential concern and SVHC are intended only for the professional uses identified during the REACH substance registration process, and their use shall be compliant with the conditions set out in the exposure scenarios and safety data sheets.

Table 34. Substances generated in the production process of KGHM Polska Miedź S.A. in 2023

| <i>Potentially hazardous substances</i> | <i>tonnes</i> |
|---|---------------|
| Nickel sulphate                         | 2 127         |
| Copper sulphate                         | 5 394         |
| Pb concentrate                          | 22 836        |
| Pb-Zn concentrate                       | 23 781        |
| Pt-Pd concentrate                       | 0.078         |
| Selenium                                | 74            |
| Sulphuric acid diluted                  | 32 505        |
| <i>SVHC</i>                             |               |
| Refined lead                            | 29 070        |

#### 4.3.6 Anticipated financial effects

##### [ESRS E2-6]

KGHM Polska Miedź S.A. omits information on the anticipated financial effects of climate-related impacts, risks and opportunities related to pollution, using the transitional provision for phased-in disclosure requirements (Appendix C, ESRS 1).

#### 4.3.7 Environmental fees

Table 35. Environmental fees incurred by KGHM Polska Miedź S.A. in 2023 [PLN thousand]

|   | <i>2023</i>     |
|---|-----------------|
| + Waste storage                                       | 5 501.1         |
| + Water intake  | 33.6            |
| + Effluents discharge                                 | 82 119.1        |
| + Emission of pollutants into the air                 | 4 208.4         |
| + Other charges including municipal waste collection  | 78.3            |
| <b>Total fees related to environmental protection</b> | <b>91 940.5</b> |

## 4.4 MANAGEMENT OF WATER RESOURCES

### 4.4.1 Policy related to water and marine resources

#### [ESRS E3-1]

The Policy of KGHM Polska Miedź S.A. related to water resources is based on a sustainable approach, care for the environment and compliance with legal standards.

Foundations of the policy related to water and marine resources:

|  |   |
|--|---|
| <b>Sustainable use of water resources</b>        | We strive to minimise the impact on water resources by using water efficiently and avoiding excessive consumption. Our production processes take water conservation into account.   |
| <b>Protection of water quality</b>               | We use best available technology (BAT) to prevent pollution and improve water quality. We monitor water quality on a regular basis and conduct corrective measures when irregularities are detected.  |
| <b>Compliance with regulations and standards</b> | We comply with applicable regulations concerning the protection of water resources at the national, regional and local level. We implement international provisions on water conservation whenever this applies to the operations of the company.   |
| <b>Public participation and transparency</b>     | We cooperate with local communities and non-governmental organisations to understand their concerns and incorporate their views into the decision-making process. We ensure transparency of the company's activities related to water resources, and provide information on water consumption and emitted pollutants. |
| <b>Failure prevention and crisis management</b>  | We have plans in place for emergency situations aimed at mitigating the effects of potential incidents related to water resources. We train employees on how to deal with failures, as well as cooperate with local emergency services.   |
| <b>Innovation in terms of water protection</b>   | We invest in research and development of technologies aimed at optimising the use of water and mitigating the adverse environmental impact.   |
| <b>Sustainable socio-economic development</b>    | We support the local economy and communities through job creation, investment and cooperation with local communities.   |
| <b>Review and improvement</b>                    | We conduct periodic reviews of the company's water resources policy in order to adapt to new legal, technological and social requirements. We implement the latest solutions in monitoring systems for the purpose of implementing goals related to water resources.  |

In developing our water resources management policy, we have taken into account the specific characteristics of our industry as well as local conditions and requirements.

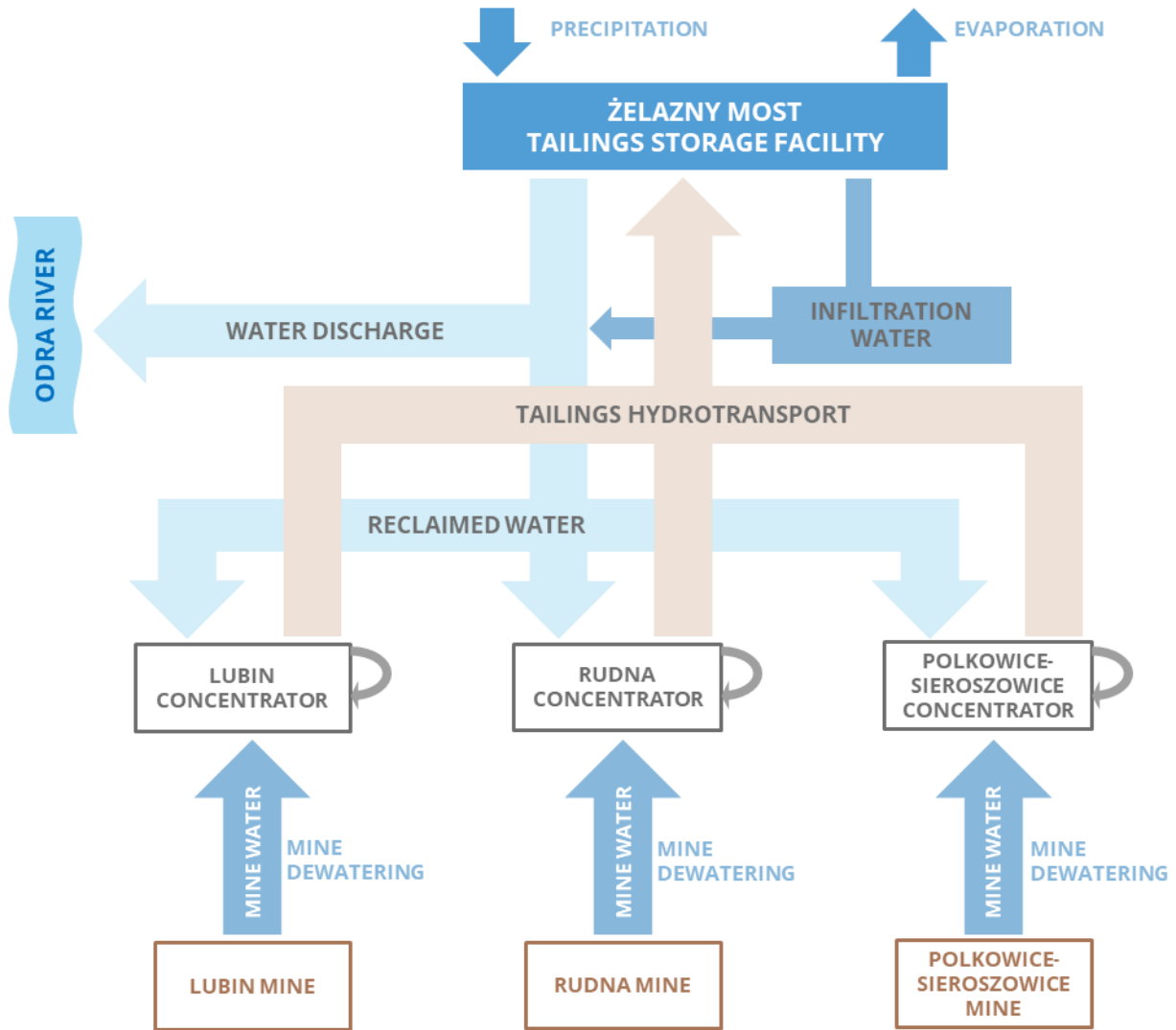
#### 4.4.2 Activities and resources related to water and marine resources

##### [ESRS E3-2]

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 facilities to ensure that the company's activities comply with strict environmental standards.

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

Diagram 30. Water in the ore enrichment process (flotation) in KGHM Polska Miedź S.A.



Three underground copper mines (the Lubin Mine Division, the Rudna Mine Division and the Polkowice-Sieroszowice Mine Division) mine the ore at depths of 400-1350 meters under the ground surface. Due to the constant inflow of water from the rock mass into the mines, saline mine water is pumped to the surface.

On the surface, retention reservoirs are located next to every mine and every ore enrichment plant collecting 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. In the ore enrichment plants (i.e. concentrators), all water is used in the ore flotation process and subsequently for hydrotransport of tailings to the Żelazny Most Tailings Storage Facility. At the Żelazny Most Tailings Storage Facility, tailings are sedimented and the clarified water is returned via a system of decantation towers through pipelines on the surface, to the ore enrichment plants.



Copper ore processing in the concentrators, and in particular grinding and flotation, require the supply of significant quantities of process water. Only water from mine drainage is used for ore processing in KGHM, forming a mine-process water circulation network between the ore enrichment plants and the Żelazny Most Tailings Storage Facility. In 2023, the average monthly returns of water from the Żelazny Most Tailings Storage Facility to technological processes in the Concentrators reached approximately 10.5 million m<sup>3</sup> of which:

- 3.1 million m<sup>3</sup> in the Lubin Concentrator;
- 1.6 million m<sup>3</sup> in the Polkowice Concentrator;
- 5.8 million m<sup>3</sup> in the Rudna Concentrator.

In KGHM Polska Miedź S.A., approximately 150 million m<sup>3</sup> of water per year is recycled to the ore enrichment process. This enables surface and ground water, one of the most valuable natural resources, to be saved.

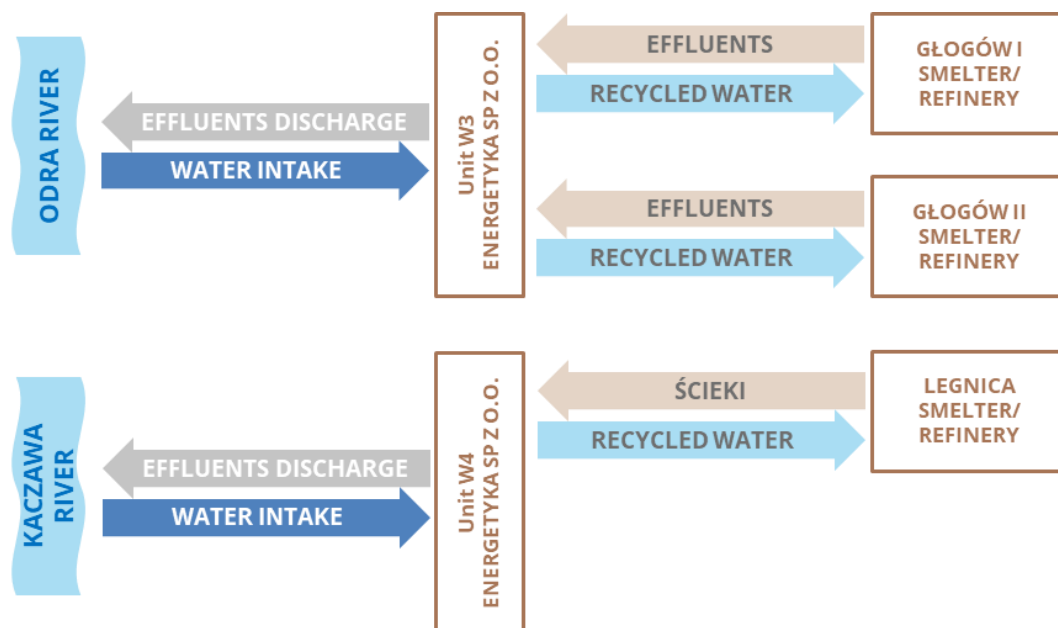
Since there is a constant inflow of mine water and rainwater into the system, excess water must be removed. Discharge of mine-process wastewater/water from the operations of KGHM Polska Miedź S.A. is carried out in accordance with the applicable laws and regulations and the provisions of the water law permit, taking into account the hydrological conditions of the Odra River. The volume and quality of supernatant water discharged from the Żelazny Most Tailings Storage Facility is closely monitored and regulated in relation to the water level in the river. The retention and dosing system operating at KGHM Polska Miedź S.A. enables full control and oversight of the discharge of water into the Odra River. Consequently, at low water levels in the receiving water body, we can suspend the discharge of wastewater. This option was used in July and August 2022, when a crisis situation was announced for the Odra River and certain restrictions on the use of its water were introduced. In addition, the condition of regulating the load of salt contained in the discharged effluent to prevent exceeding 1000 mg/l of the sum of chlorides and sulphates in the river waters after mixing with the effluent is strictly observed.

All of the aforementioned solutions ensure that despite the identified risk of increased inflow of mine water to the system of mine and technological water ([2.2.7 Material impacts, risks and opportunities and their interaction with strategy and business model](#)), the discharge of waste water from the Żelazny Most Tailings Storage Facility to the Odra River may be done in a controlled manner, pursuant to the water law permit.

The Cedynia Wire Rod Division is supplied with water for human consumption and for technological purposes. The Orsk intake is a source of water for drinking purposes. Two wells, 1z and 2z, are currently in operation. The Chełm intake wells supply the plant with water for technological purposes.

Wastewater generated from the area of the Cedynia Wire Rod Division is treated in the local wastewater treatment plant and, after treatment, discharged via a discharge collector into the Odra River. Since 2021, part of the stream of treated rainwater and effluents from filter flushing at the Water Treatment Plant has been returned for reuse in the cooling circuits. In 2023, the volume reached 6 212 m<sup>3</sup>.

Diagram 31. Water in the electrolytic copper production process in KGHM Polska Miedź S.A.



The Legnica Copper Smelter and Refinery and the Głogów Copper Smelter and Refinery consume significant quantities of water (approximately 11 million m<sup>3</sup> per year), which is supplied by “Energetyka” Sp. z o.o. The company supplies water drawn from the Kaczawa river to the Legnica Copper Smelter and Refinery and from the Odra river to the Głogów Copper Smelter and Refinery.

The water used in production processes is routed back to “Energetyka” for treatment. Approximately 30% of the global stream is reused for production processes in the technological processes of the smelters. The remaining treated effluents, approximately 8 million m<sup>3</sup>, are discharged to the Odra river (in the case of the Głogów Copper Smelter and Refinery) and to the Pawłówka stream, which feeds the Kaczawa river (in the case of the Legnica Copper Smelter and Refinery).

In the context of water management in our installations, there are many issues that are taken into account and strictly controlled due to the potential environmental impact. Key related issues include:

|                                 |  |
|---------------------------------|--|
| <b>Water consumption</b>        | The mining and non-ferrous metals processing industry requires significant amounts of water for various processes, such as mining, processing (flotation), pyrometallurgical processes. Consequently, effective management and optimisation of water consumption are of key importance for us. |
| <b>Wastewater discharge</b>     | All wastewater generated in our installations is treated before being discharged into the environment.   |
| <b>Pollution</b>                | We control the quantity and quality of pollutants discharged into the aquatic ecosystems.  |
| <b>Monitoring and reporting</b> | We regularly monitor and report the results of our measurements, in accordance with the rules and regulations resulting from the environmental standard.   |

#### 4.4.3 Goals related to water and marine resources

##### [ESRS E3-3, ESRS E3-4 Addendum B]

The most significant environmental objectives related to water resources comprise a range of measures aimed at protection, sustainable use and improvement of water quality, both surface and groundwater.

|  |  |
|--|--|
| <b>Preservation of biodiversity in the aquatic environment</b> | We maintain the diversity of species and aquatic ecosystems, which contributes to the ecological balance.  |
| <b>Protection and sustainable use of water resources</b>       | We manage water resources sustainably, ensuring that they are available for present and future generations without excessive exploitation.         |
| <b>Improvement of water quality</b>                            | We reduce the generated pollutants to prevent the degradation of aquatic ecosystems.   |
| <b>Securing access to clean drinking water</b>                 | We provide access to safe and clean drinking water for the public.   |
| <b>Climate change adaptation</b>                               | We are developing strategies and measures aimed at adaptation to climate changes that may affect water availability.                               |
| <b>Development of monitoring systems</b>                       | We have effective monitoring systems in place that enable strict monitoring of the condition of water resources and the effects of our operations. |

Meeting these objectives is critical to the protection and sustainable management of water resources in our environment. Companies belonging to the KGHM Polska Miedź S.A. Group did not set measurable goals related to water resources and water contamination.

#### 4.4.4 Water consumption

[ESRS E3-4]

Table 36. Water management in the KGHM Polska Miedź S.A. Group (thousand m<sup>3</sup>)

|   |  |         |
|---|--|---------|
| <b>WATER WITHDRAWAL</b>                                     |  | 2023    |
|   | <b>Surface water (total)</b>   | 10 353  |
|   | <b>Groundwater (total)</b>   | 5 004   |
|   | <b>Seawater (total)</b>  | -       |
| <b>Water withdrawal by source</b>                           | <b>Water withdrawn as a result of operations, e.g. mine water (total)</b>  | 44 166  |
|   | Fresh water (≤1 000 mg/l of total dissolved substances)  | -       |
|   | Other water (>1 000 mg/L of total dissolved substances)  | 44 166  |
|   | <b>Water from third parties (total)</b>  | 1 018   |
|   | Fresh water (≤1 000 mg/l of total dissolved substances)  | 1 018   |
|   | Other water (>1 000 mg/L of total dissolved substances)  | -       |
| <b>Total water withdrawal</b>                               | <b>Surface water (total) + groundwater (total) + seawater (total) + post-production water (total) + water from other sources (total)</b> | 60 541  |
| <b>EFFLUENTS (WATER) DISCHARGE</b>                          |  | 2023    |
| <b>Wastewater (water) discharge by destination</b>          | Surface water  | 49 717  |
|   | Ground and soil  | -       |
|   | Sea  | -       |
|   | Water provided to third parties  | 641     |
| <b>Total water (wastewater) discharge</b>                   | <b>Surface water + groundwater + seawater + third party water (total)</b>  | 50 358  |
| <b>Wastewater (water) discharge – fresh and other water</b> | Fresh water (≤1 000 mg/l of total dissolved substances)  | 9 027   |
|   | Other water (>1 000 mg/L of total dissolved substances)  | 40 691  |
| <b>WATER CONSUMPTION</b>                                    |  | 2023    |
| <b>Water consumption</b>                                    | <b>Total water consumption</b>   | 10 182  |
| <b>WATER REUSE</b>  |  | 2023    |
| <b>Water reuse</b>  | <b>Quantity of water recycled and reused</b>   | 130 574 |

Table 37. Water management in KGHM Polska Miedź S.A. (thousand m<sup>3</sup>)

|   |  |         |
|---|--|---------|
| <b>WATER INTAKE</b>   |  | 2023    |
|   | <b>Surface water (total)</b>   | -       |
|   | <b>Groundwater (total)</b>   | 179     |
|   | <b>Seawater (total)</b>  | -       |
| <b>Water withdrawal by source</b>                           | <b>Water withdrawn as a result of operations, e.g. mine water (total)</b>  | 44 166  |
|   | Fresh water (≤1 000 mg/l of total dissolved substances)  | -       |
|   | Other water (>1 000 mg/L of total dissolved substances)  | 44 166  |
|   | <b>Water from third parties (total)</b>  | 12 311  |
|   | Fresh water (≤1 000 mg/l of total dissolved substances)  | 12 311  |
|   | Other water (>1 000 mg/L of total dissolved substances)  | -       |
| <b>Total water withdrawal</b>                               | <b>Surface water (total) + groundwater (total) + seawater (total) + post-production water (total) + water from other sources (total)</b> | 56 656  |
| <b>EFFLUENTS (WATER) DISCHARGE</b>                          |  | 2023    |
| <b>Wastewater (water) discharge by destination</b>          | Surface water  | 40 784  |
|   | Ground and soil  | -       |
|   | Sea  | -       |
|   | Water provided to third parties  | 10 776  |
| <b>Total water (wastewater) discharge</b>                   | <b>Surface water + groundwater + seawater + third party water (total)</b>  | 51 560  |
| <b>Wastewater (water) discharge – fresh and other water</b> | Fresh water (≤1 000 mg/l of total dissolved substances)  | 10 870  |
|   | Other water (>1 000 mg/L of total dissolved substances)  | 40 691  |
| <b>WATER CONSUMPTION</b>                                    |  | 2023    |
| <b>Water consumption</b>                                    | <b>Total water consumption</b>   | 5 095   |
| <b>WATER REUSE</b>  |  | 2023    |
| <b>Water reuse</b>  | <b>Quantity of water recycled and reused</b>   | 129 279 |

#### 4.4.5 Anticipated financial effects

##### [ESRS E3-5]

KGHM Polska Miedź S.A. omits information on the anticipated financial effects resulting from impacts, risks and opportunities related to water and marine resources, using the transitional provision for phased-in disclosure requirements (Appendix C, ESRS 1).

#### 4.5 BIODIVERSITY IMPACT MANAGEMENT

Biodiversity is a key element of our land management - from design to the final site restoration and long-term management. Our ambition is to achieve a positive impact on biodiversity in all new projects by working according to the mitigation hierarchy. The development of ecological restoration plans and possible ecological compensation is a natural part of our work to achieve this ambition.

##### 4.5.1 Significant impacts, risks and opportunities and their relationship with the strategy and the business model

##### [ESRS 2 SBM-3]

The company is committed to biodiversity conservation and responsible land and forest management. In cases where protection is not possible, the company strives to compensate for the lost natural values. These activities are carried out on the basis of best practice and in compliance with regulations in force, taking into account sustainability and mitigating the environmental impact.

KGHM Polska Miedź S.A. and companies of the KGHM Group do not operate in, or in the direct vicinity of, areas of outstanding natural value (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, KGHM Metraco S.A., “Energetyka” sp. z o.o.).
- Nature 2000 Special Habitat Conservation Areas:
  - Kozióróg in Czerna PLH020100 (2.7 km - Głogów Copper Smelter and Refinery, KGHM Metraco, “Energetyka” Sp. z o.o.),
  - “Łęgi Odrzańskie” PLH020018 (11 km - Tailings Division, 2 km - Cedynia Wire Rod Plant, 7 km - Głogów Copper Smelter and Refinery, KGHM Metraco S.A., “Energetyka” sp. z o.o.),
  - “Pątnów Legnicki” PLH020052 (9 km - Legnica Copper Smelter and Refinery, KGHM Zanam, KGHM Metraco S.A., “Energetyka” Sp. z o.o.),
  - Tarnowskie Góry-Bytom Underground Area PLH240003 (13.5 km - Walcownia Metali Nieżelaznych “Łabędy” S.A.),
  - Ponds in Brzeszcze PLB120009 (4.6 km - Nitroerg S.A.),
  - Mała Panew Valley PLH160008 (0.5 km - Nitroerg S.A.).
- Nature reserves:
  - Buczyna Jakubowska (within the licensed area of the Polkowice-Sieroszowice Mine),
  - Uroczysko Obiszów (within the licensed area of the Polkowice-Sieroszowice Mine),
  - Żukowskie Śnieżyce (within the licensed area of the Rudna Mine),
  - Skarpa storczyków (approx. 1 km - the Cedynia Wire Rod Plant),
  - Dalkowskie jary (6 km - Głogów Copper Smelter and Refinery).
- Nature and landscape conservation areas:
  - Grodowiec (within the licensed area of the Rudna Mine),
  - Guzicki Potok (within the licensed area of the Rudna Mine),
  - Trzebcz (within the licensed area of the Rudna Mine),
  - Dąbrowa Forest (4 km - Walcownia Metali Nieżelaznych „Łabędy”),
  - Żubrowisko (5.8 km - Nitroerg S.A.).
- 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, KGHM Zanam, KGHM Metraco, “Energetyka” Sp. z o.o.),

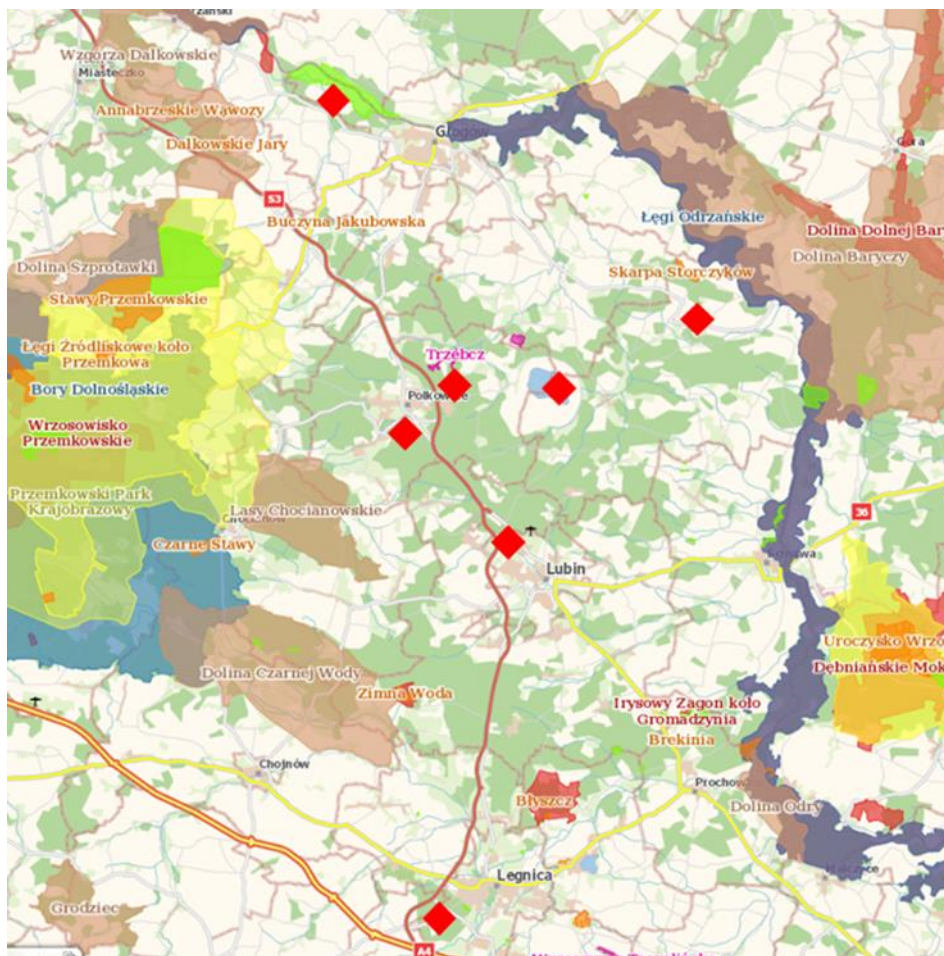
- Lena (in the vicinity of areas managed by the Tailings Division),
- Jedlina Ponds (4 km - Nitroerg S.A.),
- Paprocany (7.1 km – Nitroerg S.A.).

– Animate and inanimate nature monuments (all divisions).

For all new investment projects executed by KGHM Polska Miedź S.A. and companies of the KGHM Group 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), detailed documents are prepared 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.

In addition, in order to assess potential impacts on biodiversity and ecosystems, we have started to review the operational areas in terms of habitats and species covered by protection and risks that may affect them. Summary reports are produced for all sites as a basis for the work and reporting carried out by the biodiversity operations.

Diagram 32. Operations of KGHM Polska Miedź S.A. and protected areas



#### 4.5.2 Description of processes for identification and assessment of significant impacts, risks, dependencies and opportunities related to biodiversity and ecosystems

##### [ESRS 2 IRO-1]

The establishment of new activities and the expansion of existing activities require access to land. We respect legally designated protected areas and do not explore or develop projects located on the World Heritage Sites.

The majority of our operations is located in industrial areas adjacent to communities.



All new projects are subject to the procedure on obtaining an environmental permit. Ecological surveys are always carried out at the beginning of a project to enable the development of the project according to the impact mitigation hierarchy. The results of biodiversity studies allow for the selection of the best possible location for new developments in terms of nature conservation value to avoid potential impacts on biodiversity. Environmental Impact Assessments (EIAs) regarding natural and cultural values are prepared at an early stage of the permit issuing process for new projects or changes to existing operations.

Potential ecological compensation measures are developed during the permit issuing process for new activities that may cause biodiversity loss.

In order to assess potential impact on biodiversity and ecosystems, we have started to review the operational areas in terms of habitats and species covered by protection and risks that may affect them. Summary reports will be produced for all sites as a basis for the work and reporting carried out by the biodiversity operations.

#### **4.5.3 Transformation plan in terms of biodiversity and ecosystem and including biodiversity and ecosystems in the strategy and business model**

##### **[ESRS E4-1]**

In 2023, we commenced the assessments of our operational areas in terms of their potential impact on biodiversity and ecosystems. Work will continue in 2024. Based on the results of the impact assessment, further measures will be taken to increase biodiversity and ecosystems.

#### **4.5.4 Policy related to biodiversity and ecosystems**

##### **[ESRS E4-2]**

The provisions related to biodiversity and ecosystems are included in the Environmental Policy of KGHM Polska Miedź S.A. The Environmental Policy is based on a sustainable approach, care for the environment and compliance with legal standards.

The foundation of our policy in relation to biodiversity and ecosystems comprises:

- rational use of natural resources, such as land, water, forests,
- rational management of natural resources,
- recovery of the usable value of land that has been adversely affected by our activities,
- respecting legally designated protected areas and ensuring that any new operations or changes to existing operations are carried out lawfully within our licence to operate,
- refraining from conducting activities at World Heritage Sites and, where our activities are adjacent to World Heritage Sites, we will ensure that our activities do not compromise the safety and value of these sites.

A detailed description of the KGHM Polska Miedź S.A. Environmental Policy is included in section [4.3.1 Pollution policy](#).

#### **4.5.5 Activities and resources related to biodiversity and ecosystems**

##### **[ESRS E4-3]**

Our operations are sustainable along the entire value chain - from exploration, extraction, production to end processing. We assume responsibility for the impact of our actions and actively work to minimise the loss of biodiversity and ecosystem services and enhance biodiversity.

In the case of new projects, we follow a mitigation hierarchy based on the following steps:

- First, avoid impact as much as possible.
- Second, minimise impacts that cannot be avoided by mitigation measures.
- Third, reverse the impact through ecological restoration and reconstruction.
- Fourth, compensate for impacts caused and strive to create a net gain for biodiversity

## **Monitoring**

Extensive monitoring is carried out in the course of the operations, both on the basis of permits and voluntary initiatives.

Monitoring provides control and management of emissions and risks in relation to:

- Air quality,
- Surface water quality,
- Soil and groundwater quality,
- Dust deposition.

## **Restoration**

Once facilities are closed, the area is rehabilitated to restore the use and nature value of the areas that were previously exploited. The rehabilitation of brownfield sites comprises a range of activities aimed at restoring soil properties, restoring biodiversity, and improving aesthetic and socio-economic conditions. We always ensure that the areas occupied by the smelters and mines can be restored once the operation is closed. Closure and restoration plans are prepared in accordance with applicable law for each site to be closed.

In accordance with the law, restoration funds have been set up for mining sites, landfills and tailings storage facilities where money has been accumulated to fulfil the obligations related to closure, restoration, supervision, including monitoring.

## **Additional measures to enhance biodiversity and ecosystems**

- **afforestation** – within the boundaries of Copper Smelters and Refineries and the Tailings Division, the total of 1 469 ha of forest area are situated. As part of the management of these areas, afforestation is carried out, resulting in planting 423 thousand trees and 1.4 thousand bushes in 2023,
- **protection of endangered species** – Peregrine falcon
- **protection of natural values** - the "Łęgi Głogowskie" ecological 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. The implementation of the flora and fauna protection in 2023 included the appropriate activities associated with the maintenance and preservation of conservation areas.
- **protection of pollinating insects** - Copper Bees - this project, resulting in the construction of additional beehives at the sites of the KGHM Polska Miedź S.A. Divisions, was continued in 2023.

## **KGHM INTERNATIONAL LTD.**

The Carlota mine carries out annual monitoring of 1.01 ha of wetlands. Control of the four sites (Powers Gulch Diversion Channel inlet and outlet, Pinto Creek Diversion Channel inlet and East Sedimentation Dam) involves annual photography at fixed locations and collection of vegetation data. One of the marshes keeps water year round, which is rare in the desert climate of the southwestern United States.

Moreover, Carlota has grown and takes care of about 100 specimens of hedgehog cactuses, which initially grew in the windows of its office building and are currently growing atop the buttress wall of the pit. The care provided to the plants has ensured their survival rate comparable to natural ones.

At the Robinson Mine, reclamation work was carried out on the slopes of the waste rock dump. The activities covered approximately 8.5 ha of the historic facility.

Seven series of migratory bird surveys were carried out in the areas of active construction works from 1 March to 31 July to confirm there was no negative impact on breeding species.

In addition, annual weed control measures were implemented. The aim of these measures is to effectively eradicate designated harmful species that pose a threat to the continued economic and environmental value of the land within the mine boundaries.

The Victoria Project, as required by the Canadian Endangered Species Act, protects the whooping cottontail (*Antrostomus vociferus*) habitat, among others by limiting plant development activities outside its existing boundaries during the nesting season and by providing endangered species training to all new employees.

In addition to this, fish species conservation activities were carried out (monitoring and resettlement in connection with the installation of a culvert at the core plant) and land surveys during preparatory work for the new PAG rock dump (identification of wetlands and tree and plant species).



#### 4.5.6 Goals related to biodiversity and ecosystems

##### [ESRS E4-4]

Our overall goal is to contribute to increasing biodiversity in the areas where we operate by 2030. Detailed targets will be set once we have carried out an assessment of the potential impacts on the biodiversity and ecosystems of our operational areas, which we started in 2023.

#### 4.5.7 Impact measures related to biodiversity and ecosystem change

##### [ESRS E4-5]

Once the assessment of potential impacts on biodiversity and ecosystems has been carried out, impact measures related to changes in the biodiversity and ecosystems of our operational areas will be identified.

#### 4.5.8 Anticipated financial effects

##### [ESRS E4-6]

KGHM Polska Miedź S.A. omits information on the anticipated financial effects resulting from impacts, risks and opportunities related to biodiversity and ecosystems, using the transitional provision for phased-in disclosure requirements (Appendix C, ESRS 1).

### 4.6 USE OF RESOURCES AND CIRCULAR ECONOMY

We strive to create closed-loop systems of resources in our mining and smelting operations to optimise value creation and minimise waste of resources.

We are involved in the production of high-quality metals, which are sold mainly to industrial customers in Europe. Management of materials is important to KGHM. Concern for people, society and the environment are the leading topics in the whole KGHM's value chain - from exploration to delivery to the customer.

#### 4.6.1 Description of processes for identifying and assessing significant impacts, risks and opportunities associated with the use of resources and the circular economy

##### [ESRS 2 IRO-1]

One of the main tasks of waste management carried out by KGHM is to further utilize waste from its own and third party core production lines in order to maximize the recovery of copper and associated metals while limiting the harmful impact of the Company's activities on 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.

Risks and opportunities related to the utilization of resources and the circular economy are set out in the Strategy of the KGHM Polska Miedź S.A. Group to the year 2030 with an outlook to 2040.

Risks associated with the utilization of resources and the Circular Economy:

- Lack of technological readiness in terms of use of recycled feedstock (scrap) at Cedyňa Wire Rod Plant installations. High level of capacity utilization in processing - lack of capacity to increase production e.g. due to energy transition.
- Dependence of smelters on the declining supply of own concentrates

Opportunities associated with the utilization of resources and the Circular Economy:

- increased capacity to manage and commercialise waste as commercial products
- upgrading of existing infrastructure or construction of a new facility for re-melting low and high copper content scrap.
- continuing the implementation of projects related to recycling and the Circular Economy, in order to increase the share of copper scrap in total production due to production cost optimization and environmental issues.
- securing the supply chain of third-party concentrates in the long term, due to potential problems with access to raw materials caused by the supply gap in the market.
- considering the possibility of securing the supply of raw materials to smelters by storage of larger quantities of raw material stocks (own warehouses located in the vicinity of ports or smelters).
- considering the identification of new areas for the acquisition and processing of copper scrap, e.g. cooperation with the railway industry, the energy sector, the automotive sector (recycling of car batteries), recovery of electro-waste scrap, recycling of photovoltaic farms and wind farms.

- commencement of activities aimed at the recovery of silver and gold, including from low-quality scrap, in order to provide greater quantities of cheaper raw material.

#### 4.6.2 Policies related to the use of resources and circular economy

##### [ESRS E5-1]

Elements of the policy related to the use of resources and circular economy are contained in the Environmental Policy of KGHM Polska Miedź S.A. The Environmental Policy is based on a sustainable approach, care for the environment and compliance with legal standards. The foundation of our policy in relation to the use of resources and the circular economy includes:

- rational use of natural resources, such as land, water, forests,
- rational management of natural resources,
- reducing the volume of generated waste and continuous development of waste management technologies,

A detailed description of the KGHM Polska Miedź S.A. Environmental Policy is included in section [4.3.1 Pollution policy](#).

#### 4.6.3 Activities and resources related to the use of resources and circular economy

##### [ESRS E5-2]

Diagram 33. The circular economy concept



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

- seeking and implementing solutions that allow utilisation of waste storage sites as secondary deposits.
- 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 own production,
- minimising the volume of post-production waste to residual waste levels,

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.

Management of waste generated in KGHM Polska Miedź S.A. is carried out in accordance with the principles set out in the Waste Act of 14 December 2012 (Journal of Laws of 2013, item 21, as amended), pursuant to which all activities should be planned, designed and carried out in a way that prevents or minimises the volume of generated waste.

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 associated with the Company's activity is sludge from the "Energetyka" sp. z o.o. effluents treatment plant: approx. 100 thousand t/year. Other large waste streams include dust and sludge from flue gas dust removal systems generated in quantities up to 50 000 t/year. The amount of waste generated in technological processes makes waste management one of the key issues associated with copper production, with impacts that are not just environmental, but also economic, technical and organisational.

A detailed description of the technological process in KGHM Polska Miedź S.A. and KGHM INTERNATIONAL LTD. can be found in section [1.1.4 Business model](#).

#### 4.6.4 Goals related to the use of resources and circular economy

##### [ESRS E5-3]

Goals related to the utilization of resources and the circular economy are set out in the Strategy of the KGHM Polska Miedź S.A. Group to the year 2030 with an outlook to 2040 and assume:

- optimisation of mine production domestically and abroad ensuring long-term operational continuity
- development of metallurgy utilising efficient processing based on Circular Economy principles.

##### **Ambitions:**

- Ensuring effective electrolytic copper production – approx. 600 thousand tonnes of electrolytic copper per year (including production based on a higher amount of purchased materials and copper from recycling).
- Securing future production from international assets – Higher production by the international assets of KGHM by extending the life-of-mine (LOM) of active mines, developing assets in the mine projects portfolio held and increasing the resource base thanks to advancement of the International Exploration Strategy.
- Strengthening its position as the world's leading silver producer - Maintaining the position amongst the world's top-three producers of silver (approx. 1 200 tonnes of silver annually).
- Increase in scrap melting by: intensifying the purchase of scrap from suppliers, increasing metal recovery as part of Urban Mining - approximately 350 thousand tonnes of copper scrap

#### 4.6.5 Impact of resources (use of raw materials and consumables)

##### [ESRS E5-4]

Information on the mining production of the KGHM Polska Miedź S.A. Group can be found in the section on the economic results of the segments KGHM Polska Miedź S.A. and KGHM INTERNATIONAL LTD.

##### **Scrap**

Copper is one of few materials that does not undergo degradation or lose its chemical or physical properties during the recycling process.

In recent decades, there has been an increasing emphasis on sustainability, where metal recycling plays an important role. The Circular Economy (CE) is one of the key elements in the society's transition to more sustainable modes of production and consumption. According to ICGS estimates, approximately 32% of global copper consumption in 2022 originated from recycling.

A high quality copper scrap processing unit was installed within the core business of the Legnica Copper Smelter and Refinery, which is the first stage for the Hybrid Smelter 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 implementation of the first stage of the project, the copper scrap processing technology with the use of a Revolving Casting-Refining (RCR) furnace was applied. Total anode copper production at the Legnica Copper Smelter and Refinery was 133 thousand tonnes, of which 58 thousand tonnes, was the production from the RCR furnace. In 2023, 83 thousand tonnes of scrap was processed at the Legnica Copper Smelter and Refinery (including 26 thousand tonnes in the RCR furnace), which was consequently recycled for use, not representing waste that would require disposal by storage. Among the scrap recovered at the Legnica Copper Smelter and Refinery facilities in 2023, 1 876 tonnes were own returns from other KGHM divisions.

#### 4.6.6 Impact of resources (products and materials put into circulation and waste generated)

##### [ESRS E5-5, ESRS E5-5 Addendum B]

Information on the metallurgical production of the KGHM Polska Miedź S.A. Group can be found in the section on economic results of the segments: KGHM Polska Miedź S.A., KGHM INTERNATIONAL LTD.

##### Waste

##### **Żelazny Most Tailings Storage Facility**

The Hydrotechnical Division in Rudna, within the structure of KGHM Polska Miedź S.A., operates in particular the Żelazny Most Tailings Storage Facility together with the Southern Quarter. The Żelazny Most Tailings Storage Facility is located in the Lower Silesian Voivodship (on the territory of three municipalities: Rudna, Polkowice i Grębocice), in a valley between the Dalkowskie Hills in the upper catchment area of the Rudna River, which form a natural boundary on the west and south. Together with the Southern Quarter, the facility covers an area of approximately 2 100 hectares.

A protective pillar was established for the Żelazny Most Tailings Storage Facility including the Southern Quarter, approved by a decision of the Director of the District Mining Office in Wrocław. No mining of the copper ore deposit below or in the immediate vicinity of the facility is conducted. The current and forecast impacts of mining operations correspond to mining site category 0, i.e. areas where mining impacts on building structures are minor. This situation will also not change if the mining front enters the municipality of Rudna within the boundaries of the Lubin-Małomice mining area, which has not been exploited so far.

The Żelazny Most Tailings Storage Facility together with the Southern Quarter is qualified as a project that may always have a significant impact on the environment, listed in § 2(1)(48) of Regulation of the Council of Ministers of 10 September 2019 on projects that may have a significant impact on the environment (Journal of Laws of 2019, item 1839), i.e. category "A" mining waste treatment facilities referred to in the Act on mining waste.

The Żelazny Most Tailings Storage Facility, together with the Southern Quarter, is used for management of waste from the flotation enrichment of copper ores with the code 01 03 81 *Waste from the flotation enrichment of non-ferrous metal ores, other than listed in 01 03 80*, generated in three areas of the Ore Enrichment Plant Division in Polkowice, belonging to KGHM Polska Miedź S.A. in Lubin. Such waste is used to build the dams of the subsequent levels and to seal the bottom of the facility, while the remainder is disposed of in a landfilling process.

In 2023, the facility received 28.7 million tonnes of code 01 03 81 waste, of which:

- 20.3 million tonnes were recovered through the R5 process (for the construction of the facility dams - 6.2 million tonnes and sealing of its bottom - 14.1 million tonnes),
- 8.4 million tonnes was disposed of in the D5 landfill process.

The Żelazny Most Tailings Storage Facility is a sublevel-superlevel facility consisting of two parts: the existing Main Facility and the new Southern Quarter, surrounded by embankments (dams), where waste is deposited inside the canopy using the "wet" method. The expansion of the Main Facility is carried out using the "inward" method (i.e. without the need to occupy new land), using waste recovered from the flotation waste stream for dam superstructure and sealing the reservoir bottom. The Southern Quarter dams are constructed using the "outward" (downstream) method.

In 2023, a Waste Segregation and Concentration Station was commissioned in terms of thickening technology, and a re-filling plant was launched.

##### **Waste recovery**

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

Recovery of waste material consists of its use, entirely or partially, in mining technologies, as:

- construction or building material,
- material for reclamation and filling of post-mining voids,
- 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 Głogów Copper Smelter and Refinery. In 2023, aggregate production was based on: 497.2 thousand tonnes of poured slag, 89.3 thousand tonnes of granulated slag for batching and 180.9 thousand tonnes of shaft slag,
- coarse-grained copper ore flotation tailings are used to build the embankments of the Żelazny Most Tailings Storage Facility and the Southern Quarter (in 2023: 6.2 million tonnes),

- fine-grained flotation tailings are used to seal the bottom of the Źelazny Most Tailings Storage Facility (in 2023: 14.1 million tonnes),
- granulated slag from the Głogów Copper Smelter and Refinery is used at the Źelazny Most Tailings Storage Facility for the construction of drainage layers in the waste mass and piers and embankments at the marina (in 2023: 26.2 thousand tonnes).

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 2023, the Rudna Mine used nearly 5.7 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 2023, the Głogów Copper Smelter and Refinery supplied 112.4 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 the same 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.

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.

Table 38. Waste management in KGHM Polska Miedź S.A. and in the KGHM Polska Miedź S.A. Group in 2023 [t]

| <b>KGHM Polska Miedź S.A. - GENERATED WASTE</b>         |   | 2023               |             |
|---|---|--------------------|-------------|
| <b>Waste generated by group and by treatment method</b> | Group „01” – waste resulting from exploration, mining, physical and chemical processing of ores and other minerals  | generated          | 28 729 069  |
|   |   | waste for recovery | 20 328 654  |
|   |   | waste for disposal | 8 399 458   |
|   | Group „10” – waste from thermal processes   | generated          | 1 087 849   |
|   |   | waste for recovery | 646 292     |
|   |   | waste for disposal | 17 702      |
|   | Other waste   | generated          | 71 293      |
|   |   | waste for recovery | 39 096      |
|   |   | waste for disposal | 19 402      |
| <b>Total waste generated</b>                            | Group „1” (total) + Group „10” (total) + Other waste (total)  | 29 888 211         |             |
| <b>KGHM Polska Miedź S.A. Group - GENERATED WASTE</b>   |   | 2023               |             |
| <b>Waste generated by group and by treatment method</b> | Group „01” – waste resulting from exploration, mining, physical and chemical processing of ores and other minerals  | generated          | 102 532 015 |
|   |   | waste for recovery | 20 343 072  |
|   |   | waste for disposal | 82 187 987  |
|   | Group „10” – waste from thermal processes   | generated          | 1 166 347   |
|   |   | waste for recovery | 716 456     |
|   |   | waste for disposal | 26 036      |
|   | Group „19” – waste from installations and devices used for waste management, from effluents treatment plants and from the treatment of drinking water and water for industrial purposes | generated          | 197 392     |
|   |   | waste for recovery | 121 133     |
|   |   | waste for disposal | 76 258      |
| Other waste   | generated   | 350 599            |             |
|   | waste for recovery  | 310 601            |             |
|   | waste for disposal  | 27 204             |             |
| <b>Total waste generated</b>                            | Group „1” (total) + Group „10” (total) + Group „19” (total) + Other waste (total)   | 104 246 353        |             |

### **By-product - diluted sulphuric acid**

The sulphuric acid produced at the Legnica Copper Smelter and Refinery and the Głogów Copper Smelter and Refinery was recognised by administrative decisions of the Marshal's Office of the Lower Silesian Voivodship as a by-product, thus losing the status of waste. They are used at the Polkowice Mine Concentrator in the enrichment process as a factor enabling decarburisation of one of the process intermediates.

The decarburisation unit was commissioned in October 2022. It allows all dilute acids generated at KGHM Polska Miedź S.A. to be managed in an environmentally friendly manner. In 2023, the Głogów Copper Smelter and Refinery re-directed 19 913.9 tonnes of acid for this purpose, with 4 818.3 tonnes of acid re-directed at the Legnica Copper Smelter and Refinery.

### **By-product - granulated slag from the electric furnace**

Granulated slag is produced at the Głogów Copper Smelter and Refinery and was recognised in 2023 by an administrative decision of the Marshal of the Lower Silesian Voivodship as a by-product.

According to the decision, slag can be used for the following purposes:

- production of grits used in the production of mineral and asphalt mixes,
- production of aggregates (used, among other things, in the production of various types of mixes, for making frost-resistant drainage and filter layers, as an additive to cement mixes and construction binders and for making embankments),
- the production of mixtures used for auxiliary and basic substructures,
- embankment layers in the frost zone, drainage layers,
- overloading of overground facilities,
- hydraulic floors in mines,
- at the Żelazny Most Tailings Storage Facility: for the construction of drainage layers (ring drain) in the waste mass and for the construction of jetties, embankments on the harbour inside the aforementioned facility and the replenishment of the protective layer in the drainage layer,
- construction of linear drainage drains, road bodies, piers, causeways, static body and slope backfilling,
- road substructure (frost layer) and surface hardening of dirt roads.

#### **4.6.7 Anticipated financial effects**

##### **[ESRS E5-6]**

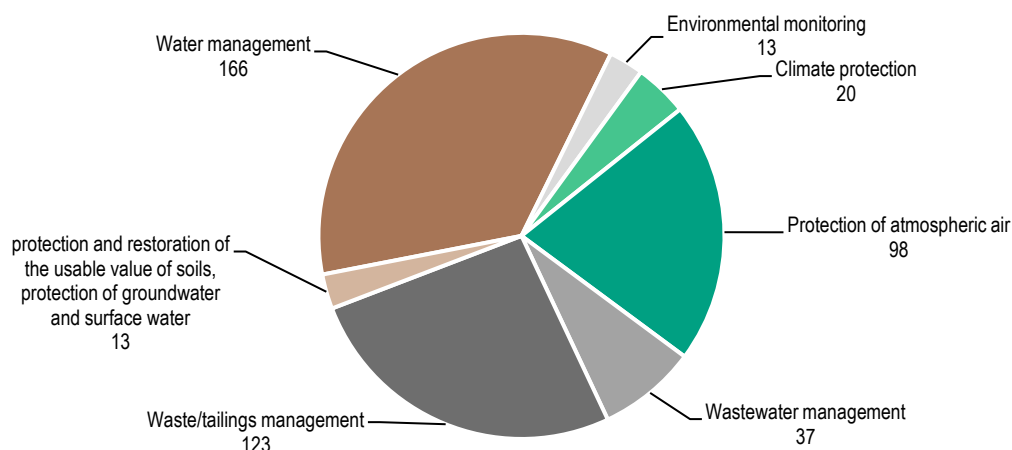
KGHM Polska Miedź S.A. omits information on the anticipated financial effects of climate-related impacts, risks and opportunities, using the transitional provision for phased-in disclosure requirements (Appendix C, ESRS 1).

#### **4.7 ENVIRONMENTAL INVESTMENTS**

Compliance with rigorous environmental standards laid down by the law is possible thanks to the consistent modernization of our existing installations to protect the environment, as well as new investments in this area. In 2023, the Company spent approx. PLN 470 million on environmentally-friendly investments as part of tangible investments, of which the largest expenditures, in the amount of approx. PLN 214 million, were incurred on maintenance, modernisation and development of the Żelazny Most Tailings Storage Facility, including its infrastructure. The expenditure incurred by the Hydrotechnical Plant in 2023 includes, respectively: 95% of the value of outlays earmarked in KGHM for environmentally-friendly investment related to waste water management, 44% to water management and 82% to waste management. Significant expenditure, approx. PLN 98 million, was incurred by KGHM on investments aimed at protecting the air, 69% of which were for investments carried out at the Legnica and Głogów copper smelters/refineries by modernising or expanding dust removal installations. In 2023, the expenditure on climate protection measures was increased to approximately PLN 20 million, compared to 2022, leading to the systematic replacement of electrical appliances with energy-efficient appliances, replacement with low-emission engines, the construction of fixed assets using energy generation from renewable sources, reducing indirect CO<sub>2</sub> emissions.



Chart 19. Value of expenditures incurred on environmentally-friendly activities in 2023 [in PLN million]



#### 4.8 DISCLOSURES IN ACCORDANCE WITH THE EUROPEAN UNION TAXONOMY FOR SUSTAINABLE ACTIVITIES IN 2023

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on establishing a framework to facilitate sustainable investment, amending Regulation (EU) 2019/2088 (hereinafter: "EU Environmental Taxonomy", "EU Taxonomy", "Taxonomy"), requires companies to disclose whether, and to what extent, their business activities comply with the assumptions of the Taxonomy, classifying, and describing environmentally sustainable activities.

For the period from 1 January 2023 to 31 December 2023, 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) 2021/2178<sup>45</sup>, taking into account Commission Delegated Regulation (EU) 2022/1214<sup>46</sup>, amending the above regulation and Commission Delegated Regulations (EU) 2023/2486<sup>47</sup> and 2023/2485<sup>48</sup>.

The first annual reporting period covered 2021, for which eligibility indicators were reported for the two first goals. For 2022, eligibility and compliance indicators were reported for the first two goals. Reporting for 2023 additionally includes eligibility indicators for the four remaining goals and new activities assigned to the first two goals of the taxonomy (climate change mitigation and climate change adaptation).

Pursuant to Commission Delegated Regulation (EU) 2021/2178, as amended by Commission Delegated Regulation (EU) 2023/2486 - taxonomy-eligible economic activities means economic activities as described in Commission Delegated

45 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 related to Article 8 of the Taxonomy").

46 Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities.

47 Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing technical qualification criteria to determine the conditions under which an economic activity qualifies as contributing significantly to the sustainable use and conservation of water and marine resources, to the transition towards a circular economy to the prevention and control of pollution, or to the protection and restoration of biodiversity and ecosystems, and whether that economic activity does not cause serious harm to any other environmental objective, and amending Commission Delegated Regulation (EU) 2021/2178 as regards the public disclosure of specific information in relation to those economic activities.

48 Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023 amending Delegated Regulation (EU) 2021/2139 establishing the additional 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 goals.



Regulation (EU) 2021/2139<sup>49</sup>, taking into account Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023 amending the above regulation. Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023, supplements European Parliament and Council Regulation (EU) 2020/852. Meanwhile, the Delegated Act in the area of nuclear and natural gas activities is Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022.

Taxonomy-compliant activity is activity contributing substantially to the implementation of one or more of the environmental objectives, causes no significant harm to any of the environmental goals of the Taxonomy, and is carried out in accordance with the minimum safeguards set out in Article 18 of Regulation 2020/852 as well as meets the technical compliance criteria that have been established by the European Commission.

As part of the verification of eligibility, an assessment was carried out in terms of a significant contribution to one or more of the six environmental goals for which technical eligibility criteria have been published. The objectives include:

- climate change mitigation,
- climate change adaptation,
- sustainable use and protection of water and marine resources,
- transition to a circular economy,
- pollution prevention and control,
- protection and recovery of biodiversity and ecosystems.

For the purposes of the disclosures for 2023, companies of the KGHM Polska Miedź S.A. Group conducted an in-depth analysis of their economic activities, as a result of which taxonomy-compliant activities have been identified, i.e. activities compliant with the description of activities included in the regulation. The financial data for compliant activities presented in the disclosures below include both the revenues (turnover) from the taxonomy-compliant economic activities, the related capital expenditure or operating expenditure, as well as purchases from the compliant activities. The eligibility of an activity was based on a comparison of the respective actual activity with the description of the activity listed under Annex I or Annex II of Commission Delegated Regulation (EU) 2021/2139, taking into account Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023 amending the above Regulation and the description of the activities contained in Commission Delegated Regulation (EU) 2023/2486. 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. 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 calculation of indicators of turnover, capital expenditure and operating expenditure was based on the definitions set out in Annex I of Commission Delegated Regulation (EU) 2021/2178. The calculation of the indicators for the Group takes into account the relevant consolidation exclusions based on the methods used in the financial statements.

The KGHM Group conducts its business activity outside of the European Union as well. These activities were assessed for eligibility and compliance in the same manner as all the activities conducted in the EU.

#### 4.8.1 Changes in the Group structure

The taxonomy indicators were calculated based on the structure of the KGHM Polska Miedź S.A. Group as at 31 December 2023. Changes in the composition of the Group are presented in section [1.1.3 Organisational structure of the Company and the Group](#). The changes affecting the level of the taxonomy ratios include the acquisition of 100% of the shares of INVEST PV7 sp. z o.o., which is engaged in the production of electricity using photovoltaic technology.

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<sup>49</sup> Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental goals ("Delegated act laying down technical qualification criteria").

#### 4.8.2 Assessment of compliance with the Taxonomy

Eligible activity that simultaneously:

- contributes materially to the implementation of one or more environmental objectives identified within the Taxonomy,
- does not cause serious harm to any of the other environmental objectives,
- is carried out in accordance with the minimum safeguards set out in Article 18 of Regulation 2020/852, and
- meets the technical eligibility criteria,

can be considered an environmentally sustainable activity, i.e. compliant with the Taxonomy.

As part of the preparation of the taxonomic disclosures, an analysis of the compatibility of eligible activities in terms of meeting the technical eligibility criteria for individual activities included in Delegated Regulation 2021/2139 was carried out.

The compliance of the economic activity pursued with the minimum social safeguards was verified by the KGHM Group through performing the due diligence. To this end, cooperation was established with an external consultant.

The due diligence performed included analysing the compliance of the economic activity carried out by the KGHM Polska Miedź S.A. Group with the minimum safeguards set out in Article 3(c) in conjunction with Article 18 of Regulation 2020/852 of 18 June 2020 on the establishment of a framework to facilitate sustainable investment. Article 18 of Regulation 2020/852 defines minimum safeguards as the procedures implemented by an undertaking that is carrying out an economic activity to ensure alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights. On the basis of the indicated acts and the report of the Sustainable Finance Platform on minimum social safeguards<sup>50</sup>, the methodology of the survey was defined and its main areas were identified.

The survey covered the following areas: disclosures of strategic and internal affairs, human rights, labour rights, anti-corruption and anti-bribery, consumer protection, competition, tax policy, environmental protection and other areas.

The methodology of the survey was divided into four main stages:

I. Procedure-based test, i.e. examination of the KGHM Polska Miedź S.A. Group's internal regulations and procedures in the context of compliance with the applicable regulations and guidelines in each area. The survey in this respect was carried out based on the documentation provided by the KGHM S.A. Polska Miedź S.A. Group.

II. Outcome-based test, i.e. the survey based on final convictions/ administrative sanctions against Group Companies or management staff in relation to each of the areas examined, taking into account their materiality. This stage was carried out on the basis of statements by the KGHM S.A. Polska Miedź S.A. Group.

III. An analysis of the databases of the Business and Human Rights Resource Center and the National Contact Point established in accordance with the OECD Guidelines for Multinational Enterprises, which was carried out on the basis of publicly available records of the designated organisations.

IV. General survey of publicly-available press information on the activities of the KGHM S.A. Polska Miedź S.A. Group.

The examination of each of the stages presented showed that the KGHM Polska Miedź S.A. Group had adopted the policies and procedures necessary to fulfil the minimum social safeguards. The survey also excluded the existence of indications of a failure to provide minimum safeguards in any of the areas identified.

The survey conducted on compliance with the minimum social guarantees confirmed the fulfilment of the minimum safeguards by the KGHM Group.

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<sup>50</sup> Final Report on Minimum Safeguards, Platform on Sustainable Finance, [https://finance.ec.europa.eu/system/files/2022-10/221011-sustainable-finance-platform-finance-report-minimum-safeguards\\_en.pdf](https://finance.ec.europa.eu/system/files/2022-10/221011-sustainable-finance-platform-finance-report-minimum-safeguards_en.pdf)

### 4.8.3 Comments on the results

Copper and other raw materials, the mining and processing of which constitute the core business of the KGHM Polska Miedź S.A. Group, are essential for the success of the energy transition. Copper products represent a key component of the infrastructure for energy production based on renewable sources. Moreover, without copper, in most cases it would not be possible to carry out activities which, in accordance with the legal regulations cited above, can be classified as activities favourable to sustainable development. Paradoxically, the scopes of Annex I and Annex II of Delegated Regulation (EU) 2021/2139 do not cover copper production, including both from primary and from the secondary sources. On this basis, the disclosures in terms of taxonomy indicators for 2023 do not include the core business activities of the KGHM Polska Miedź S.A. Group.

More information on the role played by copper in the contemporary world, in particular in the energy transition, is provided in section [4.2.2 Material impacts, risks and opportunities and their interaction with strategy and business model](#).

#### **Consolidated disclosures of the KGHM Polska Miedź S.A. Group**

Taxonomy-eligible activities of the KGHM Polska Miedź S.A. Group on the basis of the descriptions of activities indicated in Commission Delegated Regulation (EU) 2021/2139 in Annex I and II, taking into account Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022, Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023 and Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023:

- 1.3 Forest management
  - Revenues generated by the economic activity
- 2.1 Hotels, holiday homes, camping grounds and similar establishments
  - Revenues generated by the economic activity, as well as purchases from the business (OPEX)
- 3.1 Manufacture of renewable energy technologies
  - Revenues generated by the economic activity, as well as purchases from the business (CAPEX and OPEX)
- 3.3 Manufacture of low carbon technologies for transport
  - Revenues generated by the economic activity - the item discloses turnover and the related CAPEX and OPEX, as well as purchases from the economic activity (OPEX),
- 3.4 Maintenance of roads and highways
  - Purchases from the economic activity (CAPEX)
- 3.5 Application of concrete in civil engineering
  - Purchases from the economic activity (OPEX)
- 3.6 Manufacture of other low carbon technologies
  - Purchases from the economic activity (OPEX)
- 4.1 Electricity production using solar photovoltaic technology
  - Revenues generated by the economic activity - the item discloses turnover and the related CAPEX as well as purchases from the economic activity (CAPEX),
- 4.9 Transmission and distribution of electricity
  - Revenues generated by 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
  - Revenues generated by 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
  - Revenues generated by the economic activity - the item discloses turnover and the related OPEX
- 4.30 High-efficiency co-generation of heat/cooling and electricity from gaseous fossil fuels
  - Purchases from the economic activity (OPEX)

- 5.1 Construction, extension and operation of water intake, treatment and supply systems
  - Revenues generated by the economic activity - the item discloses turnover and the related CAPEX and OPEX, as well as purchases from the economic activity (CAPEX and OPEX)
- 5.2 Renewal of water collection, treatment and supply systems
  - Purchases from the economic activity (CAPEX)
- 5.3 Construction, extension and operation of waste water collection and treatment
  - Revenues generated by the economic activity - the item discloses turnover and the related CAPEX and OPEX, as well as purchases from the economic activity (CAPEX and OPEX)
- 5.5 Collection and transport of non-hazardous waste in source segregated fractions
  - Revenues generated by the economic activity - the item discloses turnover and the related CAPEX and OPEX
- 5.9 Material recovery from non-hazardous waste
  - Revenues generated by the economic activity - the item discloses turnover and the related CAPEX and OPEX
- 6.2 Freight rail transport
  - Revenues generated by the 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
  - Revenues generated by the economic activity - the item discloses turnover and the related OPEX
- 6.5 Transport by motorbikes, passenger cars and light commercial vehicles
  - Purchases from the economic activity (CAPEX and OPEX)
- 6.6 Freight transport services by road
  - Purchases from the economic activity (CAPEX and OPEX)
- 6.14 Infrastructure for rail transport
  - Revenues generated by the economic activity - the item discloses turnover and the related CAPEX and OPEX, as well as purchases from the economic activity (CAPEX and OPEX)
- 6.15 Infrastructure enabling low-carbon road transport and public transport
  - Purchases from the economic activity (CAPEX and OPEX)
- 7.1 Construction of new buildings
  - Purchases from the economic activity (CAPEX and OPEX)
- 7.2 Renovation of existing buildings
  - Purchases from the economic activity (CAPEX and OPEX)
- 7.3 Installation, maintenance and repair of energy efficiency equipment
  - Purchases from the economic activity (CAPEX and OPEX)
- 7.4 Assembly, conservation and repair of electric vehicle charging stations in buildings (and in parking areas near buildings)
  - Purchases from the economic activity (OPEX)
- 7.7 Acquisition and ownership of buildings
  - Revenues generated by the economic activity as well as purchases from the economic activity (OPEX)
- 8.1 Data processing, hosting and related activities
  - Revenues generated by the economic activity - the item discloses turnover and the related OPEX as well as purchases from the economic activity (OPEX),
- 13.3 Activities related to the production of motion pictures, video recordings, television programs, sound recordings and music recordings

- Purchases from the economic activity (OPEX).

The disclosures aligned with the Taxonomy of the KGHM Polska Miedź S.A. Group for 2023, prepared in accordance with the methodology discussed at the beginning of this chapter of the Report and in accordance with Annex II of Commission Delegated Regulation (EU) 2021/2178, taking into account Commission Delegated Regulation (EU) 2023/2486 amending the above Regulation and Commission Delegated Regulation (EU) 2023/2485, are presented in the following tables as well as in the descriptions below them.

Table 39. Percentage share of turnover in products or services related to Taxonomy-eligible economic activity in 2023

| Financial year N  | Year              |               |                            | Criteria concerning material contribution |                               |                                |               |                      |                 | Criteria concerning the “does not cause serious harm” principle |                                |                                 |                |                       |                 |                         |  |                                       |                                       |
|---|-------------------|---------------|----------------------------|---|-------------------------------|--------------------------------|---------------|----------------------|-----------------|---|--------------------------------|---------------------------------|----------------|-----------------------|-----------------|-------------------------|--|---------------------------------------|---------------------------------------|
|   | Code or codes (2) | Turnover (3)  | Turnover share, Year N (4) | Climate change mitigation (5)             | Climate change adaptation (6) | Water and marine resources (7) | Pollution (8) | Circular economy (9) | Biodiversity 10 | Climate change mitigation (11)                                  | Climate change adaptation (12) | Water and marine resources (13) | Pollution (14) | Circular economy (15) | Biodiversity 16 | Minimum safeguards (17) | Participation in taxonomy-compliant activity (A.1.) or taxonomy-eligible activity (A.2.) Turnover, year N-1 (18) | Category (supporting activities) (19) | Category (transition activities) (20) |
| Text  |                   | [PLN million] | %                          | Y <sup>51</sup> /N;/N/EL                  | Y/N;/N/EL                     | Y/N;/N/EL                      | Y/N;/N/EL     | Y/N;/N/EL            | Y/N;/N/EL       | Y/N   | Y/N                            | Y/N                             | Y/N            | Y/N                   | Y/N             | Y/N                     | %  | E                                     | T                                     |
| <b>A. TAXONOMY-ELIGIBLE ACTIVITY</b>  |                   |               |                            |   |                               |                                |               |                      |                 |   |                                |                                 |                |                       |                 |                         |  |                                       |                                       |
| <b>A.1 Types of environmentally sustainable activities (Taxonomy-compliant)</b>         |                   |               |                            |   |                               |                                |               |                      |                 |   |                                |                                 |                |                       |                 |                         |  |                                       |                                       |
| District heating/cooling distribution   | CCM 4.15          | 0.75          | 0.00%                      | Y   | N/EL                          | N/EL                           | N/EL          | N/EL                 | N/EL            | N/A   | Y                              | Y                               | Y              | N/A                   | Y               | Y                       | -  |                                       |                                       |
| Production of heat/cool using waste heat  | CCM 4.25          | 2.11          | 0.01%                      | Y   | N/EL                          | N/EL                           | N/EL          | N/EL                 | N/EL            | N/A   | Y                              | N/A                             | Y              | Y                     | Y               | Y                       | 0.00%  |                                       |                                       |
| Construction, extension and operation of water collection, treatment and supply systems | CCM 5.1           | 2.84          | 0.01%                      | Y   | N/EL                          | N/EL                           | N/EL          | N/EL                 | N/EL            | N/A   | Y                              | Y                               | N/A            | N/A                   | Y               | Y                       | 0.01%  |                                       |                                       |
| Collection and transport of non-hazardous waste in source segregated fractions          | CCM 5.5           | 260.42        | 0.78%                      | Y   | N/EL                          | N/EL                           | N/EL          | N/EL                 | N/EL            | N/A   | Y                              | N/A                             | N/A            | Y                     | N/A             | Y                       | 0.92%  |                                       |                                       |
| Material recovery from non-hazardous waste  | CCM 5.9           | 33.92         | 0.10%                      | Y   | N/EL                          | N/EL                           | N/EL          | N/EL                 | N/EL            | N/A   | Y                              | N/A                             | N/A            | N/A                   | Y               | Y                       | 0.07%  |                                       |                                       |

51 Y - Yes, taxonomy-eligible activity and taxonomy-compliant activity for the corresponding environmental objective

N - No, taxonomy-eligible activity but non-compliant with the taxonomy for the corresponding environmental objective

EL - taxonomy-eligible activity for the corresponding environmental objective

N/EL - taxonomy non-eligible activity for the corresponding objective

|  |          |                  |               |              |           |           |           |           |             |  |  |  |  |  |  |  |  |              |   |   |
|--|----------|------------------|---------------|--------------|-----------|-----------|-----------|-----------|-------------|--|--|--|--|--|--|--|--|--------------|---|---|
| <b>Turnover due to environmentally sustainable activities (Taxonomy-compliant) (A.1)</b>   |          | 300.03           | 0.90%         | 100.0%       | 0%        | 0%        | 0%        | 0%        | 0%          |  |  |  |  |  |  |  |  | 1.01%        |   |   |
| <b>Including supporting activities</b>   |          | -                | %             | %            | %         | %         | %         | %         | %           |  |  |  |  |  |  |  |  | %            | E |   |
| <b>Including transition-related</b>  |          | -                | %             | %            |           |           |           |           |             |  |  |  |  |  |  |  |  | %            |   | T |
| <b>A.2 Taxonomy-eligible but not environmentally sustainable activity (activities non-compliant with the Taxonomy)</b>                 |          |                  |               |              |           |           |           |           |             |  |  |  |  |  |  |  |  |              |   |   |
|  |          |                  |               | N/EL         | N/EL      | N/EL      | N/EL      | N/EL      | N/EL        |  |  |  |  |  |  |  |  |              |   |   |
| Forest management  | CCM 1.3  | 0.02             | 0.00%         | EL           | N/EL      | N/EL      | N/EL      | N/EL      | N/EL        |  |  |  |  |  |  |  |  | -            |   |   |
| Hotels, holiday homes, camping grounds and similar establishments  | BIO 2.1  | 0.91             | 0.00%         | N/EL         | N/EL      | N/EL      | N/EL      | N/EL      | EL          |  |  |  |  |  |  |  |  | -            |   |   |
| Manufacture of renewable energy technologies   | CCM 3.1  | 0.02             | 0.00%         | EL           | N/EL      | N/EL      | N/EL      | N/EL      | N/EL        |  |  |  |  |  |  |  |  | -            |   |   |
| Manufacture of low carbon technologies for transport   | CCM 3.3  | 1.67             | 0.00%         | EL           | N/EL      | N/EL      | N/EL      | N/EL      | N/EL        |  |  |  |  |  |  |  |  | 0.06%        |   |   |
| Electricity production using solar photovoltaic technology   | CCM 4.1  | 0.03             | 0.00%         | EL           | N/EL      | N/EL      | N/EL      | N/EL      | N/EL        |  |  |  |  |  |  |  |  | -            |   |   |
| Transmission and distribution of electricity   | CCM 4.9  | 40.09            | 0.12%         | EL           | N/EL      | N/EL      | N/EL      | N/EL      | N/EL        |  |  |  |  |  |  |  |  | 0.07%        |   |   |
| Distribution in heating/cooling systems  | CCM 4.15 | 86.92            | 0.26%         | EL           | N/EL      | N/EL      | N/EL      | N/EL      | N/EL        |  |  |  |  |  |  |  |  | 0.21%        |   |   |
| Construction, extension and operation of effluents collection and treatment  | CCM 5.3  | 0.70             | 0.00%         | EL           | N/EL      | N/EL      | N/EL      | N/EL      | N/EL        |  |  |  |  |  |  |  |  | 0.00%        |   |   |
| Freight rail transport   | CCM 6.2  | 67.51            | 0.20%         | EL           | N/EL      | N/EL      | N/EL      | N/EL      | N/EL        |  |  |  |  |  |  |  |  | 0.15%        |   |   |
| Urban and suburban transport, road passenger transport   | CCM 6.3  | 3.36             | 0.01%         | EL           | N/EL      | N/EL      | N/EL      | N/EL      | N/EL        |  |  |  |  |  |  |  |  | 0.01%        |   |   |
| Infrastructure for rail transport  | CCM 6.14 | 0.29             | 0.00%         | EL           | N/EL      | N/EL      | N/EL      | N/EL      | N/EL        |  |  |  |  |  |  |  |  | 0.00%        |   |   |
| Acquisition and ownership of buildings   | CCM 7.7  | 4.53             | 0.01%         | EL           | N/EL      | N/EL      | N/EL      | N/EL      | N/EL        |  |  |  |  |  |  |  |  | 0.01%        |   |   |
| Data processing, hosting and related activities  | CCM 8.1  | 14.35            | 0.04%         | EL           | N/EL      | N/EL      | N/EL      | N/EL      | N/EL        |  |  |  |  |  |  |  |  | 0.04%        |   |   |
| <b>Turnover from Taxonomy-eligible but not environmentally sustainable activity (activities non-compliant with the Taxonomy) (A.2)</b> |          | <b>220.37</b>    | <b>0.66%</b>  | <b>99.6%</b> | <b>0%</b> | <b>0%</b> | <b>0%</b> | <b>0%</b> | <b>0.4%</b> |  |  |  |  |  |  |  |  | <b>0.55%</b> |   |   |
| <b>A. Turnover from Taxonomy-eligible activity (A.1+A.2)</b>   |          | <b>520.41</b>    | <b>1.55%</b>  | <b>99.8%</b> | <b>0%</b> | <b>0%</b> | <b>0%</b> | <b>0%</b> | <b>0.2%</b> |  |  |  |  |  |  |  |  | <b>1.55%</b> |   |   |
| <b>B. TAXONOMY NON-ELIGIBLE ACTIVITY</b>   |          |                  |               |              |           |           |           |           |             |  |  |  |  |  |  |  |  |              |   |   |
| <b>Turnover from Taxonomy non-eligible activities</b>  |          | <b>32 946.86</b> | <b>98.45%</b> |              |           |           |           |           |             |  |  |  |  |  |  |  |  |              |   |   |
| <b>TOTAL</b>   |          | <b>33 467.26</b> | <b>100%</b>   |              |           |           |           |           |             |  |  |  |  |  |  |  |  |              |   |   |



Table 40. Percentage share of capital expenditure in products or services related to a Taxonomy-compliant economic activity in 2023

| Financial year N   | Year              |                         |   | Criteria concerning material contribution |                               |                                |               |                      |                 | Criteria concerning the DNHS principle ("does not cause serious harm") |                                |                                 |                |                       |                 |                         |   |                                     |                                     |
|--|-------------------|-------------------------|---|---|-------------------------------|--------------------------------|---------------|----------------------|-----------------|--|--------------------------------|---------------------------------|----------------|-----------------------|-----------------|-------------------------|---|-------------------------------------|-------------------------------------|
|  | Code or codes (2) | Capital expenditure (3) | Percentage of capital expenditure, year N (4) | Climate change mitigation (5)             | Climate change adaptation (6) | Water and marine resources (7) | Pollution (8) | Circular economy (9) | Biodiversity 10 | Climate change mitigation (11)   | Climate change adaptation (12) | Water and marine resources (13) | Pollution (14) | Circular economy (15) | Biodiversity 16 | Minimum safeguards (17) | Participation in taxonomy-compliant activity (A.1.) or taxonomy-eligible activity (A.2.) Capital expenditure, year N-1 (18) | Category supporting activities (19) | Category transition activities (20) |
| Text   |                   | [PLN million]           | %   | Y/N;<br>N/EL                              | Y/N;<br>N/EL                  | Y/N;<br>N/EL                   | Y/N;<br>N/EL  | Y/N;<br>N/EL         | Y/N;<br>N/EL    | Y/N  | Y/N                            | Y/N                             | Y/N            | Y/N                   | Y/N             | Y/N                     | %   | E                                   | T                                   |
| <b>A. TAXONOMY-ELIGIBLE ACTIVITY</b>   |                   |                         |   |   |                               |                                |               |                      |                 |  |                                |                                 |                |                       |                 |                         |   |                                     |                                     |
| <b>A.1 Types of environmentally sustainable activities (Taxonomy-compliant)</b>                  |                   |                         |   |   |                               |                                |               |                      |                 |  |                                |                                 |                |                       |                 |                         |   |                                     |                                     |
| Construction, extension and operation of water collection, treatment and supply systems          | CCM 5.1           | 3.18                    | 0.06%   | Y   | N/EL                          | N/EL                           | N/EL          | N/EL                 | N/EL            | N/A  | Y                              | Y                               | N/A            | N/A                   | Y               | Y                       | 0.08%   |                                     |                                     |
| Collection and transport of non-hazardous waste in source segregated fractions                   | CCM 5.5           | 22.71                   | 0.45%   | Y   | N/EL                          | N/EL                           | N/EL          | N/EL                 | N/EL            | N/A  | Y                              | N/A                             | N/A            | Y                     | N/A             | Y                       | 0.07%   |                                     |                                     |
| Material recovery from non-hazardous waste   | CCM 5.9           | 4.70                    | 0.09%   | Y   | N/EL                          | N/EL                           | N/EL          | N/EL                 | N/EL            | N/A  | Y                              | N/A                             | N/A            | N/A                   | Y               | Y                       | 0.07%   |                                     |                                     |
| <b>Capital expenditure for environmentally sustainable activities (Taxonomy-compliant) (A.1)</b> |                   | 30.58                   | 0.61%   | 100%                                      | 0%                            | 0%                             | 0%            | 0%                   | 0%              |  |                                |                                 |                |                       |                 |                         | 0.22%   |                                     |                                     |
| <b>Including supporting activities</b>   |                   | -                       | %   | %   | %                             | %                              | %             | %                    | %               |  |                                |                                 |                |                       |                 |                         | %   | E                                   |                                     |
| <b>Including transition-related</b>  |                   | -                       | %   | %   |                               |                                |               |                      |                 |  |                                |                                 |                |                       |                 |                         | %   |                                     | T                                   |

**A.2 Taxonomy-eligible but not environmentally sustainable activity (activities non-compliant with the Taxonomy)**

|   |          |       |       | N/EL | N/EL | N/EL | N/EL | N/EL | N/EL |  |  |  |  |  |  |  |  |  |       |
|---|----------|-------|-------|------|------|------|------|------|------|--|--|--|--|--|--|--|--|--|-------|
| Manufacture of renewable energy technologies  | CCM 3.1  | 1.69  | 0.03% | EL   | N/EL | N/EL | N/EL | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 0.07% |
| Manufacture of low carbon technologies for transport                                    | CCM 3.3  | 0.09  | 0.00% | EL   | N/EL | N/EL | N/EL | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 0.01% |
| Maintenance of roads and highways   | CE 3.4   | 0.24  | 0.00% | N/EL | N/EL | N/EL | N/EL | EL   | N/EL |  |  |  |  |  |  |  |  |  | -     |
| Manufacture of other low carbon technologies  | CCM 3.6  | -     | -     | -    | -    | -    | -    | -    | -    |  |  |  |  |  |  |  |  |  | 0.17% |
| Manufacture of cement   | CCM 3.7  | -     | -     | -    | -    | -    | -    | -    | -    |  |  |  |  |  |  |  |  |  | 0.00% |
| Manufacture of iron and steel   | CCM 3.9  | -     | -     | -    | -    | -    | -    | -    | -    |  |  |  |  |  |  |  |  |  | 0.00% |
| Electricity production using solar photovoltaic technology                              | CCM 4.1  | 25.40 | 0.51% | EL   | N/EL | N/EL | N/EL | N/EL | N/EL |  |  |  |  |  |  |  |  |  | -     |
| Transmission and distribution of electricity  | CCM 4.9  | 30.98 | 0.62% | EL   | N/EL | N/EL | N/EL | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 0.35% |
| Distribution in heating/cooling systems   | CCM 4.15 | 22.25 | 0.45% | EL   | N/EL | N/EL | N/EL | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 0.70% |
| High-efficiency co-generation of heat/cooling and electricity from gaseous fossil fuels | CCM 4.30 | -     | -     | -    | -    | -    | -    | -    | -    |  |  |  |  |  |  |  |  |  | 0.39% |
| Construction, extension and operation of water collection, treatment and supply systems | CCM 5.1  | 22.98 | 0.46% | EL   | N/EL | N/EL | N/EL | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 0.28% |
| Renewal of water collection, treatment and supply systems                               | CCM 5.2  | 1.91  | 0.04% | EL   | N/EL | N/EL | N/EL | N/EL | N/EL |  |  |  |  |  |  |  |  |  | -     |
| Construction, extension and operation of effluents collection and treatment             | CCM 5.3  | 3.77  | 0.08% | EL   | N/EL | N/EL | N/EL | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 0.20% |
| Freight rail transport  | CCM 6.2  | 23.13 | 0.46% | EL   | N/EL | N/EL | N/EL | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 1.07% |
| Transport by motorbikes, passenger cars and light commercial vehicles                   | CCM 6.5  | 0.66  | 0.01% | EL   | N/EL | N/EL | N/EL | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 0.01% |
| Freight transport services by road  | CCM 6.6  | 0.76  | 0.02% | EL   | N/EL | N/EL | N/EL | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 0.01% |
| Infrastructure for rail transport   | CCM 6.14 | 13.27 | 0.27% | EL   | N/EL | N/EL | N/EL | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 0.08% |
| Infrastructure enabling low-carbon road transport and public transport                  | CCA 6.15 | 0.15  | 0.00% | N/EL | EL   | N/EL | N/EL | N/EL | N/EL |  |  |  |  |  |  |  |  |  | -     |
| Construction of new buildings   | CCM 7.1  | 5.35  | 0.11% | EL   | N/EL | N/EL | N/EL | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 0.18% |
| Renovation of existing buildings  | CCM 7.2  | 40.75 | 0.82% | EL   | N/EL | N/EL | N/EL | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 0.89% |
| Installation, maintenance and repair of energy efficiency equipment                     | CCM 7.3  | 13.53 | 0.27% | EL   | N/EL | N/EL | N/EL | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 0.55% |
| Data processing, hosting and related activities   | CCM 8.1  | 0.07  | 0.00% | EL   | N/EL | N/EL | N/EL | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 0.06% |

|  |                 |             |       |      |    |    |      |    |  |  |  |  |  |  |  |  |  |       |  |  |
|--|-----------------|-------------|-------|------|----|----|------|----|--|--|--|--|--|--|--|--|--|-------|--|--|
| Capital expenditure from Taxonomy-eligible but not environmentally sustainable activity (activities non-compliant with the Taxonomy) (A.2) | 207.00          | 4.15%       | 99.8% | 0.1% | 0% | 0% | 0.1% | 0% |  |  |  |  |  |  |  |  |  | 5.01% |  |  |
| A. Capital expenditure from Taxonomy-eligible activity (A.1+A.2)   | 237.58          | 4.76%       | 99.8% | 0.1% | 0% | 0% | 0.1% | 0% |  |  |  |  |  |  |  |  |  | 5.23% |  |  |
| <b>B. TAXONOMY NON-ELIGIBLE ACTIVITY</b>   |                 |             |       |      |    |    |      |    |  |  |  |  |  |  |  |  |  |       |  |  |
| Capital expenditure from Taxonomy non-eligible activities  | 4 753.85        | 95.24%      |       |      |    |    |      |    |  |  |  |  |  |  |  |  |  |       |  |  |
| <b>TOTAL</b>   | <b>4 991.44</b> | <b>100%</b> |       |      |    |    |      |    |  |  |  |  |  |  |  |  |  |       |  |  |

Table 41. Percentage share of operating expenditure from products or services related to Taxonomy-compliant economic activity in 2023.

| Financial year N   | Year              |                           |   | Criteria concerning material contribution |                               |                                |               |                      |                   | Criteria concerning the DNSH principle ("does not cause serious harm") |                                |                                 |                |                       |                 |                         |   |                                     |                                     |
|--|-------------------|---------------------------|---|---|-------------------------------|--------------------------------|---------------|----------------------|-------------------|--|--------------------------------|---------------------------------|----------------|-----------------------|-----------------|-------------------------|---|-------------------------------------|-------------------------------------|
|  | Code or codes (2) | Operating expenditure (3) | Percentage of operating expenditure, year N (4) | Climate change mitigation (5)             | Climate change adaptation (6) | Water and marine resources (7) | Pollution (8) | Circular economy (9) | Biodiversity (10) | Climate change mitigation (11)   | Climate change adaptation (12) | Water and marine resources (13) | Pollution (14) | Circular economy (15) | Biodiversity 16 | Minimum safeguards (17) | Participation in taxonomy-compliant activity (A.1.) or taxonomy-eligible activity (A.2.) Operating expenditure, year N-1 (18) | Category supporting activities (19) | Category transition activities (20) |
| Text   |                   | [PLN million]             | %   | Y/N; N/EL                                 | Y/N; N/EL                     | Y/N; N/EL                      | Y/N; N/EL     | Y/N; N/EL            | Y/N; N/EL         | Y/N  | Y/N                            | Y/N                             | Y/N            | Y/N                   | Y/N             | Y/N                     | %   | E                                   | Y                                   |
| <b>A. TAXONOMY-ELIGIBLE ACTIVITY</b>   |                   |                           |   |   |                               |                                |               |                      |                   |  |                                |                                 |                |                       |                 |                         |   |                                     |                                     |
| <b>A.1 Types of environmentally sustainable activities (Taxonomy-compliant)</b>                    |                   |                           |   |   |                               |                                |               |                      |                   |  |                                |                                 |                |                       |                 |                         |   |                                     |                                     |
| Distribution in heating/cooling systems  | CCM 4.15          | 3.36                      | 0.16%   | Y   | N/EL                          | N/EL                           | N/EL          | N/EL                 | N/EL              | N/A  | Y                              | Y                               | Y              | N/A                   | Y               | Y                       | -   |                                     |                                     |
| Production of heat/cool using waste heat   | CCM 4.25          | 12.81                     | 0.62%   | Y   | N/EL                          | N/EL                           | N/EL          | N/EL                 | N/EL              | N/A  | Y                              | N/A                             | Y              | Y                     | Y               | Y                       | 0.54%   |                                     |                                     |
| Construction, extension and operation of water collection, treatment and supply systems            | CCM 5.1           | 8.53                      | 0.41%   | Y   | N/EL                          | N/EL                           | N/EL          | N/EL                 | N/EL              | N/A  | Y                              | Y                               | N/A            | N/A                   | Y               | Y                       | 0.51%   |                                     |                                     |
| Collection and transport of non-hazardous waste in source segregated fractions                     | CCM 5.5           | 9.95                      | 0.48%   | Y   | N/EL                          | N/EL                           | N/EL          | N/EL                 | N/EL              | N/A  | Y                              | N/A                             | N/A            | Y                     | N/A             | Y                       | 0.48%   |                                     |                                     |
| Material recovery from non-hazardous waste   | CCM 5.9           | 3.37                      | 0.16%   | Y   | N/EL                          | N/EL                           | N/EL          | N/EL                 | N/EL              | N/A  | Y                              | N/A                             | N/A            | N/A                   | Y               | Y                       | 0.13%   |                                     |                                     |
| Freight rail transport   | CCM 6.2           | 6.16                      | 0.30%   | Y   | N/EL                          | N/EL                           | N/EL          | N/EL                 | N/EL              | N/A  | Y                              | N/A                             | Y              | Y                     | N/A             | Y                       | 0.26%   |                                     |                                     |
| <b>Operating expenditure for environmentally sustainable activities (Taxonomy-compliant) (A.1)</b> |                   | 44.18                     | 2.13%   | 100%                                      | %                             | %                              | %             | %                    | %                 |  |                                |                                 |                |                       |                 |                         | 1.91%   |                                     |                                     |
| <b>Including supporting activities</b>   |                   | -                         | %   | %   | %                             | %                              | %             | %                    | %                 |  |                                |                                 |                |                       |                 |                         | %   | E                                   |                                     |
| <b>Including transition-related</b>  |                   | -                         | %   | %   |                               |                                |               |                      |                   |  |                                |                                 |                |                       |                 |                         | %   |                                     | Y                                   |

**A.2 Taxonomy-eligible but not environmentally sustainable activity (activities non-compliant with the Taxonomy)**

|   |          |       |       | EL;<br>EL; N/EL | EL;<br>N/EL | EL;<br>N/EL | EL;<br>N/EL | N/EL | N/EL |  |  |  |  |  |  |  |  |  |       |
|---|----------|-------|-------|-----------------|-------------|-------------|-------------|------|------|--|--|--|--|--|--|--|--|--|-------|
| Hotels, holiday homes, camping grounds and similar establishments   | BIO 2.1  | 0.02  | 0.00% | N/EL            | N/EL        | N/EL        | N/EL        | N/EL | EL   |  |  |  |  |  |  |  |  |  | -     |
| Manufacture of renewable energy technologies  | CCM 3.1  | 0.07  | 0.00% | EL              | N/EL        | N/EL        | N/EL        | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 0.01% |
| Manufacture of low carbon technologies for transport  | CCM 3.3  | 0.67  | 0.03% | EL              | N/EL        | N/EL        | N/EL        | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 0.04% |
| Application of concrete in civil engineering  | CE 3.5   | 0.05  | 0.00% | N/EL            | N/EL        | N/EL        | N/EL        | EL   | N/EL |  |  |  |  |  |  |  |  |  | -     |
| Manufacture of other low carbon technologies  | CCM 3.6  | 0.63  | 0.03% | EL              | N/EL        | N/EL        | N/EL        | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 0.01% |
| Manufacture of cement   | CCM 3.7  | -     | -     | -               | -           | -           | -           | -    | -    |  |  |  |  |  |  |  |  |  | 0.00% |
| Manufacture of iron and steel   | CCM 3.9  | -     | -     | -               | -           | -           | -           | -    | -    |  |  |  |  |  |  |  |  |  | 0.08% |
| Transmission and distribution of electricity  | CCM 4.9  | 14.41 | 0.69% | EL              | N/EL        | N/EL        | N/EL        | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 0.63% |
| Distribution in heating/cooling systems   | CCM 4.15 | 15.17 | 0.73% | EL              | N/EL        | N/EL        | N/EL        | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 0.55% |
| High-efficiency co-generation of heat/cooling and electricity from gaseous fossil fuels                                 | CCM 4.30 | 22.46 | 1.08% | EL              | N/EL        | N/EL        | N/EL        | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 1.10% |
| Construction, extension and operation of water collection, treatment and supply systems                                 | CCM 5.1  | 3.41  | 0.16% | EL              | N/EL        | N/EL        | N/EL        | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 0.16% |
| Construction, extension and operation of effluents collection and treatment   | CCM 5.3  | 2.29  | 0.11% | EL              | N/EL        | N/EL        | N/EL        | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 0.10% |
| Freight rail transport  | CCM 6.2  | 39.35 | 1.89% | EL              | N/EL        | N/EL        | N/EL        | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 2.00% |
| Urban and suburban transport, road passenger transport  | CCM 6.3  | 1.08  | 0.05% | EL              | N/EL        | N/EL        | N/EL        | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 0.03% |
| Transport by motorbikes, passenger cars and light commercial vehicles   | CCM 6.5  | 0.33  | 0.02% | EL              | N/EL        | N/EL        | N/EL        | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 0.01% |
| Freight transport services by road  | CCM 6.6  | 2.17  | 0.10% | EL              | N/EL        | N/EL        | N/EL        | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 0.06% |
| Infrastructure for rail transport   | CCM 6.14 | 13.16 | 0.63% | EL              | N/EL        | N/EL        | N/EL        | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 0.65% |
| Infrastructure enabling low-carbon road transport and public transport  | CCA 6.15 | 3.11  | 0.15% | N/EL            | EL          | N/EL        | N/EL        | N/EL | N/EL |  |  |  |  |  |  |  |  |  | -     |
| Construction of new buildings   | CCM 7.1  | 0.46  | 0.02% | EL              | N/EL        | N/EL        | N/EL        | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 0.00% |
| Renovation of existing buildings  | CCM 7.2  | 22.55 | 1.08% | EL              | N/EL        | N/EL        | N/EL        | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 1.56% |
| Installation, maintenance and repair of energy efficiency equipment   | CCM 7.3  | 2.53  | 0.12% | EL              | N/EL        | N/EL        | N/EL        | N/EL | N/EL |  |  |  |  |  |  |  |  |  | 0.10% |
| Installation, maintenance and repair of electric vehicle charging stations in buildings (and in car parks at buildings) | CCM 7.4  | 0.01  | 0.00% | EL              | N/EL        | N/EL        | N/EL        | N/EL | N/EL |  |  |  |  |  |  |  |  |  | -     |
| Acquisition and ownership of buildings  | CCM 7.7  | 0.12  | 0.01% | EL              | N/EL        | N/EL        | N/EL        | N/EL | N/EL |  |  |  |  |  |  |  |  |  | -     |

|   |          |                 |              |               |              |           |           |              |              |  |  |  |  |  |  |  |  |              |  |  |
|---|----------|-----------------|--------------|---------------|--------------|-----------|-----------|--------------|--------------|--|--|--|--|--|--|--|--|--------------|--|--|
| Data processing, hosting and related activities   | CCM 8.1  | 9.84            | 0.47%        | EL            | N/EL         | N/EL      | N/EL      | N/EL         | N/EL         |  |  |  |  |  |  |  |  | 0.57%        |  |  |
| Activities related to the production of motion pictures, video recordings, television programs, sound recordings and music recordings               | CCA 13.3 | 0.02            | 0.00%        | N/EL          | EL           | N/EL      | N/EL      | N/EL         | N/EL         |  |  |  |  |  |  |  |  | -            |  |  |
| <b>Operating expenditure from taxonomy-eligible but not environmentally sustainable activity (activities non-compliant with the Taxonomy) (A.2)</b> |          | <b>153.90</b>   | <b>7.40%</b> | <b>97.92%</b> | <b>2.03%</b> | <b>0%</b> | <b>0%</b> | <b>0.03%</b> | <b>0.01%</b> |  |  |  |  |  |  |  |  | <b>7.67%</b> |  |  |
| <b>A. Operating expenditure from Taxonomy-eligible activity (A.1+A.2)</b>   |          | <b>198.09</b>   | <b>9.53%</b> | <b>98.39%</b> | <b>1.58%</b> | <b>0%</b> | <b>0%</b> | <b>0.03%</b> | <b>0.01%</b> |  |  |  |  |  |  |  |  | <b>9.58%</b> |  |  |
| <b>B. TAXONOMY NON-ELIGIBLE ACTIVITY</b>  |          |                 |              |               |              |           |           |              |              |  |  |  |  |  |  |  |  |              |  |  |
| Operating expenditure from Taxonomy non-eligible activities   |          | 1 880.77        | 90.47%       |               |              |           |           |              |              |  |  |  |  |  |  |  |  |              |  |  |
| <b>Total</b>  |          | <b>2 078.86</b> | <b>100%</b>  |               |              |           |           |              |              |  |  |  |  |  |  |  |  |              |  |  |

#### 4.8.4 Key performance indicators prepared in accordance with Delegated Regulation 2023/2486

| Goals | Proportion of turnover / Total turnover |                                   |
|-------|---|-----------------------------------|
|       | Compliance with Taxonomy by goals       | Eligibility for Taxonomy by goals |
| CCM   | 0.90%                                   | 1.55%                             |
| CCA   | -                                       | -                                 |
| WTR   | -                                       | -                                 |
| CE    | -                                       | -                                 |
| PPC   | -                                       | -                                 |
| BIO   | -                                       | 0.003%                            |

| Goals | Proportion of capital expenditure / Total capital expenditure |                                   |
|-------|---|-----------------------------------|
|       | Compliance with Taxonomy by goals                             | Eligibility for Taxonomy by goals |
| CCM   | 0.61%   | 4.75%                             |
| CCA   | -   | 0.003%                            |
| WTR   | -   | -                                 |
| CE    | -   | 0.005%                            |
| PPC   | -   | -                                 |
| BIO   | -   | -                                 |

| Goals | Proportion of operating expenditure / Total operating expenditure |                                   |
|-------|---|-----------------------------------|
|       | Compliance with Taxonomy by goals                                 | Eligibility for Taxonomy by goals |
| CCM   | 2.13%   | 9.37%                             |
| CCA   | -   | 0.15%                             |
| WTR   | -   | -                                 |
| CE    | -   | 0.002%                            |
| PPC   | -   | -                                 |
| BIO   | -   | 0.001%                            |



## 5 EMPLOYEES AND SOCIETY

### 5.1 RESPECTING HUMAN RIGHTS

In April 2022, the Company adopted a Human Rights Policy. The adoption of the Human Rights Policy is an expression of care and the confirmation that human rights represent an area of particular importance for KGHM. The document defines the potential risks in this area while identifying persons responsible as well as possible forms of prevention and mitigation of effects of such measures. The Human Rights Policy was also audited in terms of maintaining the Copper Mark certification by the Company. The Human Rights Policy covers issues such as labour rights, social dialogue or occupational health and safety standards - both at KGHM and throughout the value chain.

Because of the international and broad scope of its operations, cultural differences and the specific nature of the industries in which it operates, the Group has long conducted a variety of human rights protection activities, such as: counteracting discrimination, ensuring safety at work, ensuring respect among employees and acting with respect for women's rights and equal pay, caring for the environment and conducting its activities with respect for the rights of indigenous peoples - on the basis of functioning normative acts. Work is currently pending to ensure consistency and comprehensiveness of these activities.

An analysis of the impacts, risks and opportunities in the context of social issues is included in section [2.2.7 Material impacts, risks and opportunities and their interaction with strategy and business model](#).

### 5.2 RESPONSIBLE EMPLOYER

KGHM Polska Miedź S.A. builds its business potential and competitive advantage by focusing on people. The employees of KGHM are the foundation without which the Company would not be able to operate successfully. In KGHM, equal attention is paid to the local environment, in terms of environmental and social aspects, based on order and balanced activity with other elements which constitute the world order.

#### 5.2.1 Human Rights in KGHM Polska Miedź S.A.

##### [ESRS S1-1, ESRS S1-1 Addendum B]

In accordance with the provisions of the adopted Human Rights Policy, in KGHM Polska Miedź S.A. we pledge to protect, promote and implement human rights wherever we carry out our activities and towards all entities on which we have a direct or indirect impact.

The Company pledges to conduct our business in a manner consistent with the International Charter of Human Rights, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the UN Declaration on the Rights of Indigenous Peoples and the OECD Due Diligence Guidelines for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

KGHM declares that respect for human rights by other entities with which we cooperate is an important factor to be taken into account when establishing mutual relations. All human rights violations can be reported through the anonymous Whistleblower Platform called the KGHM [Ethics Hotline](#).

In KGHM Polska Miedź S.A. we stand up against all unethical actions towards people providing work, both within the Company and throughout the whole value chain. We are guided by the principle of protecting the dignity of work, including:

- care for fair pay, the right to rest and equal access to training.
- lack of acceptance of any form of violation of personal dignity and gender equality, including: discrimination, harassment, abuse and other actions that violate the rules of social coexistence.
- combating all forms of modern slavery, forced labour and torture. The Company rigorously respects the prohibition on the employment of minors.
- whilst protecting all rights relating to personal dignity, KGHM also respects, protects and promotes family and parental values.

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

KGHM Human Rights Policy has been developed taking into account the corporate risk management methodology adopted by the Company. Potential risks in human rights violations in the Company's operations were identified and assessed. At the same time, actions were identified to mitigate or reduce the identified risks.

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

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

- The right to benefit from just and favourable working conditions,
- The right to privacy,
- The right to working conditions that meet health and safety requirements.

## 5.2.2 Policies related to own workforce

### [ESRS S1-1, ESRS S1-1 Addendum B]

|   |  |
|---|--|
| <b>Work Regulations at KGHM POLSKA MIEDŹ S.A.</b>           | <p>The Work Regulations define the organisation and management of the labour process as well as the related rights and obligations of the employer and employees. They define the manner and rules of accounting for working time, and granting of holidays, as well as the time and manner of remuneration. They define rules of occupational health and safety. Moreover, they describe the adopted practice with regard to rewards and distinctions, as well as punishments used for infringements of order and work discipline.</p> <p>Work and remuneration regulations and anti-abuse, occupational health and safety procedures have been adopted in each material operating company of the KGHM Group. The "Code of Ethics of the KGHM Polska Miedź S.A. Group" has been introduced for application in each company.</p>   |
| <b>HR Policy of KGHM Polska Miedź S.A.</b>                  | <p>The HR policy in KGHM emphasises that it is KGHM's employees who are the company's most valuable asset - they create the company's unique culture and build its position in the market. In order to meet its key objectives, the company systematically invests in the labour market and is committed to educating the younger generation. It pays particular attention to the quality of its workforce, emphasising that employees are the foundation for the growth of the business, enhancing its global position and transforming it into an organisation ready for the future. KGHM attracts the top level experts and professionals, allowing it to recruit people with high capacity who perfectly respond to the company's needs. The success of an organisation depends on the contribution of every employee.</p> <p>The uniqueness of the HR policy pursued is confirmed by the fact that KGHM employees are not only talented and highly qualified, but also act in accordance with the values of KGHM, are open to change, search for innovative solutions and are willing to share their knowledge and experience. Most importantly, however, KGHM employees, regardless of their position, perceive their personal development as a challenge through which the entire organisation benefits.</p> <p>As a global company, KGHM provides a unique opportunity for people who want to gain access to cutting-edge technology and solutions. They have this opportunity by participating in the work of specialised project teams. Participation in the work of such a team is also an excellent opportunity to share knowledge and experience within the company's structures.</p> |
| <b>KGHM's Declaration on the Protection of Human Rights</b> | <p>KGHM Polska Miedź S.A. recognizes, respects and observes human rights - including employee rights. The Company is committed to conducting operations in accordance with the UN Universal Declaration of Human Rights. The approach to the protection of human rights is defined by "KGHM's Declaration on the Protection of Human Rights". The employee's dignity and personal assets are subject to unconditional protection and the mutual relationships are based on their respecting. As a global company, active on global markets, labour and employee relations standards are applied which are consistent with local laws in force, as well as with those defined by international institutions, such as the International Labour Organization (ILO) or UN Global Compact. Regulations and policies are created taking account of the welfare of employees and mutual relationships, based on best practice, irrespective of the jurisdiction of the place of operation of the company.</p> <p>The Company creates a culture, work environment and venue free from discrimination. No form of discrimination is tolerated, in particular due to gender, race, age, origin, religion, disability, world view, sexual orientation, social status, marital status, political party and trade union membership or the form of employment.</p>   |
| <b>International Mobility Policy</b>                        | <p>Since 2015, KGHM Polska Miedź S.A. has been actively pursuing a policy of international employee mobility in response to the dynamic growth of international operations and the acquisition of international assets. This policy is a key element of the company's talent management and global development strategy. The policy aims to optimise the use of human resources by effective allocation of talents in the Group's strategic locations such as Chile, Canada and the USA. The policy comprises national and international assignments, providing support in career development and knowledge transfer.</p> <p>The international mobility policy at KGHM Polska Miedź S.A. is the foundation of the talent management and global development strategy. Due to this policy, the company manages its human resources effectively on an international arena, contributing to the increase in competitiveness and operational efficiency.</p>  |
| <b>Training Policy</b>                                      | <p>KGHM, as a modern and socially responsible organisation, has perfectly adjusted to the current market requirements shaped by the impact of the pandemic situation. Human capital management departments have adapted well to sudden and unpredictable changes. For the sake of employee health, processes of digitalisation, digitisation and automation of management and administrative processes have been accelerated; remote or hybrid working options have been introduced where possible, and desktop training has been converted to e-learning methods. KGHM is a workplace where the factors of managing variability and diversity, the development of key employee competence and the careful and efficient coordination of training and development activities are observed.</p>   |

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**Recruitment processes in KGHM Polska Miedź S.A.**

KGHM Polska Miedź S.A. secures highly qualified personnel through the process of internal and external recruitment based on the uniform "Principles for recruitment of candidates for employment in KGHM Polska Miedź S.A.". The selection of personnel at KGHM is carried out respecting the principles of legalism, transparency, timeliness, efficiency, diversity and equal access to employment.

The management of recruitment processes is supported by the eRekrutacja system, which makes it possible to recruit employees in a fully digitised manner and to use the existing candidate database while maintaining the highest standards of data security. The Company acts in accordance with the principles of due diligence, and conducts electronic registration of job candidates on the basis of advertisements placed on the website: <https://rekrutacja.kghm.com/Recruitment>, which contains job offers published by the KGHM Polska Miedź S.A. Group.

The Company ensures full discretion to candidates submitting offers. The applications of successful candidates may, with their consent, be entered in the Central Base of Candidates for a period of 12 months. In accordance with the adopted anti-corruption standards, KGHM Polska Miedź S.A. applies due diligence in the process of selecting personnel for positions that are associated with a higher than low risk of corruption.

In 2023, two video guides were recorded to reinforce the employer's image in communicating with potential employees, including tips for candidates, writing a professional CV and how to prepare for a recruitment interview at KGHM. The videos were posted on the Careers tab and on social media, and used in educational activities in collaboration with the research and teaching community.

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### 5.2.3 Procedures for working with own employees and employee representatives in terms of impact

[ESRS S1-2]

#### **HR projects in KGHM Polska Miedź S.A.**

KGHM provides a unique opportunity for people who want to gain access to cutting-edge technology and solutions. KGHM offers the opportunity to work in specialised project teams, giving employees the opportunity to share knowledge and experience within the company's structures.

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**"Competent in the sector" program**

As part of the KGHM Polska Miedź S.A. Program, KGHM Polska Miedź S.A. has been supporting education in the professions most relevant to the region, as well as those of key importance to the Company, since 2018. The Program covers 10 schools from such towns as: Legnica, Bolesławiec, Lubin, Chojnów, Polkowice, Głogów and Wschowa. In the 2022/2023 school year, more than 1 900 students attended educational classes and 472 students carried out practical vocational training at 8 Divisions of KGHM Polska Miedź S.A.

Since the inception of the Program, educational grants have been paid to the best students in the amount of PLN 633 300, funds in the amount of PLN 828 533 have been donated to purchase additional equipment and furnishings for school workshops and classrooms for teaching professional subjects, while 349 graduates were employed in Divisions of KGHM Polska Miedź S.A. As part of the "Competent in the sector" Program, conferences, workshops and travel events were organised and materials were developed to promote, among others, learning and the professional and physical activity of young people.

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**Digital Future of Copper Program**

In July 2023, KGHM launched the "Digital Future of Copper" educational project for 250 students from eight secondary school institutions in the Copper Belt and Lubuskie Voivodship, coordinated by the Central Information Processing Center (COPI). The aim of the program is the comprehensive development of students in the area of digital competence, integrating theory and practice through structured classes, internships, professional visits, academic conferences and seminars. The project focuses on acquiring practical skills and creating a platform for networking with industry professionals, supporting the individual development of young talent. COPI offers comprehensive support to participants through a variety of educational activities, enabling them to explore the secrets of the copper industry and develop essential digital skills. The investment aims to strengthen the capacity of future industry leaders by building a strong educational foundation focused on digital technologies.

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**Digitisation of HR processes**

In 2023, as part of making HR operations more efficient, improvements have been introduced to speed up and facilitate processes related to service, business travel and strengthening the employer's image and communication with job candidates in recruitment processes. Work was completed on the electronic process of conducting the adaptation of newly hired employees of administrative and office structures in the Head Office of KGHM, consisting of courses included in the training management system.

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**Neurodiversity**

In 2023, a development program was launched at the Company with the aim to build awareness in the area of neurodiversity both among KGHM employees and in the social and business environment. In June 2023, a Conference was organised with the participation of representatives of local business and cooperating KGHM universities and the event was held under the patronage of the Ministry of Education. Workshops for willing employees and managers of the Company were also held in June and November 2023, which is important in the context of shaping an inclusive company culture.

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|---|---|
| <b>Survey on employee engagement in KGHM Polska Miedź S.A.</b>              | <p>In 2023, KGHM conducted an employee engagement survey for the third time, which covered both the Head Office and the Company divisions. In this process, which continued from 23 November to 21 December 2023, employees were encouraged to participate by the slogan "Let's talk about the company, as copper unites us". The aim of the survey was to diagnose areas requiring change and those representing strengths of the organisational culture. A total of 12 295 employees participated in the survey, representing 65% of the workforce, providing an in-depth look at the perception of the company, the prevailing mood and planning future action in key areas.</p> <p>The 2023 Engagement Survey has been enhanced with a refreshed survey questionnaire, incorporating suggestions from previous editions. Thus, KGHM plans to propose measures that reflect the expectations of employees. As in previous years, the survey was combined with a charity event. The Company has secured funds that will be donated to charities identified by individual Divisions, to support local communities.</p> |
| <b>Psychological support for KGHM employees</b>                             | <p>The project launched in response to employee needs reported in the Company's 2021 engagement survey. The psychological support is a benefit dedicated to all employees and their relatives comprising: psychological support for an employee in the form of 1:1 sessions, couples and family therapy, parenting consultations and supervisions for managers.</p>   |
| <b>InvestCUp</b>  | <p>The project, dedicated to approximately 500 KGHM employees involved in the implementation of investment projects in the Company, was launched in October 2022 and continued in 2023. The aim of the InvestCUp initiative is to increase and consolidate existing competence, exchange experience and best practices in the area of investment project implementation.</p>  |
| <b>Post-graduate studies - Copper Leaders</b>                               | <p>The Copper Leaders Postgraduate Program at the University of Warsaw is a program addressed to middle level management, based on MBA standards. The program comprehensively discusses the role of leadership in managing change, projects, people and finance. The second edition of these studies has already been completed</p>   |
| <b>Data Science Studies</b>   | <p>Data Science studies at the University of Warsaw comprise a master's program that provides students with exceptional knowledge in data science. The program combines extensive knowledge and skills in data analytics, econometrics and machine learning, IT programming with soft skills, making graduates of the program highly desirable experts.</p>   |
| <b>Studies in Cyber security of industrial systems</b>                      | <p>The postgraduate course on Cyber Security of Industrial Systems at the Silesian University of Technology aims to teach graduates practical skills in managing the security of a company's systems and to learn about instruments to combat cybercrime</p>  |
| <b>Leader Academy - KGHM Giants</b>   | <p>The program initiated as a pilot project in 2021/2022 and dedicated to the lowest level managers from the KGHM Head Office and Divisions, was continued in 2023. Developing key leadership competencies has a direct impact on employee performance, translates into the organisational climate and the Company's business results, therefore leaders with well-developed skills are able to increase team motivation and commitment, leading to better use of resources, innovation and optimisation of processes within the organisation. Training under the KGHM Giants Leadership Academy program was continued until May 2023.</p>  |
| <b>Adaptation training program for new employees</b>                        | <p>The adaptation program is dedicated to newly-hired employees recruited in the administrative and office structures of the Head Office of KGHM, and ultimately also in the Divisions of the Company. It is a continuation of the onboarding training initiated in 2020, which has been provided in an electronic training management system since 2023. Its aim is the effective introducing of a new employee to the organisation and to the tasks of the job, as well as shaping positive employee attitudes and supporting integration with the team. On the one hand, it enables faster induction of a new employee and completion of the first employment formalities, while on the other hand, it supports the supervisor, the mentor and the professional units involved in carrying out the tasks assigned to their role. The progress and satisfaction level of the Onboarding Training Plan participant's adaptation process is monitored by HR staff using automated reports.</p>  |
| <b>Management of career paths and recruitment in KGHM Polska Miedź S.A.</b> | <p>KGHM Polska Miedź S.A. secures highly qualified personnel through the process of internal and external recruitment. It protects the brand of the first choice employer for current and prospective employees.</p> <p>In the process of acquiring new employees, the company reinforces its position as a leading employer by presenting its culture based on its core values in job offers and by offering a wide range of additional benefits to its employees.</p>   |
| <b>Succession and replacement plan</b>                                      | <p>In 2023, the Principles for the creation and operation of a succession and replacement plan for key positions in KGHM "Polska Miedź S.A." were implemented covering all Divisions of the Company. The aim of the procedure is to verify the key positions in terms of maintaining the continuity of production and strategic processes, and to appoint their replacements (in case of temporary absence) and successors (as successors to the position).</p>   |

## **HR projects in the domestic companies of the KGHM Polska Miedź S.A. Group**

In 2023, HR projects were implemented in the Group's domestic companies concerning, among other things, the enhancement of professional skills and qualifications and the improvement of work efficiency, including using tools with an incentive function.

In order to ensure adequate human resources, including the prevention of excessive staff turnover, procedures for the professional adaptation of employees, programs of development activities were implemented, and cooperation with universities continued.

HR projects have also included issues relating to remote working arrangements.

In addition, in 2023, the companies implemented projects in the field of:

- reducing levels of sickness-related absence,
- employee development paths,
- digitalisation of the HR and payroll area.

## **HR projects in the companies of the KGHM INTERNATIONAL LTD. Group**

In 2023, KGHM INTERNATIONAL LTD. organised a number of events and initiatives to strengthen the commitment and appreciation of the hard work of its employees, as well as to develop educational cooperation and development initiatives. The consolidated and detailed descriptions of these activities are presented below:

|  |  |
|--|--|
| <b>Succession planning</b>   | In order to ensure operational efficiency, minimise the risks of losing key competences and enable a smooth transition between generations of employees, work on succession plans continued in 2023. Internal and inter-company successors in key positions (such as, for example, Chief Mining Engineer, Crusher Manager, Health and Safety Manager, etc.) have been identified. Programs have been implemented to support the development of identified successors.  |
| <b>Volunteer program</b>   | Voluntary activity and community initiatives build a positive image of the company in the local community and wider society. This strengthens relationships with local stakeholders, customers and employees. Employees at Robinson Mine worked a total of more than 485 hours continuing their community activities. To improve this initiative, the HR team updated the Volunteer Policy to clearly define the rules of the program and introduced small incentives for employees in the form of stickers and T-shirts for campaign participants.  |
| <b>Pro-worker meetings and events</b>                                    | In 2023, events were organised and initiatives were introduced to recognise and express gratitude to the employees of KGHM INTERNATIONAL LTD. for their efforts and hard work. These included, among others, educational meetings for families, team-building and festive events, the creation of a CSR guide for employees, competitions with prizes for exemplary attendance and conduct in line with the company values, competitions to promote a healthy diet (Maintain No Gain Contest).   |
| <b>Cooperation with Educational Institutions</b>                         | KGHM INTERNATIONAL LTD. continued to work with universities in Nevada, Utah, Idaho and Montana to recruit interns and students, demonstrating the company's commitment to developing young talent and building career paths in the mining sector.<br><br>It also cooperated with high schools, including White Pine High School, to attract students' interest in careers in mining as part of a long-term strategy to invest in future generations of workers. Collaboration continued with the Great Basin College on the Maintenance Technical Cooperative (MTC) program. The MTC program offers participants the opportunity to learn a job by attending classes at a local college and working within the structures of KGHM INTERNATIONAL LTD. Participants can benefit from a wide range of vocational courses. The company offers the following options for those willing to join the program: <ul style="list-style-type: none"><li>– Scholarships for high school students: a scholarship and practical training for local high school students currently enrolled in the program or planning to enrol next semester.</li><li>– In-house employee program: full tuition fee reimbursement for employees remaining in full-time employment.</li><li>– Staff-Students: employing part-time staff as students who join work and study. During the study, the company covers or subsidises tuition fees.</li></ul> |
| <b>Exit interviews</b>   | An exit interview is an interview conducted with an employee when their employment with a company terminates. It is an important tool for the HR department as it enables to understand the reasons why an employee resigns, identify areas for improvement within the company and apply retention measures that can contribute to the retention of more employees. HR teams strive to learn as much as possible from employees who decide to leave. To improve the process of collecting feedback and potentially increase the number of completed interviews, in 2023 HR Services introduced Exit Interview surveys in an online format, which will positively translate into the employee's level of knowledge about the company. The aim is also to collect more comprehensive feedback from departing employees.  |
| <b>Onboarding and training for new employees (New Hire Orientations)</b> | Onboarding, the process of induction of new employees to the company, ensures that an employee is effectively integrated into the company culture and organisational structure, which has a positive impact on the sense of belonging. Well-planned onboarding facilitates an understanding of the role and expectations, which accelerates the effectiveness of the new employee and allows for establishing a relationship with the  |

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|  | <p>team, which fosters collaboration. Therefore, in 2023, as part of the effort to increase retention in the company, HR teams endeavoured to organise attractive welcome events for new employees to support relationship building and a positive onboarding experience. Integration activities such as cornhole, Jenga, disc golf and bowling have also been introduced to strengthen bonds between new employees and support them in making their first friends in their new working environment.</p>   |
| <p><b>Simulated recruitment interviews</b></p> | <p>Simulated recruitment interviews are simulated interviews that help candidates prepare for real-life situations during the recruitment process. They are important since they allow candidates to develop their ability to answer recruitment questions, work on self-confidence and improve verbal and non-verbal communication. Robinson Mine's HR team took part in 20 simulated interviews at White Pine High School, contributing to the students' professional development. It had a positive impact on the mine's image as an employer in the region and helped to identify promising candidates, potential future employees of Robinson Mine.</p> |
| <p><b>Participation in Career Fairs</b></p>    | <p>Participation in the career fair is a strategic step for the company, allowing it not only to find potential employees, but also to build a positive image of the company on the labour market. In 2023, KGHM INTERNATIONAL Group HR teams participated in various job fairs (WPHS, UNR STEM, Utah Valley University STEM, University of Utah STEM, Indigenous Communities Job Fairs). They were involved in interviewing potential candidates and students, collecting CVs and making contacts for potential placements and future recruitment.</p>  |
| <p><b>Scholarship Program</b></p>              | <p>KGHM INTERNATIONAL LTD. supports the development of young people who are interested in developing their skills. One of the activities introduced to support students, is the scholarship program. Any student interested in participating must submit an application, write a one-page essay answering the question: "How important do you think mining is?" or "How has mining affected your life?" and provide proof of enrolment. An applicant can apply during his/her school career by meeting certain criteria.</p>   |

### **HR projects in Sierra Gorda S.C.M.**

For Sierra Gorda S.C.M., 2023 was a period of intensive change, characterised by a rebranding, a new strategy, mission and vision and a changed logo, reflecting the evolution and strengthening of its current image. The company has focused on being a leader in mining copper ore of low content, delivering "green copper" to the world and generating value for humanity and shareholders. Key strategic pillars: Unique Culture, Excellence and Growth and Green Copper shaped the company's direction of activities.

|   |  |
|---|--|
| <p><b>Supporting the Organic Development of the Company</b></p> | <p>The HR strategy for 2023-2025 focused on business continuity. Key activities included:</p> <ul style="list-style-type: none"> <li>– <b>Negotiations with trade unions:</b> This can be considered one of the key successes of 2023. The negotiations went smoothly and in an atmosphere of mutual respect. Three New Collective Agreements were signed with each of the three trade unions, which will be in force for three years. This success shows that Sierra Gorda, after years of working and cooperating with the Trade Unions, has achieved a very good working relationship, while the HR Department strives to care for it and maintain it.</li> <li>– <b>Playbook Guidebook:</b> The edition of the guidebook, which is regarded as a strategy guide, is aimed to introduce employees to the main strategy assumptions and the company's objectives for each year of its operations.</li> <li>– <b>Improving infrastructure and facilities for employees:</b> Sports pitches, gyms, canteens and relaxation spaces have been modernized. A food truck, new canteens and a meeting place for employees, the Baro Pub, have been opened as places where employees can buy snacks, drinks and necessities. Installation of air conditioning units in further residential buildings at the mine was performed.</li> <li>– <b>Strategy workshop for the management staff:</b> Strategy workshop for the senior management staff was conducted: The aim of the workshop was to establish the company's new strategy, as well as the organisation's goals for 2023 - 2024.</li> <li>– <b>Employee services satisfaction survey at the mine:</b> The survey was carried out to identify the opinions of employees regarding transport, food and accommodation and improvement of these services.</li> <li>– <b>Management meetings:</b> In 2023, regular meetings of the management staff and directors to address important company topics continued, with the aim of maintaining the communication and interpersonal relationships necessary to achieve company goals.</li> <li>– <b>"Como Vamos?" meetings:</b> Monthly meetings for all employees to learn about the main projects and activities of the company's various departments were continued in 2023.</li> <li>– <b>7x7 operating mode:</b> A special 7x7 operating mode has been introduced which provides for operational continuity at Sierra Gorda.</li> <li>– <b>"Choose food wisely" program:</b> The program aimed to raise awareness among employees to choose canteen food in reasonable quantities to prevent food waste and protect the environment from pollution.</li> <li>– <b>KPI determination course:</b> This course provides the organisation with guidance and guidelines on how to properly set objectives for the next years of work. At Sierra Gorda S.C.M., all white collar workers are included in the management by objectives system.</li> </ul> |
|---|--|



- **Meeting with Polish Deputy Prime Minister, Jacek Sasin:** In 2023, a meeting was held with Deputy Prime Minister of the Republic of Poland, Jacek Sasin, during which awards were presented to Sierra Gorda S.C.M. management for their leadership and contribution to the transformation and success of the Sierra Gorda S.C.M. mine from 2018 to 2022.

#### Employee retention and development

The company has focused on talent development and employee retention:

- **EMPODERATE Young Talent Program:** A development program that aims to recruit young professionals with limited experience to train and prepare them for important positions within the company.
- **The “Recommended” initiatives:** Through these initiatives, employees can recommend people whose experience and professional profile match the positions for which the company is seeking employees. The employee earns points for the recommendations made, redeemable for rewards. A special “Recommended” edition, dedicated exclusively to women was also organised to increase female employment at the mine.
- **Talent Management - Succession Maps - Critical Knowledge Management:** As part of the program, the company identifies employees for key positions and generates development programs for them to help prepare them for those positions in the future. The company also identifies employees who have knowledge critical to the organisation and prepares them as mentors.
- **Mujeres Empoderadas (Women of Power):** Women who achieved professional success at Sierra Gorda S.C.M. are distinguished once a year in the Women of Power (*Mujeres Empoderadas*) magazine.
- **Development platform for administrative staff:** A platform developed for Sierra Gorda administrative staff to enable learning and development. The platform offers a wide range of free training courses on various topics aimed at personal development in different areas. In 2023, more than 1000 training courses were made available on the platform.
- **Career development program for excavator operators:** Each year, employees meeting a number of requirements have the opportunity to take technical tests to check their knowledge, development and promotion opportunities.
- **Leadership Skills Course:** A course designed to strengthen soft skills, particularly leadership. The workshop is addressed to future managers and persons with strong managerial potential.
- **Survey on motivation at work for long-serving employees:** A survey was conducted to identify the motivating aspects in staff with more than five years' seniority in the company that encourage them to stay with the organisation in order to translate the results into specific retention measures in the organisation.

#### Improvement of HR processes

Commitment to digitalisation and modernisation of HR processes, including:

- **New onboarding process:** A new staff deployment program was prepared in 2023 which has been implemented since 1 January 2024. This is a process that lasts 3 days and takes place at the Sierra Gorda S.C.M. mine. During this process, employees receive detailed information on each area of the company and become familiar with the entire production chain. Its aim is for the new employee to become better acquainted with the culture, values and also to identify more easily with Sierra Gorda S.C.M. from their first days of work in the company. It is important for Sierra Gorda S.C.M., due to the high demand for professionals in the Chilean market and competition in the labour market.
- **Implementation of a digital leave request platform:** A platform that allows employees to submit holiday leave requests online (from a mobile phone or laptop). These requests are approved by the manager and the documentation is automatically saved in the folder assigned to each employee. The platform launched has a facilitating function and safeguards against making mistakes when recording absences.
- **Digitisation of applications for eligible benefits:** All applications for benefits, which were previously signed on paper, have been automated.
- **Digitisation of personal files:** The digitisation process of personal files continued in 2023, as part of the modernisation strategy aimed to move towards digital documentation.
- **Document management platform for newly recruited employees:** The platform serves to streamline obtaining all the necessary documents from a newly recruited employee. The platform streamlines the communication process between the employee and the HR department.
- **“Breakfast in the canteen” application:** Implementation of the application whereby office workers can order breakfast via their mobile phone and pick it up at a location of their choice at the mine.
- **“Estar Conectados” application:** The application through which employees are informed about Sierra Gorda news and events on their phone in real time.

#### Working culture and environment

Promoting culture, high efficiency and a friendly working environment:

- **The “Word Tour Rio de Janeiro” workshop:** The workshop to get better acquainted with our “sello PODER”, a competence system for white-collar workers and to integrate employees from different departments of the organisation.
- **Young Talent Internship and Placement Program:** A program dedicated to children and family members of Sierra Gorda S.C.M. employees to support their career development, as well as to help employees better identify with the company.
- **Organisational climate assessment:** A company climate survey in which as many as 82.8% of Sierra Gorda employees participated. The assessment provides an opportunity to elicit information from employees and implement actions that help improve the working environment.
- **Quality of life in Sierra Gorda:** Continuation of the campaign to promote a healthy diet.



- **Staff awards:** Implementation of distinctions for employees of collaborating companies, based on ESTAR values, thereby integrating them into the culture and way of working within the Sierra Gorda S.C.M. team.
- **Assessment of employees by their supervisors:** Staff appraisals are organised annually to discuss the development and continuous improvement of our employees.
- **Celebrations and Family Programs:** Organising company events and supporting the engagement of employee families.
- **“Mujer Avanza” (Woman with Progress) program:** The program serves to build positive relationships between partners of our employees and Sierra Gorda S.C.M. As part of the program, meetings and events are organised to integrate and spend time together and a volunteering program for employees’ wives is also conducted.

## 5.2.4 Processes of mitigating negative impacts and channels for reporting problems by entity's employees

### [ESRS S1-3, ESRS S1-3 Addendum B]

In 2023, the KGHM Polska Miedź S.A. Group focused its efforts on developing processes to mitigate negative impacts and improve channels for its own employees to report problems. With a variety of policies in place, the company aims to create a working environment free of negative impacts, while allowing employees to take an active role in identifying and reporting potential issues.

In the area of environmental protection, the company has an environmental policy in place that sets out commitments in terms of mitigating the impact on ecosystems. Similarly, the climate policy focuses on reducing greenhouse gas emissions while the occupational health and safety policy focuses on ensuring safe working conditions.

In terms of ethics and conduct, the KGHM Group has a code of ethics and a code of conduct which provide the basis of ethical principles for employees. These actions do not only represent formal documents, but above all are a part of building an organisational culture based on integrity, transparency and respect.

Channels for reporting problems by employees are further strengthened through the responsible supply chain policy and human rights policy. These policies not only define the social responsibility criteria for suppliers and the company's commitment to human rights, but also create the conditions for employees to report potential problems.

The KGHM Polska Miedź S.A. Group has diverse policies that provide a framework for the processes of mitigating the negative impacts and provide channels for employees to report problems. In this way, the company actively engages in developing a working environment free of negative impacts and supports social responsibility initiatives.

The Group has an KGHM [Ethics Hotline](#) which provides employees, on an equal footing with other stakeholders, the ability to report violations of rights and ethical standards.

## 5.2.5 Taking action concerning significant impacts and applying approaches to mitigate material risks and take advantage of significant opportunities related to own employees, and the effectiveness of these actions and approaches

### [ESRS S1-4]

In the reporting period, the KGHM Group did not undertake any new activities in the area of Human Rights. Nevertheless, KGHM wishes to emphasise the importance of monitoring and conscious management of human rights issues across its operations. A description of existing practices is presented below.

|   |  |
|---|--|
| <b>Employees' rights</b>  | <p>The Company's Management Board accepts ongoing dialogue with employees as an obligatory norm, including in terms of the implementation of human rights protection, fully respecting activities protecting the rights of persons performing work, in particular such activities as: organising speeches, associations, or the possibility to form and join trade unions in the Company.</p> <p>The employees of KGHM Polska Miedź S.A. are associated in several dozen trade unions. Trade unions, while fulfilling their tasks, also have the right to report and investigate violations in the area of human rights protection with the Company's management.</p> <p>At the same time, the commitment of the Company's Management Board expressed in the Human Rights Policy is fully implemented by promoting the same attitude among the Company's employees. Oversight of the implementation and execution of the resolution and the update of the Policy has been entrusted to the Executive Director for Communication.</p> |
| <b>The right to working conditions that meet health and safety requirements</b> | <p>Occupational health and safety, due to the nature of the Company's activities, is one of the key strategic objectives and constitutes a priority of the adopted Human Rights Policy. The protection of the right to decent working conditions that comply with health and safety requirements (<a href="#">Occupational Health and Safety Policy</a>) is a specific action and a manifestation of concern for the health of all persons staying on the Company's premises.</p>  |

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|  | <p>In every Division of the Company there is a Social Labour Inspector who has the right to intervene in the event of risks or violations. There are also departmental Labour Inspectors in the divisions with an extensive organisational structure.</p> <p>Reported issues in the area of occupational health and safety are also resolved by the Occupational Health and Safety Committee, which consists of representatives of the employer, the Social Labour Inspector of the company, the occupational physician and trade union representatives.</p>   |
| <b>Human rights and the value chain</b>  | <p>KGHM Polska Miedź S.A. does not undertake actions leading to gaining business benefits while disregarding human rights.</p> <p>The Company avoids working with companies that use forced labour, slave labour, child labour, companies that fail to ensure safety conditions at a workplace and companies that fail to respond to other unethical activities.</p> <p>KGHM Polska Miedź S.A. - through the implementation of relevant documents (Procurement Policy, Contracting Policy, <a href="#">Responsible Supply Chain Policy</a>, <a href="#">Anti-Corruption Policy</a>) - verifies entities we cooperate with from the perspective of human rights protection.</p> <p>To that end, special clauses are used in contracts or the so-called <a href="#">Contractor's Charter</a>, in which the contractor declares to respect human rights, in accordance with the standards adopted in this Policy.</p> <p>In the event of violations of these rights, the Company maintains a consistent dialogue in accordance with its Human Rights Policy in order to mitigate and prevent future violations.</p>   |
| <b>Social dialogue and human rights</b>  | <p>KGHM maintains constant dialogue with local governments and communities located in areas where KGHM's activities may have an impact. This dialogue also concerns the protection of human rights.</p> <p>The Company prioritizes the reduction of all risks to the community resulting from the Company's activities (including the reduction of the risk of compromising the right to health through consistent implementation of the <a href="#">Climate Policy</a> and the <a href="#">Environmental Policy</a>).</p> <p>The Company actively supports the development of local communities and respects their culture by respecting the rights of indigenous peoples (which is of great importance in the case of the international companies of the Group over which KGHM Polska Miedź S.A. exercises ownership supervision).</p>   |
| <b>Communication of the Human Rights Policy to personnel and external stakeholders</b> | <p>Employees of the Company have been introduced with the adopted Human Rights Policy of KGHM. The Company also provides training concerning the protection of human rights to its employees. As at 31 December 2023, 5 675 members of the KGHM staff had undergone online training (e-learning) on human rights and the adopted Human Rights Policy, as well as the tools for its observance in KGHM.</p> <p>Moreover, following adoption of the Human Rights Policy numerous communication activities have been carried out, both addressed to employees (workshops, webinars, publications in internal media, including the special edition of the CURier bi-weekly, so that each employee who does not have the access to a computer at work can also learn more as regards the implemented Policy) and external stakeholders (publications in nationwide media, participation in initiatives promoting human rights in business).</p> <p>The <a href="#">Human Rights Policy</a> is available to all KGHM stakeholders and can be found on the Company's corporate website.</p> <p>KGHM Polska Miedź S.A., expressing its highest concern for the protection of human rights within its organisation and towards all stakeholders on which it has a direct or indirect impact (local communities, contractors, clients, shareholders), enables the identification of irregularities in order to prevent violations, including the reporting of human rights violations, through the <a href="#">Whistleblower Platform</a> which is accessible to all.</p> <p>KGHM Polska Miedź S.A. provides <a href="#">protection for whistleblowers</a>.</p> <p>The protection of human rights is also implemented through the verification of individual reports by the HR Department units. The continuous dialogue with trade unions takes into account the possibility of working out joint solutions to identified risks and possible violations arising in the area of human rights protection.</p> <p>The aforementioned actions exclude the parent entities "Energetyka" sp. z o.o. and PeBeKa S.A.</p> |

## 5.2.6 Designated objectives aimed at managing the significant impacts, risks and opportunities associated with the Company's own workforce

### [ESRS S1-5]

Workforce management is the key element of any organisation's strategy, and in the case of KGHM this is of particular importance. The objectives set in this area are compliant with the requirements of ESRS S1-5, which focus on identifying and managing the significant impacts, risks and opportunities associated with the workforce.

KGHM Polska Miedź S.A. is continuously taking action to:

- Reduce negative impacts on the workforce:
  - Implementation of health and prevention programs to reduce sickness-related absence and improve the overall health of employees.

- Providing regular occupational health and safety training to minimise accidents at work.
- In addition to their motivational function, extensive access to employee benefits and social care has a significant impact on the health and well-being of employees.
- Increase positive impacts on the workforce:
  - Providing training and development programs, including subsidised studies, to support the ongoing professional development of employees.
  - Organising integration events and building community at the workplace to increase employee satisfaction and engagement.
- Manage material risks and significant opportunities:
  - Implementation of talent and career management programs, including succession plans, to ensure continuity and growth of the organisation.
  - Monitoring of remuneration indicators, including the wage gap, to ensure wage equity and equal opportunities.

**KGHM Metraco S.A. does not have measurable objectives.** It minimises risks and sets targets for further actions, focusing on:

- limiting potential negative impacts on employees in the areas of: remuneration levels, closing pay gaps, improving the functioning of work-life balance provisions and improving communication.
- increasing positive impacts in terms of: improving employee awareness in the areas of ethics, anti-corruption and social dialogue, enhancing the competence of the company's employees (including implementation of planned training).
- managing risks and opportunities in order to maintain the company's attractiveness as an employer, have qualified staff and provide high quality services, and have transparent procedures and effective communication.

In **KGHM INTERNATIONAL LTD.** the key performance indicators for the entire company are related to safety, production, training, finance and human resources. As of the date of submission of the statement, no measurable objectives had been defined.

In **KGHM ZANAM S.A.**, human resources risks are defined and monitored: the risk of sharing or influence of personal data, untimely and/or incorrect calculation of wages or social security contributions and the risk of disruption of business continuity due to the departure of specialised employees.

Analyses on staff turnover are conducted on a monthly basis, the trend is positive. The turnover for 2021-2023 was respectively: 12.15%, 12.41% and 11.37%.

## 5.3 OUR EMPLOYEES

### 5.3.1 Employment

#### **Group Employment**

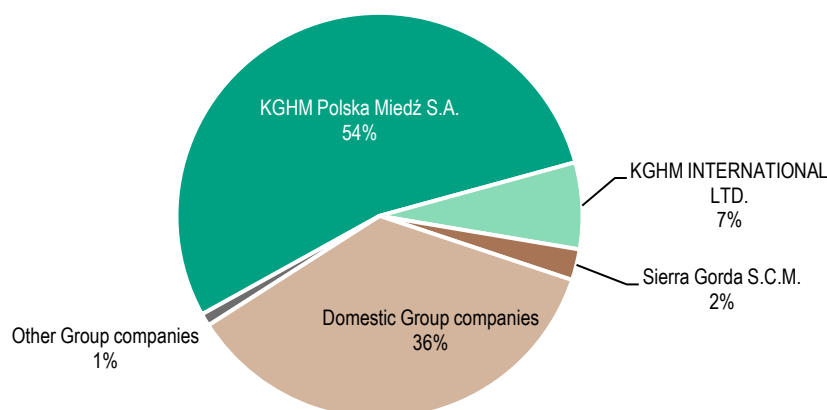
In 2023, the Group employed 34 747 people, which means an increase of 0.8% compared to the previous year. The employment structure is shown in the table below:

Table 42. Average employment in the Group

|                                   | 2023          | 2022          | Change (%)  |
|-----------------------------------|---------------|---------------|-------------|
| KGHM Polska Miedź S.A.            | 18 875        | 18 680        | +1.0        |
| KGHM INTERNATIONAL LTD.           | 2 422         | 2 161         | +12.1       |
| Sierra Gorda S.C.M. <sup>52</sup> | 865           | 824           | +5.0        |
| Domestic Group companies          | 12 575        | 12 804        | (1.8)       |
| Other Group companies             | 10            | 9             | +11.1       |
| <b>Total</b>                      | <b>34 747</b> | <b>34 478</b> | <b>+0.8</b> |

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

Chart 20. Employment structure in the Group in 2023<sup>53</sup>



### **KGHM Polska Miedź S.A.**

In 2023, employment in KGHM Polska Miedź S.A. was higher than in the previous year. Employment at the end of 2023 amounted to 18 974 people, and was 0.3% higher than at the end of the prior year. Average annual employment in KGHM Polska Miedź S.A. was 18 875.

Table 43. Average employment in KGHM Polska Miedź S.A.

|                               | 2023          | 2022          | Change (%)  |
|-------------------------------|---------------|---------------|-------------|
| Mines                         | 12 657        | 12 521        | +1.1        |
| Metallurgical plants          | 3 624         | 3 616         | +0.2        |
| Other divisions               | 2 594         | 2 543         | +2.0        |
| <b>KGHM Polska Miedź S.A.</b> | <b>18 875</b> | <b>18 680</b> | <b>+1.0</b> |

The increase in employment was mainly due to:

- expansion of mining infrastructure,
- increasing employment in IT services, in particular in the area of cybersecurity,
- increased demand for qualified employees due to the expansion of the Żelazny Most Tailings Storage Facility.

### **Domestic companies**

In 2023, the average employment in domestic companies of the KGHM Polska Miedź S.A. Group decreased as compared to 2022 by 229 FTEs (i.e. 1.8%). The decrease resulted from a change in the composition of the Group.

### **International companies**

In 2023, average employment in the international companies of the KGHM Polska Miedź S.A. Group increased by 302 FTEs (10%) as compared to 2022, while an increase of employment by 12.1% was recorded in the KGHM INTERNATIONAL LTD. Group companies and an increase of 5% in the joint venture Sierra Gorda S.C.M.

## **5.3.2 Characteristics of the entity's employees**

### **[ESRS S1-6]**

KGHM's employees are the company's most valuable asset - they create the company's unique culture and build its position in the market. To secure its strategic objectives, the company has been consistently investing in the labour market for years and actively influencing the education process for young people. It maintains due diligence in relation to its employees, as it is the workforce that plays a key role in the development of all areas of the business model, builds the company's global relevance and makes it an integrated organisation that is open to the future. KGHM recruits the best experts and specialists. As a result of these measures, the company employs people with the highest potential who realistically respond to its needs. The work of each is equally important to the success of the entire organisation.

The detailed characteristics of the entity's employees is included in section [5.4.3 Diversity indicators](#).

<sup>53</sup> Sierra Gorda S.C.M. - employment proportional to share in the company (55%)

Table 44. Total number of employees by type of employment contract and by gender<sup>54</sup>

| COMPANY                             | for indefinite period |               | for defined period |              | Total         |
|-------------------------------------|-----------------------|---------------|--------------------|--------------|---------------|
|                                     | F                     | M             | F                  | M            |               |
| KGHM Polska Miedź S.A.              | 1 300                 | 16 512        | 72                 | 1 090        | 18 974        |
| KGHM INTERNATIONAL LTD.             | 286                   | 1 694         | 11                 | 486          | 2 477         |
| Other Companies                     | 3 784                 | 7 147         | 667                | 1 217        | 12 815        |
| <b>KGHM Polska Miedź S.A. Group</b> | <b>5 370</b>          | <b>25 353</b> | <b>750</b>         | <b>2 793</b> | <b>34 266</b> |

Table 45. Total number of employees by employment type (full-time or part-time) and gender<sup>55</sup>

| COMPANY                             | full-time    |               | part-time |           | Total         |
|-------------------------------------|--------------|---------------|-----------|-----------|---------------|
|                                     | F            | M             | F         | M         |               |
| KGHM Polska Miedź S.A.              | 1 365        | 17 598        | 7         | 4         | 18 974        |
| KGHM INTERNATIONAL LTD.             | 296          | 2 174         | 1         | 6         | 2 477         |
| Other Companies                     | 4 398        | 8 321         | 54        | 42        | 12 815        |
| <b>KGHM Polska Miedź S.A. Group</b> | <b>6 059</b> | <b>28 093</b> | <b>62</b> | <b>52</b> | <b>34 266</b> |

Table 46. Number of new employee hires by gender

|      |              | Number of employees (headcount) <sup>56</sup> |                   | Number of new employee hires |                   | Percentage of new employee hires |                   |
|------|--------------|---|-------------------|------------------------------|-------------------|----------------------------------|-------------------|
|      |              | Group   | KGHM Polska Miedź | Group                        | KGHM Polska Miedź | Group                            | KGHM Polska Miedź |
| 2023 | F            | 6 120   | 1 372             | 604                          | 63                | 9.9%                             | 4.6%              |
|      | M            | 28 146  | 17 602            | 2 414                        | 784               | 8.6%                             | 4.5%              |
|      | <b>Total</b> | <b>34 266</b>                                 | <b>18 974</b>     | <b>3 018</b>                 | <b>847</b>        | <b>8.8%</b>                      | <b>4.5%</b>       |
| 2022 | F            | 6 050   | 1 378             | 737                          | 93                | 12.2%                            | 6.7%              |
|      | M            | 27 710  | 17 531            | 2 743                        | 1 028             | 9.9%                             | 5.9%              |
|      | <b>Total</b> | <b>33 760</b>                                 | <b>18 909</b>     | <b>3 480</b>                 | <b>1 121</b>      | <b>10.3%</b>                     | <b>5.9%</b>       |

Table 47. Number of employee departures by gender

|      |              | Number of employees (headcount) <sup>57</sup> |                   | Number of employee departures |                   | Percentage of employee departures |                   |
|------|--------------|---|-------------------|-------------------------------|-------------------|-----------------------------------|-------------------|
|      |              | Group   | KGHM Polska Miedź | Group                         | KGHM Polska Miedź | Group                             | KGHM Polska Miedź |
| 2023 | F            | 6 120   | 1 372             | 523                           | 60                | 8.5%                              | 4.4%              |
|      | M            | 28 146  | 17 602            | 1 995                         | 722               | 7.1%                              | 4.1%              |
|      | <b>Total</b> | <b>34 266</b>                                 | <b>18 974</b>     | <b>2 518</b>                  | <b>782</b>        | <b>7.3%</b>                       | <b>4.1%</b>       |
| 2022 | F            | 6 050   | 1 378             | 641                           | 48                | 10.6%                             | 3.5%              |
|      | M            | 27 710  | 17 531            | 2 520                         | 768               | 9.1%                              | 4.4%              |
|      | <b>Total</b> | <b>33 760</b>                                 | <b>18 909</b>     | <b>3 161</b>                  | <b>816</b>        | <b>9.4%</b>                       | <b>4.3%</b>       |

54 Status as at 31 December 2023, excluding members of the Management Board employed under civil law contracts - Contracts for the provision of management services

55 Status as at 31 December 2023, excluding members of the Management Board employed under civil law contracts - Contracts for the provision of management services

56 Number of employees (headcount) as at the last day of the year, excluding members of the Management Board employed under civil law contracts - Contracts for the provision of management services

57 Number of employees (headcount) as at the last day of the year, excluding members of the Management Board employed under civil law contracts - Contracts for the provision of management services

Table 48. Number of new employee hires by age category

|      | age   | Number of employees (headcount) <sup>58</sup> |                   | Number of new employee hires |                   | Percentage of new employee hires |                   |
|------|-------|---|-------------------|------------------------------|-------------------|----------------------------------|-------------------|
|      |       | Group   | KGHM Polska Miedź | Group                        | KGHM Polska Miedź | Group                            | KGHM Polska Miedź |
| 2023 | <30   | 4 419   | 2 413             | 1 066                        | 360               | 24.1%                            | 14.9%             |
|      | 30-50 | 22 142  | 13 397            | 1 601                        | 438               | 7.2%                             | 3.3%              |
|      | 50+   | 7 776   | 3 169             | 357                          | 49                | 4.6%                             | 1.5%              |
| 2022 | <30   | 4 407   | 2 525             | 1 220                        | 477               | 27.7%                            | 18.9%             |
|      | 30-50 | 21 887  | 13 315            | 1 881                        | 599               | 8.6%                             | 4.5%              |
|      | 50+   | 7 543   | 3 074             | 381                          | 45                | 5.1%                             | 1.5%              |

Table 49. Number of employee departures by age category

|      | age   | Number of employees (headcount) <sup>59</sup> |                   | Number of employee departures |                   | Percentage of employee departures |                   |
|------|-------|---|-------------------|-------------------------------|-------------------|-----------------------------------|-------------------|
|      |       | Group   | KGHM Polska Miedź | Group                         | KGHM Polska Miedź | Group                             | KGHM Polska Miedź |
| 2023 | <30   | 4 419   | 2 413             | 416                           | 56                | 9.4%                              | 2.3%              |
|      | 30-50 | 22 142  | 13 397            | 1 120                         | 294               | 5.1%                              | 2.2%              |
|      | 50+   | 7 776   | 3 169             | 982                           | 432               | 12.6%                             | 13.6%             |
| 2022 | <30   | 4 407   | 2 525             | 502                           | 66                | 11.4%                             | 2.6%              |
|      | 30-50 | 21 887  | 13 315            | 1 366                         | 343               | 6.2%                              | 2.6%              |
|      | 50+   | 7 543   | 3 074             | 1 078                         | 407               | 14.3%                             | 13.2%             |

### 5.3.3 Characteristics of non-employees who are the entity's own employees

#### [ESRS S1-7]

Types of non-employees who are the entity's own employees

- natural persons other than those conducting economic activity performing civil law contracts for KGHM, i.e. contracts of mandate, contracts for specific work,
- natural persons providing management services to KGHM, performing services under civil law contracts, i.e. agreements for the provision of management services - refers to members of the Management Board.

The manner in which the legal relationship binding the parties is concluded, and the principles and amount of the remuneration paid, is compliant with the applicable law and the principles set out in KGHM's normative acts.

Table 50. Total number of non-employees constituting the entity's own employees in the Group

|                         | 2023         |
|-------------------------|--------------|
| KGHM Polska Miedź S.A.  | 306          |
| KGHM INTERNATIONAL LTD. | 84           |
| Other Group companies   | 1 922        |
| <b>Total</b>            | <b>2 312</b> |

58 Number of employees (headcount) as at the last day of the year, excluding members of the Management Board employed under civil law contracts - Contracts for the provision of management services

59 Number of employees (headcount) as at the last day of the year, excluding members of the Management Board employed under civil law contracts - Contracts for the provision of management services

### 5.3.4 Scope of collective bargaining and social dialogue

#### [ESRS S1-8]

Currently, 17 trade unions operate in KGHM Polska Miedź S.A., which have established 43 company (inter-company) trade union organisations at the employers included in the Company.

As at 31 December 2023, 16 985 employees belonged to trade unions, representing 89.5% of the workforce.

Employees exempted from service for the term of office in the management board of a company trade union organisation: 41 employees.

#### **Relations with trade unions**

##### **KGHM Polska Miedź S.A.**

In 2023, the Management Board of KGHM Polska Miedź S.A. and the trade unions that are parties to the Collective Bargaining Agreement for Employees of KGHM Polska Miedź S.A. (hereafter referred to as: ZUZP) held discussions and negotiations on changes to the provisions of the ZUZP.

The above negotiations resulted in the conclusion of two Additional Protocols, no. 26 and 27.

Additional Protocol no. 26 was concluded on 21 June 2023 and involved a 13.2% increase in monthly base salary rates,

Additional Protocol no. 27 was concluded on 18 December 2023. The main changes contained in the above document comprise:

- an increase in the second shift allowance base from category X to category XI of the table of monthly basic rates of pay,
- a change in the rules for payment of the coal allowance to pensioners, i.e.: unification of the rules for calculating the cash allowance throughout the company,
- the introduction of a partial payment for employees for preventive and curative holidays in the amount of PLN 50 per period,
- an increase of the grading scale for all posts by one category.

In 2023, the parties to the ZUZP also signed 2 agreements:

- dated 26 January 2023 on wage formation and employee benefits, introducing the following elements of wage formation:
  - an increase of 13.2% in monthly basic salary rates, as reflected in Additional Protocol no. 26,
  - an increase of the grading scale of the workforce at a level of 20%,
  - conditional payment of a one-off gratuity in the amount of PLN 2 000 gross per employee.
- dated 22 August 2023 on the prepayment of an additional annual bonus for the first half of 2023 in the amount of 3% of the remuneration, and an additional one-off bonus for this period in the amount of 2% of the remuneration.

#### **Group companies in Poland**

With few exceptions, trade unions operate in the Group's domestic companies. In 2023, the companies held discussions with the trade unions on wage issues, bonus rules, employment and working conditions and social issues as well as the amount of the contribution for the Employee Pension Scheme. Discussions were held in many companies concerning the rules for remote working. The above-mentioned activities resulted in the conclusion of agreements, the signing of additional protocols to Collective Bargaining Agreements and amendment to the remuneration regulations.

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##### **"Energetyka" sp. z o.o.**

In this company, employees are subject to the Company Collective Agreement for Employees of "Energetyka" sp. z o.o. concluded on 7 November 1996, including Additional Protocols to the Collective Agreement, the parties to which include the Company and the company trade union organisations. As at 31 December 2023, 6 company trade union organisations operated in the Company sp. z o.o., of which 4 are parties to the ZUZP.

The number of employees who are members of trade union organisations as at 31 December 2023 is 544, which accounted for approximately 72% of total employment. Cooperation with trade union organisations on matters arising from labour legislation is carried out on an ongoing basis within the deadlines set out in such legislation.

In this company, the Employee Council, selected in elections held on 6-8 July 2022, is in place. With regard to the conditions for informing employees and consulting them, the statutory regulations contained in the Act of 7 April 2006 on Informing and Consulting Employees (Journal of Laws No. 79, item 550, as amended) apply.

There were no collective disputes between the Employer and the Company Trade Union Organisations. The Company also consults with employee representatives on all activities related to occupational health and safety.

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|   |  |
|---|--|
| <b>KGHM Metraco S.A.</b>                | <p>The company has 4 trade union organisations representing 66% of the total workforce, as well as an Employee Council (5-member Council) and a Company Social Labour Inspector (1 person), along with Division Social Labour Inspectors (3 persons, each in the area of a different facility). In addition, regarding labour issues, an Ethics Committee operates on behalf of the employer with a Representative for Ethics and Anti-Corruption (5 members of the Committee).</p> <p>Meetings between the employer and the trade unions are held at least 4 times a year. Meetings between the employer and the Employee Council are held at least twice a year. Meetings between the employer and the Representative for Ethics and Anti-Corruption also take place regularly. Contact between employees and the Commission is possible in person, by telephone or through a dedicated e-mail address. Ongoing contact is possible with all the above Commissions, Councils and the Representative. When hiring an employee, the employer informs the employee of his/her right to join any trade union organisation.</p> |
| <b>NITROERG S.A.</b>                    | <p>In this company, cooperation is maintained with the employees or their representatives (i.e. the trade union organisations operating in the company) to obtain opinions and proposals on the impacts on its own employees. This includes collecting opinions, queries, analysing them and providing answers and implementing them in practice if accepted.</p> <p>Regular meetings are held with trade union representatives to discuss current issues, discuss problems, consult and negotiate pay and other matters in accordance with legal requirements. A standing social committee is also in place to analyse and apply for social assistance for employees in need.</p> <p>Employee satisfaction surveys are carried out on various aspects through anonymous questionnaires, where employees have the opportunity to express their opinions and thereby influence change. The position of Chief Officer for Organisational Culture also operates, implementing these issues in practice.</p>   |
| <b>KGHM ZANAM S.A.</b>                  | <p>There are 7 Company Trade Union Organisations in the company. No collective disputes with trade unions were initiated or continued in 2023. In accordance with the provisions of the Collective Agreement, the scope and functioning of the agreement were the subject of meetings during which other matters of importance to the parties, which are the subject of cooperation between the employer and the trade unions, were also discussed. During the talks, the parties strived for joint constructive and effective problem-solving and partnership cooperation.</p> <p>As a result of the talks, 5 agreements regulating the principles of wage regulation and additional payments during the year were signed, aimed at strengthening the incentive function of the applied remuneration principles. The Management Board is open to meetings with representatives of the workforce-Trade Unions in any situation concerning requests/problems raised on an ongoing basis. Individual meetings between employees and the Management Board are also possible.</p>  |
| <b>Centrum Badań Jakości sp. z o.o.</b> | <p>On 30 March 2023, representatives of three of the four trade union organisations in Centrum Badań Jakości sp. z o.o. submitted a letter implying that the authors were convinced that an industrial dispute had been initiated. The Management Board presented a different position on the subject. The trade union organisations informed the State Labour Inspectorate that an industrial dispute had been initiated. On 26 April 2023, an Agreement was signed and accepted by all trade union organisations operating in the company. The agreement concerned salary increases in basic pay and seniority allowance. The signing of the agreement brought the negotiation process to an end, and the three trade union organisations that had initiated the industrial dispute declared that the industrial dispute had been concluded.</p>   |
| <b>MERCUS Logistyka sp. z o.o.</b>      | <p>It was not possible to conclude the collective dispute initiated in 2019. Its reason was the employer's decision not to take into account, among others, the wage demands raised by the "Solidarity 80" Trade Union. Despite numerous efforts taken by the company to end the dispute, it was not possible to bring it to an end. Nevertheless, in 2023, agreements were reached with trade unions in the company and arrangements were made regarding new wage and non-wage demands.</p>   |

### International companies of the Group

In the Group companies of KGHM INTERNATIONAL LTD., the interests of the employees are represented by the United Steelworkers Local 2020 trade union which gathers employees of FNX Mining Inc. in the Sudbury Basin, Canada. Cooperation with the trade union continued in 2023 to ensure the compliance with the provisions of the Collective Bargaining Agreement. In the relations between the Company and the trade union, both parties make every effort to ensure that the communication runs smoothly. Over the years, the Company and the trade union have developed a strong and mutually respectful relationship that underpinned all negotiations, resulting in the successful ratification of the existing Collective Bargaining Agreements, without any work stoppages. The current Collective Bargaining Agreement expires on 30 June 2024, so negotiations with the trade union are planned.

In DMC-brand companies, only the employees of the company operating in Chile (DMC Mining Services Chile SpA) are represented by trade unions. The company maintains good relations with the trade unions and adheres to the provisions of the collective agreements concluded.

The other subsidiaries of the KGHM INTERNATIONAL LTD. Group located in the United States, Canada and South America do not have any trade union representation.

## 5.4 DIVERSITY AND EQUAL OPPORTUNITIES

### 5.4.1 KGHM values

Zero-harm, teamwork, accountability, courage and results-driven are values that build company cohesion and set behavioural patterns. KGHM's values bind all employees, regardless of their position in the organisation or nationality, and are a guidepost for all decisions and actions we take.

Values, such as zero harm, teamwork and accountability, have always been important in our company, one with over 60 years of traditions. Today, KGHM is a results-driven global company, and with courage looks towards the future. Our values form the organisation's DNA, facilitate the decision making process of today and build long-term strategies of the future.

### 5.4.2 Diversity and equal opportunities

Respecting diversity and equal opportunities is an important part of culture in the KGHM Polska Miedź S.A. Group. KGHM ensures that the environment and workplace created by the Group is free of any discrimination. As a global company, KGHM Polska Miedź S.A. also applies labour and employee relations standards in force in individual countries and as defined by international institutions. The approach to diversity management is defined by the "Diversity Declaration of KGHM Polska Miedź S.A.". Existing regulations and policies reflect the good of employees and mutual relations, based on best practice, regardless of the jurisdiction in which KGHM Polska Miedź S.A. operates.

The principles of mutual respect, equal treatment, ensuring access to development opportunities and exploitation of the potential of all employees are applicable. The Company strives to ensure reasonable diversity in the selection of personal composition of its workforce within its operations (including recruitment processes), maintaining the supremacy of knowledge, professional competence and social skills.

The Parent Entity is a guarantor of the implementation of diversity principles in the KGHM Polska Miedź S.A. Group and the promotion and dissemination of these principles among stakeholders and business partners.

The guiding principles by which the Company operates every day are as follows:

- compliance with the labour laws of the jurisdictions in which the KGHM Polska Miedź S.A. Group operates, as well as with the standards of adopted internal labour regulations,
- compliance with the regulations concerning working time and minimum wage,
- respect for employees' rights to associate in employee organisations 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.

In order to level the playing field and encourage everyone to pursue technical professions, regardless of gender, KGHM runs the "Competent in the Industry" program, under which the Company works with selected schools to educate young people in line with the real requirements of business and the achievements of the copper industry. Moreover, KGHM provides the opportunity to benefit from a scholarship program and to undertake practical vocational training. The company also promotes women in technical professions and shows the opportunities for work and development available to women at KGHM. The activities aimed at levelling the playing field include the project "A road to profession" carried out by the KGHM Polska Miedź Foundation. Activities include training for dozens of alumni of the Correctional Institution in Głogów. The aim of the program is to make it easier for young people who are at risk of exclusion to start their activity in the labour market.

### 5.4.3 Diversity indicators

[ESRS S1-9]

Chart 21. Members of supervisory bodies, by gender [%]

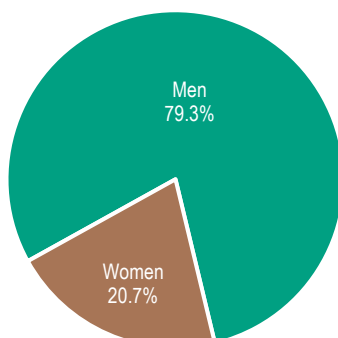


Chart 22. Members of supervisory bodies, by age [%]

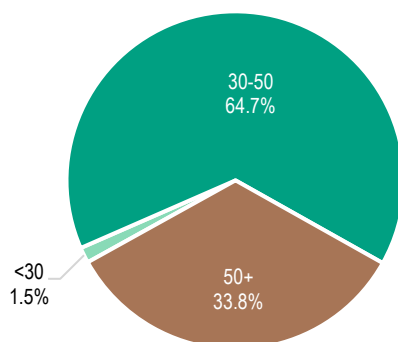


Table 51. Employment by age and individual job categories

|       | Management Board | Senior management | Management staff | White-collar positions | Blue-collar positions |
|-------|------------------|-------------------|------------------|------------------------|-----------------------|
| <30   | -                | 1                 | 21               | 661                    | 3 736                 |
| 30-50 | 24               | 137               | 1 043            | 5 875                  | 15 063                |
| 50+   | 31               | 97                | 528              | 2 352                  | 4 768                 |

Table 52. Percentage share of women and men in individual position categories by gender

| Position category      | gender | 2023  |                   | 2022  |                   |
|------------------------|--------|-------|-------------------|-------|-------------------|
|                        |        | Group | KGHM Polska Miedź | Group | KGHM Polska Miedź |
| Management Board       | F      | 3.6%  | 0.0%              | 3.9%  | 0.0%              |
|                        | M      | 96.4% | 100.0%            | 96.1% | 100.0%            |
| Senior management      | F      | 26.5% | 13.2%             | 27.2% | 13.6%             |
|                        | M      | 73.5% | 86.8%             | 72.8% | 86.4%             |
| Management staff       | F      | 28.8% | 17.4%             | 30.7% | 17.1%             |
|                        | M      | 71.2% | 82.6%             | 69.3% | 82.9%             |
| White-collar positions | F      | 42.3% | 27.0%             | 42.4% | 27.6%             |
|                        | M      | 57.7% | 73.0%             | 57.7% | 72.4%             |
| Blue-collar positions  | F      | 7.9%  | 0.6%              | 8.1%  | 0.6%              |
|                        | M      | 92.1% | 99.4%             | 91.9% | 99.4%             |

Table 53. Percentage share of employees in individual job categories, by age

| Position category      | age   | 2023  |                   | 2022  |                   |
|------------------------|-------|-------|-------------------|-------|-------------------|
|                        |       | Group | KGHM Polska Miedź | Group | KGHM Polska Miedź |
| Management Board       | <30   | 0.0%  | 0.0%              | 0.0%  | 0.0%              |
|                        | 30-50 | 43.6% | 60.0%             | 41.2% | 60.0%             |
|                        | 50+   | 56.4% | 40.0%             | 58.8% | 40.0%             |
| Senior management      | <30   | 0.4%  | 0.0%              | 0.0%  | 0.0%              |
|                        | 30-50 | 58.3% | 50.9%             | 62.4% | 57.6%             |
|                        | 50+   | 41.3% | 49.1%             | 37.6% | 42.4%             |
| Management staff       | <30   | 1.3%  | 0.6%              | 1.4%  | 0.3%              |
|                        | 30-50 | 65.5% | 67.6%             | 65.4% | 69.9%             |
|                        | 50+   | 33.2% | 31.8%             | 33.2% | 29.8%             |
| White-collar positions | <30   | 7.4%  | 4.4%              | 7.6%  | 4.8%              |
|                        | 30-50 | 66.1% | 72.0%             | 67.9% | 72.9%             |
|                        | 50+   | 26.5% | 23.5%             | 25.2% | 22.3%             |
| Blue-collar positions  | <30   | 15.9% | 15.9%             | 15.9% | 16.7%             |
|                        | 30-50 | 63.9% | 70.4%             | 63.8% | 69.7%             |
|                        | 50+   | 20.2% | 13.7%             | 20.3% | 13.6%             |

#### 5.4.4 Adequate wages

##### [ESRS S1-10]

In KGHM Polska Miedź S.A., all employees are remunerated based on the national minimum wage in accordance with Polish law.

The basic legal acts regulating the remuneration principles include the Company Collective Bargaining Agreement (ZUZP) for Employees of KGHM Polska Miedź S.A. and the bonus regulations in force at the Head Office and the Divisions.

In accordance with the ZUZP for Employees of KGHM Polska Miedź S.A., an employee is entitled to remuneration resulting from the employment contract and the provisions of the Agreement.

The parties to the ZUZP undertake annual negotiations to determine the new level of the components of employees' remuneration and benefits set out in the Agreement. The companies unanimously declare that all employees are remunerated adequately according to their education, experience, qualifications and taking into account the national minimum wage.

#### 5.4.5 Social protection

##### [ESRS S1-11]

As part of its support for employees, the company provides the material and social support for employees financed from the Company Social Benefits Fund and provides a range of benefits acting as non-wage employee incentive factors.

The Company Social Benefits Fund (ZFŚS) is intended to subsidise:

- holiday trips for children and youth organised by the employer and individually in the form of summer and winter holidays, camps, winter camps, green schools, excursions, holidays, sanatoriums and other forms of recreation,
- cultural and educational activities (tickets for concerts, cinema, theatre, joint cultural and educational events),
- sports and leisure activities, including, among others, joint sports and leisure events, tourist trips, sports cards for employees and their family members, enabling them to take advantage of a wide range of sports and leisure activities all over Poland. The offer to hire sports halls and other recreational facilities also enables the integration of employees,
- payments for the stay of a child in a nursery, children's club, kindergarten and other forms of pre-school education.

Employees on maternity and parental leave are also offered a full range of benefits available from the ZFŚS. In this way, we support employees in the process of returning to work.

Moreover, the provisions of the regulations of the Company Social Benefits Fund make it possible to grant to eligible persons:

- non-repayable financial assistance as part of the company's policy related to the wellbeing of its employees and as a manifestation of measures to support employees also in specific life situations (allowances in the event of individual accidents, natural disasters, long-term illness or death). Similar assistance is organised for former employees, pensioners and heirs.

- moreover, during the period of increased expenses associated with the Christmas period, employees have the opportunity to receive financial support in the form of allowances - with additional support for those who have children,
- financial assistance in the form of prepaid cards,
- refundable housing aid (loans for the construction of a house, purchase of a house or dwelling, renovation and modernisation of a house or dwelling).

The Company provides extensive financial support based on the provisions of the Company Collective Bargaining Agreement:

- holiday trips benefits,
- cash allowance to cover school expenses,
- holiday travel allowance payable to employees working underground,
- annual 21-day preventive health care trips for 445 employees meeting the criteria of the ZUZP.

#### Medical care subscription

In addition to benefits from the Company Social Benefits Fund, under the provisions of the ZUZP, all employees of the Company and their family members have the opportunity to benefit from subscription-based medical care.

#### Employee Retirement Program

KGHM employees participate in the Employee Retirement Program. The Program is organised in the form of employee contributions to investment funds. The basic contribution funded by the employer amounts to 7% of the remuneration.

#### 5.4.6 Persons with disabilities

##### [ESRS S1-12]

KGHM Polska Miedz S.A. creates an accessible and supportive working environment for persons with disabilities by adapting the infrastructure and IT systems to their needs and by using modern technology to facilitate their daily work. The company ensures equality in employment by offering equal opportunities for professional development where this work is feasible. Through training and education, KGHM is raising awareness and acceptance of diversity. A key element of the organisational culture is diversity and inclusion, where every employee has the opportunity to make a meaningful contribution to the team.

The rate of own employees with disabilities as at 31 December 2023 amounted to 0.3% of employees, of which the disability rate among women is 1.7% and among men 0.2%.

Table 54. Percentage of persons with disabilities in material operational companies

|                         | 2023 |
|-------------------------|------|
| KGHM Polska Miedz S.A.  | 0.3  |
| KGHM INTERNATIONAL LTD. | 0.0  |
| KGHM ZANAM S.A.         | 0.65 |
| KGHM Metraco S.A.       | 1.48 |
| NITROERG S.A.           | 1.7  |
| PeBeKa S.A.             | 0.64 |
| "Energetyka" Sp. z o.o. | 1.44 |

#### 5.4.7 Regular evaluation of work

##### [ESRS S1-13]

Employees are assessed on an ongoing basis in terms of their performance, which results from the bonus regulations of the Head Office and the Divisions. The Management Board and the top management staff are subject to assessment in terms of performance of the management goals. The Company does not have a uniform policy for Periodic Employee Assessment.

#### 5.4.8 Training and development

##### [ESRS S1-13]

In implementing the training policy described above, in 2023, KGHM employees were provided with:

- the possibility of pursuing educational programs to develop professional, managerial and specialist skills,
- the opportunity to improve their qualifications through co-financing of university education, as described in detail below
- improvement of language skills of all Company employees thanks to access to e-learning tools.

#### 5.4.9 Training processes in the KGHM Polska Miedź S.A. Group

The KGHM Polska Miedź S.A. Group does not have a defined common Training Policy. Due to the international scope of activities, cultural differences and the specific nature of the industries in which the KGHM Polska Miedź S.A. Group operates, each of the companies conducts a number of activities related to employee training, adapted to the profile of activity.

##### **Training processes in KGHM Polska Miedź S.A.**

One of the key factors indicating that the organisation is a good place to work is the provision of development opportunities for employees.

Training programs in KGHM are adapted to business objectives. Systemic competence development activities are performed by a centralised unit specialised in this area. The basis for the construction of the training plan and the calculation of the resources needed for its implementation is the regular collection of information on development needs. These actions are performed on the basis of the procedures existing in the Company. Both the skills development activity and the utilisation of the allocated budget are regularly monitored and the results are reported.

In 2023, the objective of employee development activities in KGHM was both to maintain and to improve human capital. Actions also focused on the efficient management of the Company's intellectual capital, taking into account the strategic directions as well as its long-term development plans through:

- securing fulfilment of the training requirements defined in regulations (among others, training courses on occupational health and safety, courses and qualifying examinations to take on jobs which require specialist actions);
- improving employee skills, with particular focus on linguistic, managerial and interpersonal skills, as well as participation in training on business process orientation in management;
- improving the qualifications of the Company's employees and changing their education structure by continuing to co-fund graduate and post-graduate studies.

##### **Main activities performed in 2023 in terms of training processes**

The thematic scope of training and conferences in which KGHM employees participated was extended in relation to the previous year. In addition to topics closely related to the mining and production industry, they were provided with the opportunity to acquire knowledge and competence, among others, in the areas of climate policy, sustainable development, corporate governance, compliance management, in line with the Company's operations.

In 2023:

- employees attended a single training event 52 555 times,
- 87 persons benefited from the co-funding of courses of higher study, postgraduate studies,
- 68 people completed postgraduate studies in the group system organised by KGHM Polska Miedź S.A in collaboration with Warsaw University and Silesian University of Technology.

The development of skills through the co-funding of higher courses of study comprised mainly:

- MBA studies,
- higher education (bachelor's, engineering and master's degrees),
- group postgraduate studies , "Copper Leaders" 2nd edition and "Data Science" in cooperation with the University of Warsaw, as well as "Cyber security of industrial systems" carried out by the Silesian University of Technology.

KGHM's Implementation Doctorate Program was officially completed in 2023. Ph.D thesis defences are ongoing in accordance with the schedules set by the universities that participated in the program.

##### **Language courses**

In 2023, language courses were mostly delivered in an online format by providing all employees of the Company with a platform for learning English, Spanish, German and, on a pilot basis, Italian. Widespread access to the courses from any mobile device has facilitated the development of communication skills, not only in the professional area but also in personal life. Classroom language courses continued for senior executives whose official responsibilities include controlling domestic and international assets.

##### **E-learning courses**

In 2023, training and professional courses as well as courses in the areas defined by internal normative acts were offered in the form of e-learning. The following e-learning courses were provided:

- training on Information Security Policy based on the ISO 27001 standard;
- GDPR training;
- training on recognising and preventing conflicts of interest;
- training on Human Rights Policy,

- training on Climate Policy,
- training in terms of mine rescue for managers and supervisors of underground mines who are not members of rescue teams,
- periodic OHS training addressed to employers and individuals supervising employees, administration and office staff and engineering and technical staff.

In 2023, 20 472 employees of the Company attended e-learning courses.

Table 55. Number of training hours by gender

|      |              | Number of training hours |                   |
|------|--------------|--------------------------|-------------------|
|      |              | Group <sup>60</sup>      | KGHM Polska Miedź |
| 2023 | F            | 69 016                   | 36 562            |
|      | M            | 571 672                  | 487 912           |
|      | <b>Total</b> | <b>640 688</b>           | <b>524 474</b>    |

Table 56. Number of training hours by employment structure

|      |                        | Number of training hours <sup>61</sup> KGHM Polska Miedź |
|------|------------------------|--|
| 2023 | Management Board       | 184  |
|      | Senior management      | 2 750  |
|      | Management staff       | 31 122   |
|      | White-collar positions | 106 531  |
|      | Blue-collar positions  | 383 887  |
|      | <b>Total</b>           | <b>524 474</b>   |

In many cases, Group companies do not keep statistics on training hours by employment structure.

The ESRS S1-14 indicator is described in section [5.5.7 Accident rate in KGHM Polska Miedź S.A.](#) and [5.5.8 Accident rate in the Group's international assets.](#)

#### 5.4.10 Work-life balance

##### [ESRS S1-15]

In 2023, KGHM Polska Miedź S.A. continued to implement strategic initiatives to support the work-life balance of employees, in accordance with applicable legal regulations and corporate policies. Recognising the importance of this balance for the operational efficiency and the mental health of employees, the company sought to create a working environment that took these aspects into account.

Initiatives:

|                                  |   |
|----------------------------------|---|
| <b>Flexible working hours</b>    | In response to the changing needs of employees, KGHM Polska Miedź S.A. has introduced more flexible working hours, making it possible to adjust professional duties to personal life within the limits of the regulations in force. |
| <b>Remote and Hybrid working</b> | The company used remote and hybrid working options where feasible and in accordance with the operational requirements, keeping in mind the work-life balance of employees.  |
| <b>Employee Support Programs</b> | Support programs have been introduced, including psychological counselling and health and recreational activities, to support the overall wellbeing of employees within the existing corporate policies.                            |

60 Dato for the Group do not include the following companies: KGHM INTERNATIONAL LTD, Uzdrowiska Kłodzkie S.A. and Walcownia Metali Nieżelaznych "ŁABĘDY S.A." - the companies do not keep statistics according to such criteria

61 The hours are rounded up to the integer



The number of employees authorised to take leave for family reasons, by gender, is presented below.

Table 57. Number of employees authorised to take leave for family reasons, by gender<sup>62</sup>

|      |              | Number of employees (headcount) |                   | Number of persons authorised to use holiday leave |                   | Percentage of persons authorised to use holiday leave |                   |
|------|--------------|---------------------------------|-------------------|---|-------------------|---|-------------------|
|      |              | Group                           | KGHM Polska Miedź | Group   | KGHM Polska Miedź | Group   | KGHM Polska Miedź |
| 2023 | F            | 5 825                           | 1 372             | 5 825   | 1 372             | 100%  | 100%              |
|      | M            | 25 964                          | 17 602            | 25 964  | 17 602            | 100%  | 100%              |
|      | <b>Total</b> | <b>31 789</b>                   | <b>18 974</b>     | <b>31 789</b>                                     | <b>18 974</b>     | <b>100%</b>   | <b>100%</b>       |

#### 5.4.11 Remuneration indicators (pay gap and total remuneration)

##### [ESRS S1-16, ESRS S1-16 Addendum B]

As part of the activities of KGHM Polska Miedź S.A., an important aspect of human resources management is the monitoring and reporting of wage indicators, including the pay gap and total remuneration. In 2023, the company continued its commitment to ensuring pay equity through a thorough analysis of pay by gender, taking into account various factors influencing remuneration levels. As part of its pay equity efforts, KGHM used a methodology that took into account the various aspects of employees' work, qualifications and professional experience. These actions are consistent with social and corporate responsibility and form part of the Group's strategic human capital management.

The difference in remuneration of men and women is described as a percentage part of men's earnings. The Gender Pay Gap indicator - GPG - is used to calculate the difference.

Table 58. Ratio of the basic and the total average annual remuneration of women to the remuneration of men

| Type of remuneration               | Gender pay gap - GPG |      |
|------------------------------------|----------------------|------|
| Average <u>annual</u> remuneration | Basic                | 2.9% |
|                                    | Total                | 8.5% |
| Average <u>hourly</u> remuneration | Basic                | 5.5% |
|                                    | Total                | 9.4% |

The noticeable difference between the average annual and hourly remuneration results from the use of reduced working hours in the mining and production Divisions, due to the presence of working conditions particularly onerous or particularly harmful to health. Employees, mainly men, working under these conditions and working in reduced hours are entitled to be paid as if they were working an eight-hour day.

An analysis of the components included in basic and total remuneration shows that the pay gap to the detriment of women is most affected by pay components related to working conditions, mainly linked to the workplace (underground) and working systems.

#### 5.4.12 Incidents, complaints and serious human rights impacts

##### [ESRS S1-17, ESRS S1-17 Addendum B]

No incidents, complaints or serious human rights impacts were identified in 2023.

<sup>62</sup> The data for the Group excludes KGHM INTERNATIONAL LTD, which does not keep statistics based on such criteria

## 5.5 OCCUPATIONAL HEALTH AND 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 2023, the implementation of the Employee Safety Improvement Program was continued, focusing on work safety enhancement, in particular in the mining and metallurgy areas in accordance with the Company's updated strategy up to 2030 with an outlook to 2040.

The Company has high occupational safety and health standards confirmed by an ISO 45001:2018 certificate that apply equally to its employees and the employees of other service providers operating on the premises of KGHM Polska Miedź S.A.

All work stations have identified threats. The Company has assessed the professional risk and updates it on an ongoing basis. All employees are introduced to the risk assessment for their workplaces. Working environments are continually monitored and periodic reviews and potential threat assessments are conducted, as well as reviews of equipment and required technical checks and approvals. Employees undergo systematic training and continually enhance their qualifications. The Company has procedures in place for identifying incidents and mitigating hazardous situations. The Company promptly implements new legal requirements and regulations in the area of occupational health and safety. It also actively participates in the work of agendas of various entities with the aim of development of best available practices and behaviours in the area of occupational health and safety in the mining and processing industry.

### 5.5.1 OHS Policy

Since 2014, the Company has had a uniform Occupational Health and Safety Policy in place, which was redefined in 2023. All work stations have identified threats. The Company has assessed the professional risk and updates it on an ongoing basis. Working environments are continually monitored and periodic reviews and potential threat assessments are conducted, as well as reviews of equipment and required technical checks and approvals. All employees are introduced to the risk assessment for their workplaces and undergo systematic training and continually enhance their qualifications. The company has procedures in place for identifying incidents and mitigating hazardous situations. The Company promptly implements new regulations and legal requirements in the area of occupational health and safety. The Company also actively participates in the work of agendas of various entities with the aim of development of best practices and behaviours in the area of occupational health and safety in the mining and processing industry.

### 5.5.2 Prevention of natural hazards

Mining activities of KGHM Polska Miedź S.A. are inherently accompanied by natural hazards, therefore numerous technical and organisational solutions of preventive nature are introduced to counteract these risks. In the case of natural hazards inherent in the rock mass, they relate to mining tremors and their potential consequences in the form of rock bursts, roof collapses and rock mass destressing. These factors are essential in terms of safety of employees, as their occurrence can lead to serious or even fatal injuries as well as damage to underground machinery, equipment and infrastructure, along with production downtimes. For many years, the Company has been undertaking numerous preventive actions in its mines, including systematic seismological observations, ongoing assessment of the rock mass and identification of areas of elevated roof collapse hazard. The sizes, shapes and numbers of chambers and intra-chamber pillars are selected, as well as the most favourable direction of advancing mine work and the optimum order of extracting ore from deposits is designed to minimize local concentrations of stress in the rock mass. The so-called pro-active methods of preventing uncontrolled roof collapses and rock falls are also applied, which involve provoking dynamic events through mass blasting of mining faces and through blasting to release stress in the orebody or its roof.

### 5.5.3 OHS golden rules

Diagram 34. Golden Rules of OHS applicable in KGHM Polska Miedź S.A.



**I think before I act**



**I use appropriate protective equipment**



**I come to work rested and sober and not under the influence of intoxicants**



**I work with properly functioning tools, machinery and equipment**



**I am aware of the occupational hazards and risks**



**I react when I see unsafe behaviour or situations**



**I maintain harmony and order at my workplace**



**I think of my family**

### 5.5.4 Labour Safety Council of KGHM Polska Miedź S.A.

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

The Council consists of 40 persons, including representatives of the employers (approx. 20 members), and approx. 20 representatives of the social side, i.e. the trade unions operating in KGHM Polska Miedź S.A. and the Company Voluntary Labour Inspectors in KGHM Polska Miedź S.A.'s Divisions.

The scope of the Council's operation covers:

- periodic assessment of occupational safety and health (not less frequently than once a year).
- presenting an opinion on prevention activities taken up in KGHM Polska Miedź S.A., following from an analysis of potential accidents, workplace accidents and preventing workplace accidents and occupational diseases.
- presenting conclusions on improving working conditions and cooperating with the employers to discharge their duties relating to occupational safety and health,
- presenting conclusions on cooperation between the Employer and representatives of employees to prevent occupational risks and improve occupational safety and health,
- presenting an opinion on the actions taken by all the participants of the occupational safety process for active participation of employees in the creation of proper conditions for occupational safety and health and their observance.

The Council meetings are held at least once a year. The Council is informed once a year of the current OHS situation in KGHM Polska Miedź S.A.

### 5.5.5 Evaluation of occupational safety

An ongoing assessment of occupational safety in the Company is made at weekly meetings of the Vice President of the Management Board (Production) and at monthly meetings of the Management Board with the management of all the Divisions. The company also organises regular meetings with the mining supervisory authorities and representatives of the National Labour Inspectorate, which are attended by social labour inspectors representing employees from individual Divisions. Company Occupational Health and Safety Commissions operate in each of the Company's facilities. Internal audits are carried out as part of the implemented Occupational Health and Safety Management System, in accordance with the ISO 45001:2018 standard.

The Company also undergoes periodic audits by the external Certifying Entity, the purpose of which is to confirm the compliance of this System with the ISO 45001 standard. The granting and maintenance of Certificates confirms the compliance.

In numerous operational, periodic and specialised training courses, as well as using many communication channels operating in the Company, information on occupational risks at workplaces, occupational safety and industrial hygiene is presented on an ongoing basis.

### 5.5.6 Initiatives in the area of occupational safety

In 2023, the implementation of the Employee Safety Improvement Program was continued, focusing on work safety enhancement, in particular in the mining and metallurgy areas in accordance with the Company's updated strategy up to 2030 with an outlook to 2040.

The program is gradually being developed by adding new initiatives. The most important initiatives include:

- machinery design changes aimed at reducing the exposure of operators to harmful agents in the working environment, improving visibility or eliminating the number of workers directly present in high risk areas,
- expanding the use of industrial automation solutions aimed at eliminating or reducing hazardous industrial accidents and reducing the presence of workers in difficult working environments,
- construction of modern monitoring systems for seismic activity, rock mass condition or water hazards,
- introducing new solutions in terms of personal protective equipment of employees,
- technical and organisational solutions ensuring adequate working conditions in relation to climate risk,
- changing the behaviour, habits, approaches and views of employees using different communication channels and forms of communication, including:
  - OHS Vortal (available via the intranet),
  - social profiles in which KGHM participates,
  - CCTV,
  - educational emails,
  - traditional publications (articles, posters, information fiches).

The Company also uses other methods to involve employees in changes in the area of occupational health and safety, such as:

- cyclical training - "minutes for OHS",
- ad hoc training courses,
- behavioural audits,
- cross audits,
- system of employee initiatives,
- OHS alert - contact boxes.

In 2021, at the Company's Head Office, jointly with the Mine-Smelter Emergency Rescue Division and the research and development unit, KGHM Cuprum Sp. z o.o. CBR's first training course on working at height, using VR 360° technology, was prepared and is being gradually implemented in individual divisions. In 2022, on the basis of training videos prepared by KGHM Cuprum Sp. z o.o. CBR, training courses using the VR technology were developed for the Głogów Copper Smelter and Refinery. Based on the idea of Industry 4.0, the Head Office of the Company, together with KGHM Cuprum Sp. z o.o. CBR designed and developed an interactive instruction in VR technology in the field of RKO for all employees of the Company, as well as a training course checking the acquired knowledge with the use of situational distractors. In 2023, the solution was awarded at the 49th National Competition on the Improvement of Working Conditions organised by the Ministries of Family and Social Policy.

### 5.5.7 Accident rate in KGHM Polska Miedź S.A.

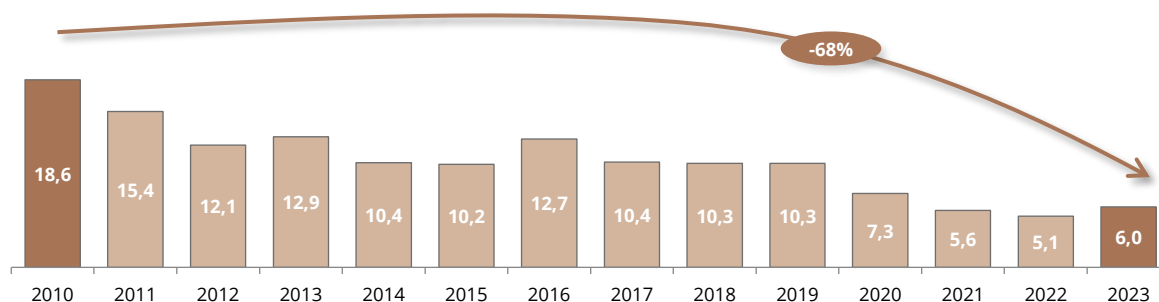
[ESRS S1-14, ESRS S1-14 Addendum B]

In 2023, the Company recorded an increase in the number of accidents at work<sup>63</sup>, calculated on a year-on-year basis, from 149 to 177 people injured (by 28 accidents). In 2023, the number of accidents at work in KGHM Polska Miedź S.A., excluding accidents due to natural causes (rock bursts, destressings, tremors, roof collapses) was higher by 20 (a rise from 142 to 162). The majority of the recorded accidents at work (97.7%) were of a minor nature, with the main causes being, in order, loss of balance by the workers, rock falls, and contact (impact) with or by moving/non-moving objects.

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 (a rise by 8 accidents compared to 2022). These incidents represented 10.4% of all workplace accidents in the mines during this period. The Company undertakes numerous measures and is continuously improving its safety record in the mining of the copper ore deposit.

The LTIFR<sub>KGHM</sub> ratio (Lost Time Injury Frequency Rate KGHM) in 2023, which is the total number of workplace accidents<sup>64</sup> in the Company, which is the number of accidents per million hours worked by KGHM Polska Miedź S.A. employees, was at 6.0 and it was 18% higher than the 2022 figure (5.1). However, it should be emphasised that the Company is pursuing its long-term strategy aimed at successive reduction of the number of accidents at work. The LTIFR<sub>KGHM</sub> performance ratio in 2023 was 68% lower (6.0 vs 18.6) than the value recorded in 2010. The accident rate standardised to the number of hours worked in 2023 was 42% lower than in 2018 and 18% lower than in 2020.

Chart 23. LTIFR<sub>KGHM</sub> ratio in the Parent Entity in the years 2010-2023



### 5.5.8 Accident rate in the Group's international assets

[ESRS S1-14]

In 2023, the entities in which KGHM Polska Miedź S.A. conducts mining operations in Canada, the United States and Chile, recorded in aggregate 2 more workplace accidents (up from 23 in 2022 to 25 workplace accidents). The consolidated TRIR (Total Recordable Incident Rate) for these operations was 0.4. It was 0.1 higher than in 2022 and 87% lower than the figure recorded in 2010.

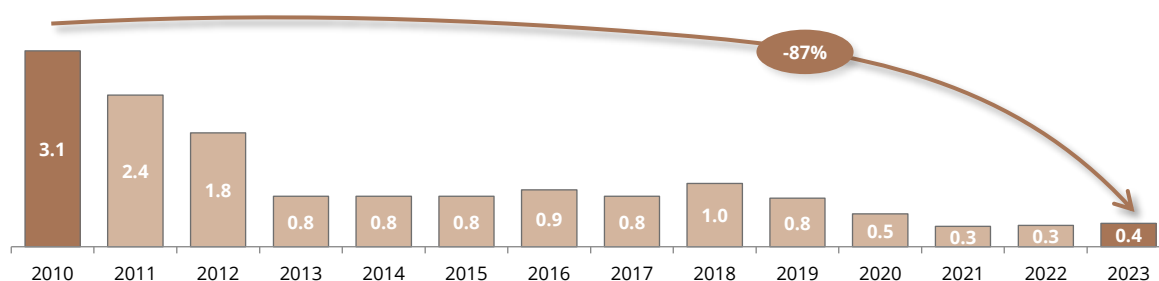
In Chile, KGHM Polska Miedź S.A. conducts mining operations through two entities, which have separate occupational health and safety management systems adjusted to the legal requirements and mining conditions in that country. These systems encompass both the employees in these entities as well as sub-contractors, and are aimed at achieving the long-term "Zero harm" vision. KGHM Chile SpA, which engages in its own exploration and other undertakings, recorded 1 workplace accident in 2024 (vs. 1 recorded in 2022) with a TRIR of 0.6.

63 Accident at work within the meaning of the Act of 30 October 2002 on social security due to accidents at work and occupational diseases (DZ.U.2022.199, item 1673, as amended)

64 see above

The Sierra Gorda S.C.M. joint venture recorded 9 workplace accidents in 2023 (compared to 9 registered in 2022), with a TRIR of 0.2.

Chart 24. TRIR<sup>65</sup> rate in the Group's international assets in the years 2010–2023



## 5.6 MANAGING THE IMPACT ON EMPLOYEES IN THE VALUE CHAIN

### 5.6.1 Interests and views of stakeholders

#### [ESRS 2 SBM-2]

The approach is described in detail in section [1.4 Interests and views of stakeholders](#).

### 5.6.2 Significant impacts, risks and opportunities and their relationship with the strategy and the business model

#### [ESRS 2 SBM-3]

The influence and impact on employees throughout the value chain, including primarily in relation to employees of suppliers and external companies providing services to the companies of the KGHM Polska Miedź S.A. Group, is based on the principles and policies described further in this section. Actions towards employees of entities cooperating with KGHM Polska Miedź S.A. are closely related to the business model and strategy of the Group. In particular, the purpose of the impact is to ensure that the assumptions of the strategy are achieved in terms of safety, effectiveness and environmental protection.

### 5.6.3 Policies related to employees in the value chain

#### [ESRS S2-1, ESRS S2-1 Addendum B]

KGHM has defined the impact on employees in the value chain through several key areas: safety and health, education and development, ethics and anti-corruption, and corporate social responsibility.

|  |  |
|--|--|
| <b>Safety and health</b>               | KGHM considers the safety and health not only of its direct employees, but also of its subcontractors as a priority. The application of advanced management systems, standards and procedures, as well as the implementation of preventive and health promotion programs, such as vaccinations and health checks, reflect the Company's considerable commitment to ensuring optimal working conditions.  |
| <b>Education and development</b>       | KGHM invests in the development of the competencies and qualifications of its employees and value chain collaborators by offering access to training, workshops and the e-learning platform. Cooperation with universities and umbrella schools emphasises a long-term commitment to shaping the workforce of the future, for the benefit of the sector as a whole.  |
| <b>Ethics and anti-corruption</b>      | The Company attaches great importance to adherence to ethics and anti-corruption principles, which is reflected in the application of the code of ethics, the anti-corruption policy, procedures of the anti-corruption management system and the implementation of whistleblowing procedures and systems. KGHM also requires its business partners to observe the same high standards by, among others, the introduction of anti-corruption clauses to contracts. |
| <b>Corporate social responsibility</b> | KGHM actively participates in the life of local communities and is involved in activities aimed at protection of the environment, promoting sport and culture. Support for initiatives such as the KGHM Summer run called "Bieg Piastów" or the KGHM Polska Miedź Foundation is an expression of the Company's commitment to act as a responsible and conscious market participant.  |

65 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.

KGHM systematically analyses and evaluates its impact on employees in the value chain, focusing particularly on safety, development, ethics and social responsibility. These activities not only contribute to improving working conditions, but also build lasting value for the Company, its employees and the broadly understood business environment.

**Types of value chain employees that KGHM may significantly affect through its activities:**

|  |  |
|--|--|
| <b>Direct employees</b>                                      | Persons employed by KGHM under an employment contract or a civil law contract who perform tasks related to the exploration, mining, production, transport and sale of copper and other metals. KGHM cares about their safety, health, education, development, ethics and social responsibility. KGHM has more than 34 thousand direct employees worldwide.   |
| <b>Non-employees constituting the entity's own employees</b> | Persons performing civil law contracts for KGHM, i.e. contracts of mandate, contracts for specific work, contracts for the provision of management services.   |
| <b>Employees of subcontractors</b>                           | Persons employed by companies collaborating with KGHM in the performance of various services and projects. KGHM requires its subcontractors to adhere to the same safety, health, ethics and anti-corruption standards as its direct employees. KGHM cooperates with more than 3 thousand subcontractors in Poland and abroad.   |
| <b>Supply chain employees</b>                                | Persons employed by suppliers of raw materials, materials, equipment and services necessary for the operation of KGHM. KGHM undertakes efforts to build long-term partnerships with suppliers based on mutual trust and benefits. KGHM promotes the principles of sustainable development and responsible business among its suppliers and expects them to meet certain quality, environmental and social criteria.  |
| <b>Employees of customers</b>                                | Persons employed by recipients of KGHM's products and services, such as copper, silver, gold, ores, sulphuric acid, ammonium nitrate or telecommunications. KGHM cares for the high quality and reliability of its products and services, as well as their safe and effective use by customers. KGHM supplies its products and services to more than 50 countries worldwide, to various economic sectors such as energy, construction, automotive industry, electronics or medical sector.   |
| <b>Local community workers</b>                               | Persons living in areas where KGHM operates or has an impact on the natural and social environment. KGHM engages in dialogue and cooperation with local communities, respects their rights and needs and supports their development through socially responsible activities such as volunteering, sponsorship, philanthropy, environmental protection or the promotion of sport and culture. KGHM operates in a dozen or so countries on different continents, taking into account the specific characteristics and expectations of local inhabitants. |

KGHM is a company that attaches great importance to sustainable development and responsible business. To that end, a number of regulations have been developed and implemented in the form of Codes and Policies that reflect the Company's commitment and approach towards our employees, partners, customers, communities and the environment.

The Codes and Policies of KGHM Polska Miedz S.A. are available on the Company website in the section [Policies and Codes](#).

One of the Company's priorities is to ensure safe and decent working conditions for employees and subcontractors. The ethical and anti-corruption principles, as well as human and employee rights are unconditionally observed. No forms of forced labour, exploitation, discrimination or bullying are accepted. Special emphasis is placed on the protection of children against any forms of harm and abuse. The Company does not employ people under the age of 18 and does not work with entities that violate the rights of children.

The activities and standards of the Company are regularly reviewed and certified by independent institutions and organisations. KGHM holds the prestigious Copper Mark, which confirms the responsible production of copper in line with the highest environmental, social and governance requirements.

The Company also undergoes regular, internal and external, quality and safety audits which confirm the effectiveness of the implemented and functioning management systems. KGHM is ISO certified in terms of quality, environment, health and safety and energy. The Company has an implemented and functioning anti-corruption management system compliant with ISO 37001 Standard, which also incorporates internal audits, is implementing an information security system based on ISO standards, and is planning to certify its implemented business continuity management system.



## Detailed information for material operational companies:

|                                |  |
|--------------------------------|--|
| <b>"Energetyka" sp. z o.o.</b> | This company has a Code of Ethics in place which covers issues relating to employee relations in the value chain.  |
| <b>KGHM Metraco S.A.</b>       | This company describes its impact on employees in the value chain as positive. Suppliers are informed about the documents adopted at KGHM Polska Miedź S.A. and are obliged to comply with the rights and obligations described therein. The documents refer to domestic and international law standards. This company has no plans to introduce detailed policies to cover employees in the value chain.  |
| <b>KGHM INTERNATIONAL LTD.</b> | <p>Canada: At present, this company has not analysed the impact on employees in the value chain. The company's policies related to the Code of Ethics, the Code of Conduct, the Responsible Supply Chain Policy and the Human Rights Policy, which is reviewed annually, are adhered to in relation to employees in the supply chain. An initiated analysis of the company's suppliers and their supply chain has not been completed. The company applies the Canadian Modern Slavery Act (Federal Act S-211).</p> <p>The companies in Canada and in the United States review the procedures and regulations that apply to the KGHM Polska Miedź S.A. Group with their employees every March.</p> <p>In Chile, the political affiliations of the Company directors are checked using PEP forms<sup>66</sup>.</p>   |
| <b>NITROERG S.A.</b>           | <p>This company carries out quarterly analyses of risks, including the risk of corruption. In addition to the impact on its employees, the Company also has an impact on suppliers of raw materials, goods and services (particularly services provided on the Company's premises) and on customers. The issue of risks related to the occurrence of child labour or forced or compulsory labour does not apply to this company.</p> <p>The person responsible for implementing policies and procedures is the President of the Management Board of Nitrogen S.A. The Company has no plans to introduce policies that would only cover employees in the Company's value chain.</p>   |
| <b>KGHM ZANAM S.A.</b>         | <p>Anti-corruption clauses have been introduced in the text of contracts concluded with business partners, pursuant to which the Business Partner undertakes to be compliant. The Company has not recorded any significant negative impact on the employees of suppliers in its value chain or on the buyers of products.</p> <p>This company purchases from suppliers from a significant number of EU countries, and there have been no instances of risk of child labour, forced or compulsory labour. In its sales contracts, KGHM ZANAM requires customers to become familiar with, among other things, the Code of Ethics of the KGHM Polska Miedź S.A. Group and the Anti-Corruption Policy posted on the KGHM Polska Miedź S.A. website.</p> <p>The compliance with the foregoing is the responsibility of: the Management Board of the Company, the Internal Control, Safety and Loss Prevention Department. The Company has no plans to introduce policies that would cover employees in the Company's value chain.</p> |

### 5.6.4 Collaborative processes with persons performing work in the value chain in terms of impacts

[ESRS S2-2]

#### **Policies related to employees performing work in the value chain**

KGHM adopts a responsible approach to managing its value chain, which encompasses both suppliers and customers of products and services. As part of its sustainability policy, emphasis is placed on respecting human rights, labour rights and environmental standards in all business activities and relationships. Policies regarding those performing work in the value chain are based on the following principles:

- Human rights commitments: As a signatory to the UN Global Compact, the Company is committed to complying with the UN Guiding Principles on Business and Human Rights, the International Labour Organisation Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises. KGHM's Human Rights Policy sets out expectations towards employees, suppliers and business partners regarding the respect for the dignity, freedom and equality of all persons. KGHM is opposed to all forms of human trafficking, forced or compulsory labour and child labour and takes measures to prevent and combat such practices in the value chain. The Company also supports the engagement of employees in the value chain in social dialogue and collective bargaining, and ensures that they are able to report any human rights violations and benefit from remedies.
- Supplier Code of Conduct: To ensure consistency of standards and values throughout the value chain, KGHM has developed and implemented a Supplier Code of Conduct, which sets out requirements for suppliers in terms of legal, ethical, human rights, labour rights, environmental and safety compliance. This code is an integral part of supplier contracts and is regularly assessed and monitored. If non-compliance with the code is identified, appropriate action is taken, such as dialogue, training, improvement or termination of cooperation.

<sup>66</sup> PEP - Politically Exposed Person. A declaration (PEP) on holding a politically exposed position, being a family member (cohabitant) or a close associate of a politically exposed person

- Compliance with international instruments: As part of our sustainability policy, we aim to continuously improve our value chain management practices and processes in line with international instruments and initiatives such as the Global Reporting Initiative (GRI), the Transparency in Supply Chain Initiative (ITSCI), the Initiative for Responsible Mining (IRMA) and the Responsible Minerals Supply Chain Initiative (RMI). We also cooperate with our stakeholders, including non-governmental organisations, academic institutions and regulators, to share knowledge and experience and to identify and address potential challenges and risks related to those working in the value chain. In 2023, we did not record any cases of non-compliance with the UN Guiding Principles on Business and Human Rights, the International Labour Organisation Declaration on Fundamental Principles and Rights at Work or the OECD Guidelines for Multinational Enterprises in our value chain.

#### Detailed information for significant operational companies

|                         |   |
|-------------------------|---|
| "Energetyka" sp. z o.o. | This company engages in dialogue with employees at various levels of activity. Employees have the opportunity to meet in person with the Representative for Ethics and Anti-Corruption, their superiors, as well as with members of the company's Management Board. Systematic meetings are held between members of the Management Board and representatives of the Trade Unions and the Employee Council operating in the company.   |
| KGHM Metraco S.A.       | An anonymous telephone line and traditional mail is available. Trade unions also operate in KGHM Metraco S.A. and participate in the decision-making process of the Management of the company.  |
| KGHM INTERNATIONAL LTD. | Canada. Employees in the supply chain are covered by company policies related to the Code of Ethics, Code of Conduct, Responsible Supply Chain Policy, Human Rights Policy, Federal Act S-211 (Canada's Modern Slavery Act) including the obligations to report and describe measures that have been taken to prevent and reduce the risk that the company or its suppliers are using forced or child labour.<br>USA/Sudbury. <b>The supply chain manager</b> monitors suppliers on an ongoing basis.<br>The companies in Canada and the USA review corporate policies for all employees every March and familiarise new employees with procedures in this area.  |
| NITROERG S.A.           | In addition to the regulations concerning employees directly hired by the Company, the Company has introduced, among other things, the Anti-Corruption Clause, the text of which is made known to and accepted by the Company's contractors. Suppliers entering into procedures conducted by the Company in the procurement support system accept the Contractor's Charter.<br>The Contractors read and accept the Anti-Corruption Clause - the document (along with the Anti-Corruption Policy and the Code of Ethics) is available on the Company's website, including information on the possibility to report irregularities. The Company has Trade Unions which employees can contact.   |
| KGHM ZANAM S.A.         | Anti-corruption clauses have been introduced in the wording of agreements concluded with business partners, pursuant to which the Business Partner undertakes to comply with the Anti-Corruption Policy of the KGHM Group and the Code of Ethics of the KGHM Group. A Code of Ethics containing channels for reporting fraud has been posted on the company's website.<br>The contracts concluded include provisions informing the supplier about the documents implemented by KGHM ZANAM S.A. which are posted on the company's website ( <a href="https://kgmzanam.com/en/">https://kgmzanam.com/en/</a> ). The supplier declares that it is familiar with the documents and undertakes to apply them. This company does not take measures to directly inform employees in the value chain about the existing systems for reporting ethical concerns and infringements of principles of ethics. |

### 5.6.5 Objectives and processes of mitigating negative impacts and channels for reporting problems by employees in the value chain

#### [ESRS S2-3, ESRS S2-5]

#### The Company engages in dialogue with employees in the value chain in the following ways:

KGHM Polska Miedź S.A. is committed to managing and mitigating negative impacts on employees in the value chain. To this end, the Company implements a number of processes and mechanisms:

- Processes for mitigating negative impacts: KGHM takes measures to identify, assess and manage negative impacts on employees in the value chain. These actions include regular supplier audits and assessments, employee training and education, as well as the implementation of standards and procedures to promote safe and decent working conditions.
- Problem reporting channels: KGHM has established whistleblowing mechanisms that allow employees in the value chain to report any concerns or issues related to human rights, labour rights, health and safety, and other sustainability issues. These mechanisms provide confidentiality and protection for the individuals reporting concerns, as well as fair and effective remedies.

## 5.6.6 Undertaking measures addressing significant impacts on persons performing work in the value chain

### [ESRS S2-4]

The issue of the impact on employees in the value chain is covered by a number of formal policy documents that regulate the principles and standards of responsible action of the KGHM Polska Miedź S.A. Group towards its employees, suppliers, contractors and local communities. Some of these documents include:

|   |  |
|---|--|
| <b>Responsible Supply Chain Policy</b>  | The Policy defines the principles and requirements for sourcing metals from conflict-affected and high-risk areas, in line with international guidelines and standards. The policy is aimed at prevention and elimination of any form of violation of human rights, humanitarian law, labour law, the right to association, the right to environmental protection, the right to cultural and natural heritage and the right to combat corruption and money laundering in the KGHM supply chain.  |
| <b>Occupational Health and Safety Policy</b>                                      | The Policy defines KGHM's objectives and obligations to ensure safe and healthy working conditions for all employees and subcontractors, in accordance with applicable regulations and standards. The policy comprises, among others, the prevention of accidents and occupational diseases, the improvement of a safety culture, the improvement of employees' skills and raising awareness, the implementation of best practices and technical solutions, the monitoring and assessment of occupational risks and the continuous improvement of the occupational health and safety management system.          |
| <b>Collective Labour Agreement for Employees of KGHM Polska Miedź S.A. (ZUZP)</b> | The ZUZP defines the principles and criteria for determining and payment of the remuneration for KGHM employees, in accordance with market principles, fairness, motivation and efficiency. The policy comprises, among others, the variable remuneration system, the bonus system, the reward and honours system, the fringe benefits system, and the system for informing and consulting employees on remuneration issues.   |
| <b>Competition Law Policy</b>   | The Policy defines the principles and requirements concerning the compliance with the competition law by employees and collaborators of KGHM, in accordance with applicable laws and standards. The Policy is aimed at preventing and eliminating all forms of unfair competition, such as price collusion, market sharing, abuse of dominant position, agreements on supply or offtake conditions, exchange of confidential information, use of prohibited or discriminatory clauses in commercial contracts, participation in public procurement procedures, lobbying and contacts with antitrust authorities. |
| <b>Anti-Corruption Policy</b>   | The Policy defines the principles and standards, aimed at maintaining conformity with applicable anti-corruption regulations in jurisdictions, in which the KGHM Polska Miedź S.A. Group operates and voluntary commitments aimed at combatting corruption. The Group applies a zero tolerance policy towards corruption and bribery. In the Policy, the upper management declares its full commitment to activities related to maintaining and continuously improving the implemented Anti-corruption Management System, which conforms to the requirements of PN-ISO 37001 standard.                           |

## 5.7 MANAGING THE IMPACT ON LOCAL COMMUNITIES

### 5.7.1 Policies related to affected communities

#### [ESRS S3-1]

The Company continues its dialogue with local governments and communities located in areas where KGHM's activities may have an impact. This dialogue also relates to the protection of human rights, which is included in the provisions of the Human Rights Policy and in the Code of Ethics of the KGHM Polska Miedź S.A. Group, in force in all companies.

In addition, DMC Mining Services Chile SpA has a Corporate Social Responsibility Policy in place, which sets out the commitment to CSR programs of customers and the intention to recognise the local communities in which operations are carried out. Sierra Gorda Mine has a Community Relations Plan in place and identifies stakeholders. The preparation of the policy in this scope is planned in 2024.

The reduction of all risks to local communities resulting from the Company's activities is a priority (including the reduction of the risk of compromising the right to health through consistent implementation of the [Climate Policy](#) and the [Environmental Policy](#)).

KGHM actively supports the development of local communities and respects their culture by respecting the rights of indigenous peoples (which is of great importance in the case of the international companies of the Group over which KGHM Polska Miedź S.A. exercises ownership supervision).

## Social dialogue

The copper giant has been an active participant in the life of local communities for many years. Key stakeholders of the social side include:

- inhabitants of the Copper Basin,
- local government authorities,
- business representatives,
- representatives of academia,
- representatives of associations and local organisations serving the public.

In the perception of local people, KGHM is not only the main employer in the region, offering stable employment and high wages, but also an active promoter of social life.

Guided by corporate social responsibility, the Company carries out, among other things, programs to promote health, sport, culture, education and projects to counteract environmental threats.

In 2023, once again the local governments of the Copper Basin also received financial support from KGHM. KGHM has provided 14 local governments in the Copper Basin with funds as part of the Company's broad program of CSR and socially responsible business activities for local people. The transfer of funds takes place annually, as part of the good cooperation between KGHM Polska Miedź S.A. and the local government units in which the Company operates. As part of the agreement, the municipalities provide funds for health promotion initiatives, healthy lifestyles and pro-social activities. Local government units take measures, among others, to protect the life and health of present and future generations, the development and integration of the local community in the fields of culture, science and sport. A total of PLN 3.5 million has been earmarked for, among other things, preventive examinations, medical equipment, thermal modernisation of schools, construction of outdoor gyms or modernisation of village halls. The money was granted to the municipalities of Głogów, Lubin, Jerzmanowa, Przemków, Grębocice, Kotła, Żukowice, Gaworzycy, Pęcław, Rudna, Radwanice and the cities: Głogów, Legnica and Polkowice.

Thanks to support from KGHM, examinations and consultations at the diabetes or pulmonology clinic will be carried out in Głogów up to mid-2024. In Grębocice, residents will be able to benefit from rehabilitation, or visits to a cardiologist and an ENT specialist. The municipality of Kotła will equip and develop village halls, playgrounds or sports fields. Meanwhile, the thermal modernisation of the primary school buildings in Białołęka will be carried out by the municipality of Pęcław. Successive socially important projects will be carried out in the areas of health, education or culture in the Copper Basin. Polkowice will buy an ultrasound scanner to expand the diagnosis of urinary tract diseases. Legnica will continue the Healthy Legnica program campaign, while the municipality of Lubin will carry out, among other things, chess training or additional sports activities for schoolchildren.

### 5.7.2 Cooperation processes for interacting with affected communities

#### [ESRS S3-2]

Cooperation with social partners is a key factor in the success of the development projects undertaken by the company. It also contributes to reducing social risks in KGHM's operations. Mechanisms for social dialogue naturally accompany activities which, through their scale and nature, affect the quality and living standards of residents. KGHM implements the strategic assumptions of its CSR policy by engaging in dialogue and partnership with the local environment. The company is a good neighbour and a trusted investor. In order to act efficiently, it incorporates social, cultural and economic elements into its projects. KGHM works closely with local governments and non-governmental organisations, analyses information on the needs of local communities and supports them in selected areas organisationally and financially. As a consequence, the company creates a sustainable, fair and equal relationship with the environment. The company's pro-social projects and sponsoring activities in Poland are carried out through the corporate KGHM Polska Miedź Foundation established specifically for this purpose. Its main areas of activity include charitable work, preventive health care, promotion of sport and support for culture and science. KGHM employees are also very much engaged in the implementation of social programs, taking part in numerous voluntary actions.

The involvement of KGHM Polska Miedź S.A. in cooperating with potentially affected communities is particularly important as part of ongoing projects, including the investment project entitled "Exploration and evaluation of a deposit of potassium and magnesium salts in the vicinity of Puck". KGHM organised, as well as participated in, events organised by local government units located within the boundaries of the Puck concession, under which exploration of the Mioszyno deposit is carried out.

The aspect of project development and the commencement of mining activities in the region of the Puck district is currently the subject of a comprehensive expert opinion entitled "Project Feasibility Study", the results of which will enable the Management Board of KGHM to make appropriate business decisions. A large-scale undertaking such as the construction of a possible mine and its numerous associated infrastructures in an area that is new to the Company, undeveloped for

mining, and far removed from its core business, requires appropriate preparatory activities of an informative nature for both local government units and residents in the vicinity of the potential mining area and site.

As part of the exploration and appraisal work intensified over the past two years, the Company has been carrying out geological work in the form of drilling, the implementation of which requires a number of permits and decisions, starting with approval of the traffic plan at the District Mining Office, obtaining the opinion of the municipality as to the Plan in question, where the drilling would take place, concluding a lease agreement for a plot of land for drilling, or obtaining a decision approving the mining waste management plan from the marshal's office. In view of the foregoing, the Company took the initiative and organised meetings with representatives of the aforementioned institutions to provide information on the ongoing project in the Puck region, its progress and further plans related to it. Meetings with the heads of municipalities, representatives of the county (Governor of Puck), or representatives of the Pomorskie Voivodship, i.e. the Voivode, the Marshall or the Chairman of the Voivodship Council, were organised on the Company's initiative in 2023 to provide information on the project, its chances of success and, above all, the identified threats affecting its possible implementation in order to work out a joint method of mitigating them.

Furthermore, the concession - under which all geological and other work are carried out - was already subject to another amendment in 2023 (at the initiative of the concession holder, i.e. the Company). The procedure for granting or amending a concession consists, among other things, of a stage in which the municipalities included in the concession area give their opinion on the Geological Work Project, which defines the scope of work and the work planned to be carried out. Accordingly, KGHM is in constant e-mail and telephone contact with representatives of the local government units responsible for issuing the above opinions in order to quickly exchange information, dispel doubts or eliminate inaccuracies.

In 2023, at the invitation of the Mayor of Władysławowo and the Mayor of the Municipality of Puck, KGHM representatives participated in meetings of the Municipal Council (separately for each entity). The agendas of the above meetings included an item on KGHM's activities in the region. During the discussion on the Puck project, the concerns and doubts of the residents of the municipalities about the project being carried out were allayed, as well as the desire to work closely with the local communities, which will be developed gradually as the work develops and progresses.

In addition, in 2023, KGHM undertook a number of activities with municipalities where investment projects are being implemented, including:

|   |   |
|---|---|
| <p><b>Cooperation with the Municipality of Żukowice in connection with the implementation of an investment project: "Construction of the GG-2 shaft"</b></p>  | <ul style="list-style-type: none"> <li>- Implementation of the Agreement entered into between KGHM Polska Miedź S.A. and the Żukowice Municipality in order to compensate the local community for the impact of the investment, was continued,</li> <li>- The Agreement between KGHM Polska Miedź S.A. and the Żukowice Municipality for the construction of a local road connecting the GG-2 "Odra" shaft site with the DK12 national road was continued, which will create the possibility of further implementation of the investment project "Construction of the GG-2 ("Odra") shaft with the necessary surface and underground infrastructure." The road will also act as an access road for the residents of the Municipality to the agricultural properties in the area</li> </ul>  |
| <p><b>Cooperation with the Municipality of Grębocice in connection with the implementation of an investment project: "Construction of the GG-1 shaft" and "Construction of the Retków shaft":</b></p> | <ul style="list-style-type: none"> <li>- An Agreement was signed between KGHM Polska Miedź S.A. and the Municipality of Grębocice, driven among others by the need to limit the impact of the activities carried out by the Company and the needs in terms of the development of the technical, economic and social infrastructure of the Municipality, in light of the commencement and execution of the investment consisting of the construction of the "Retków" intake shaft with a material and driving function, together with the necessary surface and underground infrastructure,</li> <li>- Implementation of the Agreement between KGHM Polska Miedź S.A. and the Municipality of Grębocice on the reconstruction of local road no. 634 in connection with KGHM's work on placing infrastructure in the road for the Central Air Conditioning System was continued.</li> </ul> |
| <p><b>Cooperation with the Municipality of Gaworzyce in connection with the implementation of an investment project: "Construction of the Gaworzyce shaft"</b></p>                                    | <ul style="list-style-type: none"> <li>- The execution of the Agreement between KGHM Polska Miedź S.A. and the Municipality of Gaworzyce continued, driven by, among others, recognition by the Parties of the need to limit the impact of the activities carried out by the Company and of the needs for the development of the Municipality in terms of its technical, economic and social infrastructure in light of the commencement and implementation of the investment involving the construction of the "Gaworzyce" exhaust shaft.</li> </ul>   |

## KGHM INTERNATIONAL LTD.

- The Robinson mine actively participates in City Council and County Commission meetings.
- Sudbury, in the context of exploratory concessions, conducts regular, ongoing consultations and meetings. Activities comprising community engagement are co-managed with a joint venture partner.
- The Victoria Project holds monthly meetings with First Nations representatives, aimed at negotiating and consulting the implementation of a Closure Plan, which, if appropriate, are organised weekly. All progress in talks, doubts raised and explanations given are continuously monitored and registered. Negotiation progress and consultation outcomes are reported internally at weekly leadership team meetings, current project team meetings and they are also included in the monthly reports on the advancement of the Victoria Project.

## NITROERG S.A.

By cooperating with local governments, religious associations and local NGOs in the Tarnogórski and Bieruńsko-Lędziński districts, the company receives information that is important in terms of conducting dialogue with local communities. It analyses such information and pursues its policy with respect for the rights of local communities. Cooperation takes place on a regular basis throughout the year.

## KGHM ZANAM S.A.

The Company actively engages in general social goals, especially among the local community, mainly by supporting initiatives that are difficult to achieve without the assistance of a socially committed business. The Company actively supports the professional development of the local community, culture, promotes physical activity, acts as a charity and supports educational institutions. In 2023, it continued its cooperation with secondary schools - Technical Schools and First Degree Trade Schools (including Zespół Szkół Technicznych i Ogólnokształcących im. Henryka Pobożnego in Legnica, Zespół Szkół nr 1 im. B. Krupińskiego in Lubin, Zespół Szkół in Chocianów) in the field of practical vocational training and apprenticeship, as well as with higher education institutions as part of compulsory student training (among others: University of Zielona Góra, Witelon Collegium in Legnica). In 2023, the Company participated in and co-organised initiatives related to employment activation by means of a job fair, labour exchange, organising a field trip for students on the Company's premises.

### 5.7.3 Remediation processes for negative impacts and channels for affected communities to report problems

#### [ESRS S3-3]

The Company maintains a constant dialogue with local communities to work towards improving their living conditions. It uses social needs assessment surveys (Lubin-Głogów Copper Basin), meetings with residents, joint advisory committees, open days and direct contacts with local community leaders. By participating in the development of the regions, the company supports investments in infrastructure (water supply systems, wastewater treatment plants, urban monitoring, improvement of communications, health care) and social issues, including involvement in the organisation of events for employees and residents and charitable events.

Residents have the opportunity to communicate directly with the Company through various communication channels (social media, traditional and email exchanges, open days, meetings). Moreover, residents have the opportunity to report concerns about impacts individually, e.g.: the impact of mining operations via the "For residents" tab on the company's corporate website, where the procedures for, among others, reporting mining damage directly to the affecting entities are explained and made available.

Rehabilitation processes and activities are described in sections [5.7.2 Cooperation processes for interacting with affected communities](#) and [5.7.4 Taking action on significant impacts on affected communities](#).

### 5.7.4 Taking action on significant impacts on affected communities

#### [ESRS S3-4]

The activities of KGHM Polska Miedź S.A., which contribute to achieving significant positive impacts, focus on supporting local communities through social programs.

|                         |  |
|-------------------------|--|
| <b>ECO-Health</b>       | The ECO-Health program was launched as part of the Company's corporate social responsibility and its priorities are the promotion of preventive healthcare and active lifestyles among the Copper Basin residents.   |
| <b>Nordic walking</b>   | The Nordic Walking project is addressed to people over 30 years of age. It involves regular classes with qualified and experienced instructors. So far, 14 editions of the Nordic walking project have been held in which more than 1,900 people participated. |
| <b>Swimming lessons</b> | Swimming lessons involve cyclical lessons in the basics of swimming for children aged 5-10. Classes are held at indoor swimming pools in several towns in the Copper Basin: Chojnów, Legnica, Lubin, Polkowice, Głogów and Rudna.                              |



|                               |  |
|-------------------------------|--|
|                               | Children develop their basic swimming skills under the supervision of qualified instructors from swimming clubs in the region. So far, 11 editions of the swimming lessons have been held in which more than 3,500 people participated. A record number of 540 participants took part in 2023, almost 200 more than in previous years. |
| <b>Gymnastics for seniors</b> | Recreational gymnastics using specialised hammocks is a KGHM project for seniors aged 55-80, which is implemented in several towns in the region. In 2023, exercises took place in Głogów, Legnica and Lubin. To date, four editions of the project have taken place, with around 350 participants.                                    |
| <b>Medical examinations</b>   | The ECO-Health program also comprises medical examination projects. In 2023, the screening project dedicated to KGHM employees, which has been ongoing for several years, was completed by Copper Health Center, a member of the KGHM Group.   |

#### Costs of projects in 2023:

- Children's swimming lessons project: PLN 281 305
- Nordic walking project: PLN 19 900
- Project of gymnastics classes for seniors: PLN 67 500
- Screening project: PLN 205 700

#### **Information concerning significant operational companies**

|                                |   |
|--------------------------------|---|
| <b>KGHM INTERNATIONAL LTD.</b> | <p><b>Robinson mine:</b> Any mitigation measures identified must be carried out in accordance with the applicable agreement or operating permit. Environmental impacts as well as socio-economic impacts shall be assessed as part of any activities related to the issuing of permits.</p> <p>In 2022 and 2023, there were audits in the Robinson mine by internal and external institutions aimed verifying the realisation of policies and principles associated with broadly understood sustainable development, including OHS and corporate governance. As a result of the audit by MSHA (Mine Safety and Health Administration) in 2023, 18 breaches were identified, the vast majority of which was classified as insignificant. Two significant events were addressed and solved within the schedule and did not have an impact on the mine's operations. Moreover, audits performed by this body in September and December 2022 identified irregularities in the management of mining machinery park. As a result of the audit, the Robinson mine undertook a number of actions, among others on the manner of conducting repairs as well as hastening the replacement of a part of the haulage trucks. Visitations by MSHA in 2023 indicated that all notifications concerning the mining machinery submitted in September and December 2022 were addressed and solved.</p> <p><b>Sudbury Basin:</b> The Buried Treasure Project has agreements signed with <i>Mattagami First Nation, Temagami First Nation</i> and <i>Teme-Augama Anishnabai</i>. These confidential low-level engagement agreements provide support and capacity for implementation, site access, environmental monitoring, employment and procurement.</p> <p><b>Victoria project:</b> In 2014, an Advanced Exploration Agreement was negotiated and implemented with the Indigenous Nations (<i>Atikameksheng Anishnawbek, Sagamok Anishnawbek First Nation and Métis Nation of Ontario</i>). These agreements comprise provisions related to the inclusion of traditional and cultural knowledge in planning and operations, dispute resolution mechanisms, financial support for capacity building and contract implementation, preferential hiring and procurement commitments, and agreed environmental monitoring and reporting requirements. Implementation of these agreements involves monthly meetings and ongoing consultations. The Victoria Project is currently consulting, in accordance with the Ministry of Mines' delegation, with four First Nations (<i>Atikameksheng Anishnawbek, Sagamok Anishnawbek First Nation, Whitefish River First Nation and Métis Nation of Ontario</i>) on the submission of a closure plan. In some cases, this required the negotiation of confidential benefit agreements that should be in place and implemented in 2024. Additionally, a community presentation was held for residents and associations near the project site. Community concerns were identified and resolved in 2023.</p> <p><b>Ajax project:</b> The business unit assesses historic mining sites to characterise the environmental impact. This description will be used to develop appropriate mitigation plans.</p> |
| <b>NITROERG S.A.</b>           | Activities are monitored on an ongoing basis as part of cyclical meetings between Company representatives and representatives of local authorities (Tarnogórski and Bieruńsko-Lędziński counties, Kupski Młyn commune, Bierun city), as well as local NGOs.   |
| <b>KGHM ZANAM S.A.</b>         | <p>In 2023, the company continued its cooperation with secondary schools - Technical Schools and First Degree Trade Schools (including Zespół Szkół Technicznych i Ogólnokształcących im. Henryka Pobożnego in Legnica, Zespół Szkół nr 1 im. B. Krupińskiego in Lubin, Zespół Szkół in Chocianów) in terms of practical vocational training and apprenticeship, as well as with universities in the framework of compulsory student traineeships (e.g. University of Zielona Góra, the Witelon Collegium in Legnica).</p> <p>In 2023, this company participated in and co-organised initiatives related to employment activation by means of a job fair, labour exchange, organising a field trip for students on the company's premises.</p> <p>In 2023, no requests, comments, notifications, claims from the local community or external institutions regarding harm or nuisance resulting from the company's industrial impact on the environment were recorded. The company supports the surrounding Communities and Organisations through donations and sponsorships.</p>  |



In 2023, the support was provided to institutions such as associations, sports clubs and educational institutions. The company also organised excursions to allow the surrounding community to learn more about the company, its employees and the profile of our activities. In 2023, the company was visited by, among others, wards of the Polkowice Orphanage.

## 5.7.5 Objectives for managing significant impacts, risks and opportunities

### [ESRS S3-5]

The strategic objectives relating to the Company's impact on society are defined in Pillar V of the [Company's Business Strategy](#), i.e. Pro-sociality, which defines, among other things, the directions of activities in the area of corporate social responsibility.

| <i>Goal for 2030:</i>   | <i>Base year 2020</i>    | <i>Intermediate goals / milestones</i> | <i>Ambition</i>  |
|---|--------------------------|--|--|
| <b>Supporting equitable transformation of the mining industry - Securing new jobs</b> | Not applicable           | Not defined                            | Support for the fair transformation of the mining sector.  |
| <b>Number of volunteer projects advanced - 30.</b>                                    | 25 projects              | Not defined                            | Releasing employee potential and KGHM's commitment to pro-social activities.   |
| <b>Level of support for culture, sport and health approx. PLN 48 million.</b>         | approx. PLN 38.5 million | Not defined                            | Active promotion of relevant activities that bring added value to local communities and enhance Poland's positive image internationally. |

The basis for the adoption of the above targets for 2030 under Pillar V was based on intra-organisational arrangements with the business units based on plans and the Company's current commitment to pro-social activities.

The Company conducts extensive social dialogue based, among other things, on cooperation with local authorities. Activities pursued include, among others, thematic conferences with representatives of local authorities and local non-profit organisations, sponsorship and charitable activities. All investment projects are preceded by a public consultation ensuring the *licence to operate*.

### Information concerning material operational companies

|                                |   |
|--------------------------------|---|
| <b>KGHM INTERNATIONAL LTD.</b> | In the case of the Sudbury operation, the mitigation measures described in the closure plans will be implemented during operations and at closure. These focus primarily on environmental protection, site rehabilitation and mitigation of impacts on the rights of indigenous peoples. In addition, management plans are monitored through routine inspections and regular meetings with first nations. Not applicable to other KGHM INTERNATIONAL LTD. assets. |
| <b>NITROERG S.A.</b>           | Such monitoring takes place on an ongoing basis during meetings with representatives of local authorities (mayors, district governors and councillors), as well as NGOs operating in the Tarnogórski and Bieruńsko-Lędziński districts. Monitoring is carried out through comments, reminders, complaints and other types of letters or e-mails.  |
| <b>KGHM ZANAM S.A.</b>         | In the area of environmental protection, the company has not set measurable, result-oriented goals with a specified time horizon for their implementation related to its impact on local communities.<br>In the scope of marketing and PR, the company has not defined measurable, result-oriented goals with a specified time horizon for their implementation related to its impact on local communities.   |

## 5.8 EXPENDITURES INCURRED BY THE COMPANY AND THE GROUP TO SUPPORT CULTURE, SPORTS, CHARITIES, MEDIA, SOCIAL ORGANISATIONS, TRADE UNIONS ETC.

### Sponsorship activity

KGHM is a "good neighbour and trustworthy investor". It supports local communities, social organisations and institutions related to science, culture and sport. It promotes an active lifestyle and helps people in need.

One of the pillars of our efforts in the area of corporate social responsibility is the KGHM Polska Miedź Foundation which is engaged in pro publico bono and charitable activities. It helps in performance of socially useful projects, and it supports the people who are experiencing hardships.

The expenditures incurred by the Company to support culture in 2023 amounted to PLN 11 million. The Company supported sports initiatives in the amount of PLN 39 million. The Company contributed nearly PLN 4 million to academia.

In 2023, the amount of contributions paid by KGHM to organisations to which membership is optional is PLN 12 million, while expenditure in KGHM Polska Miedź S.A. related to cooperation with the media amounted to PLN 7 million.

Moreover, in 2023, KGHM Polska Miedź S.A. made a financial donation to the KGHM Polska Miedź Foundation for statutory purposes in the total amount of PLN 54 million, and to Group companies in the total amount of PLN 250 thousand.

Supporting the Foundation is one of the priorities of the cooperation with community organisations. However, it is worth mentioning that the Company also supports numerous industry organisations by being their member.

KGHM's sponsorship strategy is closely associated with the activity pursued in the area of Corporate Social Responsibility (CSR) and assumes that most funds will be allocated to the performance of the actions for promoting the Company and its products on the one hand and for supporting valuable initiatives and undertakings on the other hand. The most important functions of sponsorship in the company include support in the implementation of strategic investments, communication with local and regional authorities, reaching target groups with the desired image and building positive associations with the corporate brand. 2023 was a continuation of the implementation of the above assumptions.

The efficient functioning of important cultural or scientific institutions today is largely dependent on the support of sponsors. Without the support of companies such as KGHM, many valuable projects would not have a chance for successful implementation. Therefore, when considering sponsorship activities, KGHM also takes into account the social aspect of each project.

Areas of pursued sponsorship activity of KGHM Polska Miedź S.A.:

|                                  |  |
|----------------------------------|--|
| <b>Sports</b>                    | <p>The Company considers the area of sport as an important area of social life and therefore supports both top-class professional sport and amateur sport. As the biggest employer in the region, it appreciates the importance of sport in shaping the leisure culture of adults and its educational role with regard to young people. The Parent Entity is the major sponsor and at the same time the owner of Zagłębie Lubin S.A., a football team playing in Extra Class (the top Polish football league). At the same time, KGHM is a sponsor of two clubs based in Lubin: Cuprum Lubin (volleyball) and Zagłębie Lubin (handball).</p> <p>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, e.g. the Straceńców Cross or the New Year's March in Głogów.</p>                        |
| <b>Culture and social issues</b> | <p>KGHM Polska Miedź S.A. is involved in numerous projects in the area of culture and social affairs. It participates in the organisation of, and becomes a patron of, significant projects that are addressed to the region and the whole country. Since 2019, KGHM has become a patron of the Royal Castle in Warsaw. It has also been supporting the Wrocław Opera for many years. KGHM also continued its patronage of the Warsaw Uprising Museum, which provided museum lessons in history and the Polish language (on-site and online) at various levels of education - from primary school to secondary schools, technical schools and vocational schools. The Company is also willing to support valuable film productions, e.g. the film adaptation of Janusz Korczak's prose story "Kajtek the Wizard", but also intergenerational cultural meetings - the Festival of Rural Housewives.</p> |
| <b>Science</b>                   | <p>As regards science, KGHM Polska Miedź S.A. supports higher education institutions and scientific institutions, thus tightening cooperation and building a bridge between the industry and academia. The Company provides financial and subject-matter aid to projects thematically related to the problems solved to meet the needs of KGHM and the region. In 2023, particular emphasis was placed on engaging in industry events related to mining, but also, for example, the energy transition. Moreover, KGHM was involved in major economic events, including the Economic Forum, the Vision Development Forum or the Krynica Forum.</p>  |

To ensure transparent rules of taking decisions to support a given project, offers are analysed by the Sponsorship Committee. The decisions of the Committee are documented in the form of minutes in each case, which are approved by the President of the Management Board of KGHM Polska Miedź S.A. The sponsorship activity of the KGHM Group is subject to regulations given in the Sponsorship Policy of KGHM Polska Miedź S.A. and the procedure of obtaining an opinion from the Sponsorship Committee.

#### **Expenditure related to the functioning of trade unions in the Company**

In accordance with the requirements of the Best Practice for GPW Listed Companies, KGHM Polska Miedź S.A. discloses expenses related to the functioning of trade unions in the Company. In 2023, they amounted in total to PLN 14 million, including remuneration plus overhead of trade union activists released from the obligation to work of PLN 13 million, resulting from the Act dated 23 May 1991 on trade unions.

## 6 ABOUT THE REPORT

### 6.1 GENERAL BASIS FOR THE PREPARATION OF THE STATEMENT ON NON-FINANCIAL INFORMATION

#### [ESRS 2 BP-1]

This statement has been prepared in consolidated form for the KGHM Polska Miedź S.A. Group. The scope of consolidation is equivalent to the financial statements. Subsidiaries belonging to the Group are exempt from individual sustainability reporting in accordance with Article 19a(9) or Article 29a(8) of Directive 2013/34/EU.

The formal basis for this statement is the NFRD (Non-Financial Disclosure Reporting Directive) implemented to the Polish Accounting Law. In the Statement for 2023, the Group decided to incorporate the CSRD (Corporate Sustainability Reporting Directive) guidelines and the ESRS sustainability information reporting standards, one year before they become mandatory for large public interest entities. The ESRS indicators included in the 2023 reporting framework are identified in the Report and in the index of indicators. With regard to the preparation of the dual materiality analysis process and the analysis of impacts, risks and opportunities, the GRI standard (section [6.3 Matrix of material reporting topics for 2023](#)) was the basis for preparation. The structure of this statement is consistent with the approach taken in the reports of prior years. It will be fully adapted to the structure set forth in the ESRS standards in the first full year of ESRS-compliant reporting for the KGHM Polska Miedź S.A. Group, i.e. in the statement for 2024.

The statement incorporates information regarding the value chain of the KGHM Polska Miedź S.A. Group. In accordance with the list of ESRS disclosures (IRO-1), the omission of information with regard to anticipated financial effects has been used. The option to omit specific information on intellectual property, know-how or innovation results has not been exercised.

The statement includes taxonomy disclosures compliant with Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on establishing a framework to facilitate sustainable investment, amending Regulation (EU) 2019/2088.

The statement includes information on climate change issues pursuant to TCFD (Task Force on Climate-Related Financial Disclosures) guidelines, detailing the approach of the KGHM Polska Miedź S.A. Group in this regard towards management (sections 2 and 4 of the statement), strategy (section 4), risk and opportunities (sections 2 and 4), goals and measurement of execution (section 4).

The KGHM Polska Miedź S.A. Group has not used the exemption from the obligation to disclose information on expected events or matters under negotiation in accordance with Article 19a(3) and Article 29a(3) of Directive 2013/34/EU.

### 6.2 DISCLOSURE IN RELATION TO SPECIAL CIRCUMSTANCES

#### [ESRS 2 BP-2]

Not applicable

### 6.3 MATRIX OF MATERIAL REPORTING TOPICS FOR 2023

In the opinion of KGHM Polska Miedź S.A., the materiality analysis of ESG topics developed in 2022 as part of the preparatory work for the "Statement on non-financial information of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group for 2022" has not become outdated. KGHM Polska Miedź S.A. – for the needs of development and publication of the Sustainability Statement for 2024 in 2025 – **will re-examine double materiality, in accordance with the procedure contained in the CSRD and ESRS**. The survey will be carried out before the development of next year's statement.

The materiality analysis process conducted in 2022 proceeded in accordance with the standard "GRI 3: Material Topics 2021" and, in addition, took into account the principle of double materiality recommended by the CSRD, in force in the European Union since the 2024 reports.

The process of identifying material topics was based on:

- analysis of the matrix of material topics for 2021,
- analysis of topics arising from industry guidelines and ratings (S&P, SASB),
- identification of material topics identified by sustainability leaders in the industry,
- including material topics identified in the draft EU ESRS reporting standard,
- taking into account the weight of topics provided by stakeholders in the previous materiality analysis process,

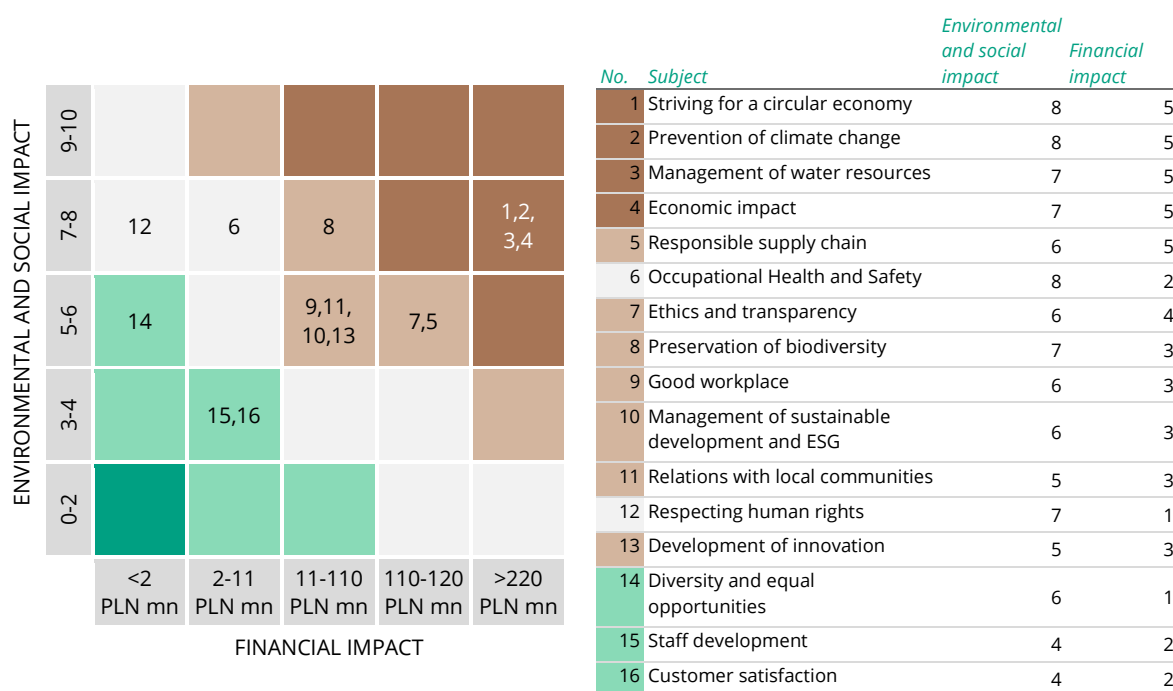
- assessment of the materiality of KGHM's impact on people and the environment in the context of the topics identified,
- assessment of the financial materiality of the topics identified,
- expert assessment of the materiality matrix performed by the CSRinfo Sp. z o.o. team.

As a result of the analysis, it was determined that the material reporting topics of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group adopted in 2021 were relevant in 2022 and are still relevant in the context of operations in 2023. The perspective on the assessment of these topics has changed: instead of relevance to the Company and the stakeholders, the materiality of the impact of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group on people and the environment and the financial materiality was assessed.

In the process of assessing the social and environmental impact in the context of the reporting aspect evaluated and the financial impact assessment, the results of the Company's risk analysis were taken into account: identified related risks were assigned to each topic. In assessing the social and environmental impact, the probability of the occurrence of risks of negative impact of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group on people and/or the environment (on a scale from 0 to 5) and the severity of the effects for people and/or the environment of the materialisation of risks of negative impact of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group were taken into account (on a scale from 0 to 5). The financial impact was rated on a scale from 0 to 5.

The diagram below shows the identified topics that are material for stakeholders and have material social, environmental and economic impacts.

Diagram 35. ESG materiality matrix of KGHM Polska Miedź S.A.



#### 6.4 DESCRIPTION OF THE PROCESS AIMED TO IDENTIFY AND ASSESS SIGNIFICANT IMPACTS, RISKS AND OPPORTUNITIES

##### [ESRS 2 IRO-1]

The description of the process is presented in section [2.2.7 Material impacts, risks and opportunities and their interaction with strategy and business model](#).

#### 6.5 RISK MANAGEMENT AND INTERNAL CONTROLS OVER SUSTAINABILITY REPORTING

##### [ESRS 2 GOV-5]

Risk management is described in section [2.3 Risk management](#).

## 6.6 ESRS DISCLOSURE REQUIREMENTS COVERED BY THE ENTITY'S SUSTAINABILITY STATEMENT

### [ESRS 2 IRO-2]

Index of ESRS indicators with reference pages in the report.

#### **Mandatory disclosures - ESRS 2**

| <i>Index</i>                   | <i>Description of indicator</i>   | <i>Comments</i>                           | <i>Page number</i>                          |
|--------------------------------|---|---|---|
| <b>ESRS 2 BP-1</b>             | General basis for preparation of the sustainability statements  |   | 204   |
| <b>ESRS 2 BP-2</b>             | Disclosure in relation to special circumstances   |   | 204   |
| <b>ESRS 2 GOV-1</b>            | The role of the administrative, management and supervisory bodies   |   | 43, 52, 70                                  |
| <b>ESRS 2 GOV-2</b>            | Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies |   | 45  |
| <b>ESRS 2 GOV-3</b>            | Integration of sustainability-related performance in incentive schemes  |   | 46  |
| <b>ESRS 2 GOV-4</b>            | Statement on sustainability due diligence   |   | 69  |
| <b>ESRS 2 GOV-5</b>            | Risk management and internal controls over sustainability reporting   |   | 52, 53, 205                                 |
| <b>ESRS 2 SBM-1</b>            | Strategy, business model(s) and value chain   |   | 7   |
| <b>ESRS 2 SBM-1 Addendum B</b> | Participation in activities listed in Addendum B  | No participation in the listed activities | -   |
| <b>ESRS 2 SBM-2</b>            | Interests and views of stakeholders   |   | 37, 193                                     |
| <b>ESRS 2 SBM-3</b>            | Material impacts, risks and opportunities and their interaction with strategy and business model                                    |   | 37, 44, 47, 53, 56, 116, 142, 193           |
| <b>ESRS 2 IRO-1</b>            | Description of the processes to identify and assess material impacts, risks and opportunities                                       |   | 49, 50, 51, 53, 56, 122, 129, 143, 146, 205 |
| <b>ESRS 2 IRO-2</b>            | Disclosure Requirements in ESRS covered by the undertaking's sustainability statements  |   | 206   |

#### **Environmental disclosures**

| <i>Index</i>                | <i>Description of indicator</i>   | <i>Comments</i>  | <i>Page number</i> |
|-----------------------------|---|--|--------------------|
| <b>ESRS E1-1</b>            | Transition plan for climate change mitigation   |  | 115                |
| <b>ESRS E1-1 Addendum B</b> | Undertakings excluded from the EU Paris-aligned benchmarks  | Companies of the Group are not undertakings excluded from the EU Paris-aligned benchmarks  |                    |
| <b>ESRS E1-2</b>            | Policies related to climate change mitigation and adaptation  |  | 123                |
| <b>ESRS E1-3</b>            | Actions and resources in relation to climate change policies  |  | 124                |
| <b>ESRS E1-4</b>            | Targets related to climate change mitigation and adaptation   |  | 124                |
| <b>ESRS E1-4 Addendum B</b> | GHG emission reduction targets  |  | 124                |
| <b>ESRS E1-5</b>            | Energy consumption and diversification including energy intensity   |  | 125                |
| <b>ESRS E1-5 Addendum B</b> | Energy consumption from non-renewable sources disaggregated by source<br>Energy consumption and mix<br>Energy intensity associated with activities in high climate impact sectors | As at the date of signing of this Report, this data is not available. Information within this scope will be published separately | 125                |
| <b>ESRS E1-6</b>            | Gross Scopes 1, 2, 3 and Total GHG emissions and GHG emission intensity based on net revenue  |  | 125                |
| <b>ESRS E1-7</b>            | GHG removals and GHG mitigation projects financed through carbon credits  |  | 128                |
| <b>ESRS E1-8</b>            | Internal carbon pricing   |  | 129                |
| <b>ESRS E1-9</b>            | Potential financial effects from material physical and transition risks and potential climate-related opportunities   | The entity omits the information defined in ESRS E1-9 in the first   | 129                |

|                             |   | year of preparation of the sustainability statement.  |     |
|-----------------------------|---|---|-----|
| <b>ESRS E2-1</b>            | Policies related to pollution   |   | 129 |
| <b>ESRS E2-2</b>            | Actions and resources related to pollution  |   | 130 |
| <b>ESRS E2-3</b>            | Targets related to pollution  |   | 135 |
| <b>ESRS E2-4</b>            | Pollution of air, water and soil  |   | 135 |
| <b>ESRS E2-4 Addendum B</b> | Quantity of each pollutant listed in Annex II of the E-PRTR (European Pollutant Release and Transfer Register) emitted to air, water and soil | This disclosure will be reported for 2024 due to the need to implement solutions consolidating emission data from various activities at the level of the KGHM Polska Miedź S.A. Group | -   |
| <b>ESRS E2-5</b>            | Substances of concern and substances of very high concern   |   | 135 |
| <b>ESRS E2-6</b>            | Potential financial effects from pollution-related impacts, risks and opportunities   | The entity omits the information defined in ESRS E2-6 in the first year of preparation of the sustainability statement.   | 136 |
| <b>ESRS E3-1</b>            | Policy related to water and marine resources  |   | 137 |
| <b>ESRS E3-1 Addendum B</b> | Practices related to sustainable oceans and seas  | Not applicable  |     |
| <b>ESRS E3-2</b>            | Activities and resources related to water and marine resources  |   | 138 |
| <b>ESRS E3-3</b>            | Targets related to water and marine resources   |   | 140 |
| <b>ESRS E3-4</b>            | Water consumption   |   | 141 |
| <b>ESRS E3-4 Addendum B</b> | Total amount of water recycled and reused<br>Total amount of water consumed in cubic meters per net revenue of own operations                 |   | 140 |
| <b>ESRS E3-5</b>            | Anticipated financial effects from material water and marine resources-related risks and opportunities  | The entity omits the information defined in ESRS E3-5 in the first year of preparation of the sustainability statement.   | 142 |
| <b>ESRS E4-1</b>            | Transformation plan in terms of biodiversity and ecosystem and including biodiversity and ecosystems in the strategy and business model       |   | 144 |
| <b>ESRS E4-2</b>            | Policy related to biodiversity and ecosystems   |   | 144 |
| <b>ESRS E4-2 Addendum B</b> | Sustainable land / agriculture practices or policies<br>Sustainable oceans / seas practices or policies<br>Policies to address deforestation  | Not applicable  |     |
| <b>ESRS E4-3</b>            | Actions and resources related to biodiversity and ecosystems  |   | 144 |
| <b>ESRS E4-4</b>            | Targets related to biodiversity and ecosystems  |   | 146 |
| <b>ESRS E4-5</b>            | Impact metrics related to biodiversity and ecosystems change  |   | 146 |
| <b>ESRS E4-6</b>            | Potential financial effects from biodiversity and ecosystem-related impacts, risks and opportunities  | The entity omits the information defined in ESRS E4-6 in the first year of preparation of the sustainability statement.   | 146 |
| <b>ESRS E5-1</b>            | Policies related to the use of resources and circular economy   |   | 147 |
| <b>ESRS E5-2</b>            | Activities and resources related to the use of resources and circular economy   |   | 147 |
| <b>ESRS E5-3</b>            | Goals related to the use of resources and circular economy  |   | 148 |
| <b>ESRS E5-4</b>            | Impact of resources (use of raw materials and consumables)  |   | 148 |
| <b>ESRS E5-5</b>            | Impact of resources (products and materials put into circulation and waste generated)   |   | 149 |
| <b>ESRS E5-5 Addendum B</b> | Non-recycled waste<br>Hazardous waste and radioactive waste   |   | 149 |
| <b>ESRS E5-6</b>            | Potential financial effects from resource use and circular economy-related impacts, risks and opportunities                                   | The entity omits the information defined in ESRS E5-6 in the first year of preparation of the sustainability statement.   | 151 |

## Social disclosures

| Index                    | Description of indicator   | Comments   | Page number |
|--------------------------|--|--|-------------|
| ESRS S1-1                | Policies related to own workforce  |  | 167, 168    |
| ESRS S1-1<br>Addendum B  | Obligations in terms of policy concerning the respect for human rights   |  | 167, 168    |
| ESRS S1-1<br>Addendum B  | Due diligence strategies in relation to issues covered by the International Labour Organisation's relevant conventions   |  | 167, 168    |
| ESRS S1-1<br>Addendum B  | Procedures and measures for preventing trafficking in human beings   |  | 167, 168    |
| ESRS S1-1<br>Addendum B  | Workplace accident prevention policy or management system  |  | 167, 168    |
| ESRS S1-2                | Processes for engaging with own workers and workers' representatives about impacts   |  | 169         |
| ESRS S1-3                | Processes to remediate negative impacts and channels for own workers to raise concerns   |  | 174         |
| ESRS S1-3<br>Addendum B  | Complaints-handling mechanism  |  | 174         |
| ESRS S1-4                | Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions |  | 174         |
| ESRS S1-5                | Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities   |  | 175         |
| ESRS S1-6                | Characteristics of the undertaking's employees   |  | 177         |
| ESRS S1-7                | Characteristics of non-employee workers in the undertaking's own workforce   |  | 179         |
| ESRS S1-8                | Scope of collective bargaining and social dialogue   |  | 180         |
| ESRS S1-9                | Diversity indicators   |  | 183         |
| ESRS S1-10               | Adequate wages   |  | 184         |
| ESRS S1-11               | Social protection  |  | 184         |
| ESRS S1-12               | Percentage of persons with disabilities  |  | 185         |
| ESRS S1-13               | Training and skills development indicators   |  | 185         |
| ESRS S1-14               | Health and Safety indicators   |  | 192         |
| ESRS S1-14<br>Addendum B | Number of fatalities as a result of work-related injuries and work-related ill health  |  | 192         |
| ESRS S1-14<br>Addendum B | Number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health  |  | 192         |
| ESRS S1-15               | Work-life balance  |  | 187         |
| ESRS S1-16               | Compensation indicators (pay gap and total compensation)   |  | 188         |
| ESRS S1-16<br>Addendum B | Unadjusted gender pay gap  |  | 188         |
| ESRS S1-16<br>Addendum B | Excessive CEO pay ratio  | Data will be disclosed beginning from 2024   | -           |
| ESRS S1-17               | Incidents, complaints and severe human rights impacts and incidents  |  | 188         |
| ESRS S1-17<br>Addendum B | Incidents of discrimination  |  | 188         |
| ESRS S1-17<br>Addendum B | Non-compliance with the UN Guiding Principles on Business and Human Rights or the OECD Guidelines  |  | 188         |
| ESRS S2-1                | Policies related to value chain workers  |  | 193         |
| ESRS S2-1<br>Addendum B  | Obligations in terms of policy concerning the respect for human rights   |  | 193         |
| ESRS S2-1<br>Addendum B  | Violations of UNGC principles and OECD   | The entity is compliant with UN Guiding Principles on Business and Human Rights of the OECD Guidelines | -           |
| ESRS S2-1<br>Addendum B  | Due diligence strategies in relation to issues covered by the International Labour Organisation's relevant conventions   |  | 193         |
| ESRS S2-2                | Processes for engaging with value chain workers about impacts  |  | 195         |
| ESRS S2-3                | Processes to remediate negative impacts and channels for value chain workers to raise concerns   |  | 196         |








|                             |   |  |     |
|-----------------------------|---|--|-----|
| <b>ESRS S2-4</b>            | Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions, metrics |  | 197 |
| <b>ESRS S2-4 Addendum B</b> | Severe human rights issues and incidents connected to its upstream and downstream value chain   | There were no severe human rights issues and incidents connected to the entity's value chain in the reporting period | -   |
| <b>ESRS S2-5</b>            | Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities related to value chain workers   |  | 196 |
| <b>ESRS S3-1</b>            | Policies related to affected communities  |  | 197 |
| <b>ESRS S3-1 Addendum B</b> | Non-compliance with the UN Guiding Principles on Business and Human Rights or the OECD Guidelines   | We are compliant with the Guiding Principles   | -   |
| <b>ESRS S3-2</b>            | Processes for engaging with affected communities about impacts  |  | 198 |
| <b>ESRS S3-3</b>            | Processes to remediate negative impacts and channels for affected communities to raise concerns   |  | 200 |
| <b>ESRS S3-4</b>            | Taking action on material impacts, and approaches to mitigating material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions and approaches               |  | 200 |
| <b>ESRS S3-4 Addendum B</b> | Human rights issues and incidents   | There were no severe human rights issues and incidents connected to the affected communities in the reporting period | -   |
| <b>ESRS S3-5</b>            | Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities  |  | 202 |
| <b>ESRS S4</b>              | Consumers and end users   | Not applicable   |     |

### **Corporate governance disclosures**

| <i>Index</i>                | <i>Description of indicator</i>   | <i>Comments</i>                                | <i>Page number</i> |
|-----------------------------|---|--|--------------------|
| <b>ESRS G1-1</b>            | Corporate culture and business conduct policies                             |  | 73                 |
| <b>ESRS G1-1 Addendum B</b> | United Nations Convention against Corruption                                | KGHM's Policy is compliant with the Convention | -                  |
| <b>ESRS G1-1 Addendum B</b> | Whistleblower protection  |  | 73                 |
| <b>ESRS G1-2</b>            | Management of relationships with suppliers                                  |  | 73                 |
| <b>ESRS G1-3</b>            | Prevention and detection of corruption or bribery                           |  | 75                 |
| <b>ESRS G1-4</b>            | Confirmed incidents of corruption or bribery                                |  | 78                 |
| <b>ESRS G1-4 Addendum B</b> | Fines for violations of anti-corruption and anti-bribery laws section 24(a) |  |                    |
| <b>ESRS G1-5</b>            | Political influence and lobbying activities                                 |  | 80                 |
| <b>ESRS G1-6</b>            | Payment practices   |  | 81                 |

# Economic results

## 7 ECONOMIC PERFORMANCE OF THE GROUP

|   |   |   |  |   |
|---|---|---|--|---|
|  |  |  |  |  |
| <b>Copper production</b>  | <b>C1 cost</b>  | <b>Revenues</b>   | <b>Adjusted EBITDA</b>   | <b>Loss for the period</b>  |
| <b>711</b><br>kt  | <b>2.87</b><br>USD/lb   | <b>33 467</b><br>PLN mn   | <b>5 362</b><br>PLN mn   | <b>-3 691</b><br>PLN mn   |

### 7.1 PRODUCTION

In 2023, payable copper production by the Group was lower by 3.0%, or by 22.2 thousand tonnes compared to 2022. The decrease was in respect of KGHM INTERNATIONAL LTD. (-16.3 thousand tonnes) and Sierra Gorda S.C.M. (-12.3 thousand tonnes on a 55% basis) and was not offset by higher production by KGHM Polska Miedź S.A. (+6.4 thousand tonnes).

The increase in copper production by KGHM Polska Miedź S.A. in 2023 was due to the higher availability of production lines, in particular to an increase in efficiency of the working time of infrastructure of the Tank House in the Głogów Copper Smelter and Refinery, and involved production both from own concentrate as well as from purchased copper-bearing materials.

The decrease in copper production by Sierra Gorda S.C.M. was mainly due to the extraction of ore with lower copper content and lower recovery, which was not offset by a higher volume of ore processed.

The decrease in production by the segment KGHM INTERNATIONAL LTD. was mainly due to lower production by the Robinson mine (-15.4 thousand tonnes). Additionally, during the first four months of 2022 production by the Franke mine was included (-2.8 thousand tonnes). Higher copper production versus the prior year was recorded by the Sudbury Basin mines (+2.1 thousand tonnes). The decrease in production by the Robinson mine in 2023 was due to the mining of a transition zone with low copper content, and at the same time with high content of clay minerals, acid-soluble copper and zinc, which negatively impacted the flotation process. Moreover, at the start of the year the mine had to deal with difficulties related to the low effectiveness of mining machinery. Since the fourth quarter of 2023, mining has been carried out beyond the transition zone, leading to a substantial improvement in production results.

Detailed information on production results may be found in the sections dedicated to individual segments. The Group's production is shown below.

Table 59. Production by the Group<sup>67</sup>

|                            | 2023           | 2022           | Change (%)   | 4Q'23        | 3Q'23        | 2Q'23        | 1Q'23        |
|----------------------------|----------------|----------------|--------------|--------------|--------------|--------------|--------------|
| <b>Payable copper (kt)</b> |                |                |              |              |              |              |              |
| <b>Group</b>               | <b>710.9</b>   | <b>733.1</b>   | <b>(3.0)</b> | <b>183.6</b> | <b>176.0</b> | <b>175.8</b> | <b>175.5</b> |
| - KGHM Polska Miedź S.A.   | 592.4          | 586.0          | +1.1         | 148.9        | 147.7        | 146.8        | 149.0        |
| - KGHM INTERNATIONAL LTD.  | 39.9           | 56.2           | (29.0)       | 15.8         | 8.7          | 7.8          | 7.6          |
| - Sierra Gorda S.C.M.      | 78.6           | 90.8           | (13.4)       | 18.9         | 19.6         | 21.2         | 18.9         |
| <b>TPM (koz t)</b>         |                |                |              |              |              |              |              |
| <b>Group</b>               | <b>184.4</b>   | <b>177.5</b>   | <b>+3.9</b>  | <b>50.9</b>  | <b>41.0</b>  | <b>45.1</b>  | <b>47.4</b>  |
| - KGHM Polska Miedź S.A.   | 111.0          | 87.3           | +27.1        | 27.7         | 25.6         | 26.8         | 30.9         |
| - KGHM INTERNATIONAL LTD.  | 40.6           | 55.9           | (27.4)       | 14.5         | 7.7          | 9.3          | 9.0          |
| - Sierra Gorda S.C.M.      | 32.9           | 34.3           | (4.1)        | 8.7          | 7.7          | 9.0          | 7.5          |
| <b>Silver (t)</b>          |                |                |              |              |              |              |              |
| <b>Group</b>               | <b>1 428.3</b> | <b>1 327.1</b> | <b>+7.6</b>  | <b>329.4</b> | <b>387.2</b> | <b>330.8</b> | <b>380.9</b> |
| - KGHM Polska Miedź S.A.   | 1 403.3        | 1 298.4        | +8.1         | 323.2        | 381.0        | 324.2        | 374.9        |
| - KGHM INTERNATIONAL LTD.  | 2.7            | 2.0            | +35.0        | 0.5          | 0.7          | 0.8          | 0.7          |
| - Sierra Gorda S.C.M.      | 22.3           | 26.7           | (16.5)       | 5.7          | 5.5          | 5.8          | 5.3          |
| <b>Molybdenum (mn lbs)</b> |                |                |              |              |              |              |              |
| <b>Group</b>               | <b>3.6</b>     | <b>3.0</b>     | <b>+20.0</b> | <b>0.5</b>   | <b>1.0</b>   | <b>1.1</b>   | <b>1.0</b>   |
| - KGHM Polska Miedź S.A.   | -              | -              | x            | -            | -            | -            | -            |
| - KGHM INTERNATIONAL LTD.  | 0.1            | 0.1            | -            | 0.1          | 0.0          | 0.0          | 0.0          |
| - Sierra Gorda S.C.M.      | 3.5            | 2.9            | +20.7        | 0.4          | 1.0          | 1.1          | 1.0          |

<sup>67</sup> Sierra Gorda – 55% share held by the Group

## 7.2 SALES STRUCTURE – GEOGRAPHIC AND PRODUCT

The geographic and product structure of the consolidated sales revenue of the Group is presented in the following charts. In accordance with the adopted principle of consolidation by the equity method, revenues do not include revenues of the segment Sierra Gorda S.C.M. Detailed information on segment's sales is presented in the sections devoted to the results of individual segments.

Chart 25. Geographic structure of Group sales

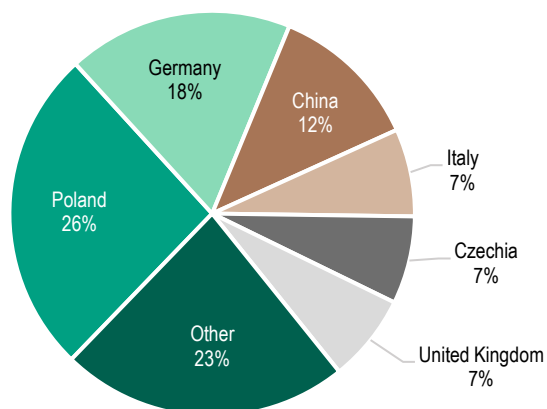
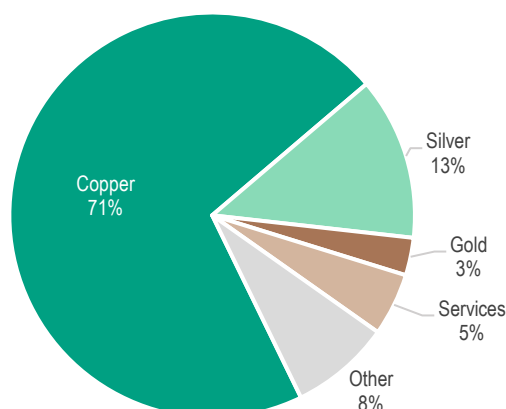


Chart 26. Product structure of Group sales



## 7.3 C1 COST OF PRODUCING PAYABLE COPPER IN THE GROUP

Unit costs by Group segments are presented in the table below. Detailed descriptions of individual items are presented in the sections devoted to individual segments.

Table 60. C1 cost of producing payable copper in the Group (USD/lb)

|                           | 2023        | 2022        | Change (%)   | 4Q'23       | 3Q'23       | 2Q'23       | 1Q'23       |
|---------------------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|
| <b>Group</b>              | <b>2.87</b> | <b>2.20</b> | <b>+30.5</b> | <b>2.64</b> | <b>2.93</b> | <b>2.90</b> | <b>3.00</b> |
| - KGHM Polska Miedź S.A.  | 2.98        | 2.38        | +25.2        | 2.87        | 2.97        | 2.98        | 3.08        |
| - KGHM INTERNATIONAL LTD. | 4.15        | 2.14        | +93.9        | 2.22        | 5.40        | 5.66        | 5.00        |
| - Sierra Gorda S.C.M.     | 1.68        | 1.50        | +12.0        | 2.02        | 1.69        | 1.50        | 1.48        |

## 7.4 FINANCIAL RESULTS

### 7.4.1 Statement of profit or loss

Table 61. Financial results of the Group (in PLN million)

|  | 2023           | 2022         | Change (%)    | 4Q'23          | 3Q'23        | 2Q'23        | 1Q'23        |
|--|----------------|--------------|---------------|----------------|--------------|--------------|--------------|
| Revenues from contracts with customers                   | 33 467         | 33 847       | (1.1)         | 7 819          | 7 891        | 8 172        | 9 585        |
| Cost of sales, selling costs and administrative expenses | (35 107)       | (29 503)     | +19.0         | (10 548)       | (7 697)      | (7 939)      | (8 923)      |
| <b>Profit/(loss) on sales</b>                            | <b>(1 640)</b> | <b>4 344</b> | <b>x</b>      | <b>(2 729)</b> | <b>194</b>   | <b>233</b>   | <b>662</b>   |
| Profit or loss on involvement in a joint venture         | 698            | 1 455        | (52.0)        | (241)          | 165          | 627          | 147          |
| Other operating income and (costs)                       | (2 817)        | 962          | x             | (2 565)        | 697          | (579)        | (370)        |
| Finance income / (costs)                                 | 159            | (272)        | x             | 243            | (267)        | 109          | 74           |
| <b>Profit/(loss) before income tax</b>                   | <b>(3 600)</b> | <b>6 489</b> | <b>x</b>      | <b>(5 292)</b> | <b>789</b>   | <b>390</b>   | <b>513</b>   |
| Income tax expense                                       | (91)           | (1 715)      | (94.7)        | 765            | (354)        | (153)        | (349)        |
| <b>Profit/(loss) for the period</b>                      | <b>(3 691)</b> | <b>4 774</b> | <b>x</b>      | <b>(4 527)</b> | <b>435</b>   | <b>237</b>   | <b>164</b>   |
| <b>Adjusted EBITDA</b>                                   | <b>5 362</b>   | <b>9 024</b> | <b>(40.6)</b> | <b>1 127</b>   | <b>1 173</b> | <b>1 260</b> | <b>1 802</b> |

Adjusted EBITDA, defined as profit/loss on sales increased by depreciation/amortisation recognised in expenses by nature and adjusted by recognition/reversal of impairment losses on property, plant and equipment in the core business, is one of the basic parameters considered by the Management Board of the Parent Entity when evaluating the results of individual operating segments. A detailed definition of this indicator and its reconciliation to profit or loss for the period of the Group may be found in Part 2 (Information on segments and revenues) of the Consolidated financial statements for 2023.

Adjusted EBITDA of the KGHM Polska Miedź S.A. Group for 2023, representing the sum of the indicators reported by individual segments, amounted to PLN 5 362 million:

|                          | KGHM<br>Polska Miedź S.A. | KGHM<br>INTERNATIONAL LTD. | Sierra Gorda<br>S.C.M.* | Other<br>segments | Sum of<br>segments |
|--------------------------|---------------------------|----------------------------|-------------------------|-------------------|--------------------|
| Adjusted EBITDA for 2023 | 3 563                     | (142)                      | 1 584                   | 357               | 5 362              |

During the reporting period the Company redefined adjusted EBITDA by including depreciation/amortisation recognised in expenses by nature in the calculation method (until now, depreciation/amortisation recognised in profit or loss). The applied approach is widely used by numerous exchange-listed companies, including those in the mining sector, ensures consistency and comparability with plans of individual operating segments of the KGHM Polska Miedź S.A. Group and parameters applied in the credit agreements. The comparable period was restated pursuant to the presentation in the current reporting period, EBITDA has changed as compared to the one presented in the published Consolidated financial statements for 2022 - an increase in the amount of PLN 159 million.

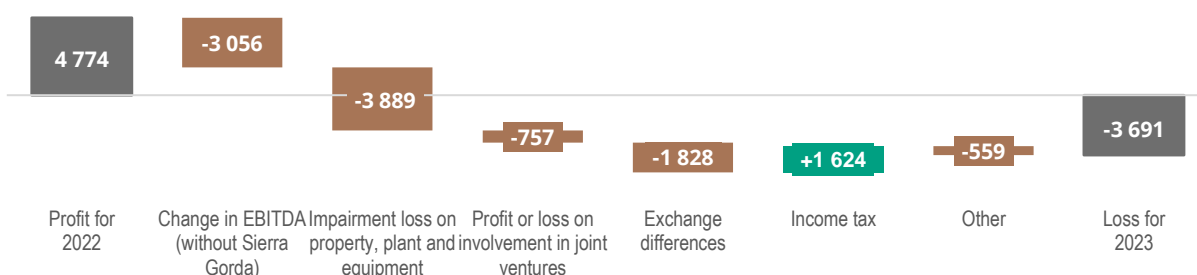
In the subsequent parts of this Report, adjusted EBITDA for 2023 and 2022 is presented based on the updated definition. The total impact of this change in definition for 2022, reflected in this Report, is PLN 159 million:

|   | KGHM<br>Polska Miedź S.A. | KGHM<br>INTERNATIONAL LTD. | Sierra Gorda<br>S.C.M.* | Other<br>segments | Sum of<br>segments |
|---|---------------------------|----------------------------|-------------------------|-------------------|--------------------|
| Adjusted EBITDA for 2022 -<br>depreciation/amortisation recognised in<br>profit or loss (the Report for 2022)     | 5 400                     | 1 001                      | 2 190                   | 274               | 8 865              |
| Adjusted EBITDA for 2022 -<br>depreciation/amortisation recognised in<br>expenses by nature (the Report for 2023) | 5 470                     | 1 089                      | 2 190                   | 275               | 9 024              |
| <b>Difference</b>   | <b>70</b>                 | <b>88</b>                  | <b>-</b>                | <b>1</b>          | <b>159</b>         |

Table 62. Main factors impacting the change in profit or loss of the Group

| Item   | Impact on change of profit or loss (in PLN million) | Description  |
|--|---|--|
| <b>EBITDA</b>  | (3 056)   | A decrease in EBITDA of operating segments (excluding Sierra Gorda), comprised of: <ul style="list-style-type: none"> <li>– lower EBITDA of the segment KGHM Polska Miedź S.A. by PLN 1 907 million,</li> <li>– lower EBITDA of the segment KGHM INTERNATIONAL LTD. by PLN 1 231 million,</li> <li>– higher EBITDA of other segments by PLN 82 million.</li> </ul> <p>The results of the aforementioned segments are described respectively in sections 8, 9 and 11 of the Management Board's Report.</p>  |
| <b>Impairment of property, plant and equipment and intangible assets</b> | (3 889)   | In 2023 there was an increase in impairment losses on property, plant and equipment and intangible assets in the total amount of PLN 3 889 million (PLN 147 million in 2022, PLN 4 036 million in 2023). The impairment losses in 2023 comprised: <ul style="list-style-type: none"> <li>– an impairment loss in the amount of PLN 3 589 million due to an impairment test conducted on the mining and metallurgical assets of KGHM Polska Miedź S.A.,</li> <li>– an impairment loss in the amount of PLN 424 million in the value of assets of the CGU Victoria,</li> <li>– the reversal of an impairment loss in the amount of PLN 23 million due to water rights on sources held in Chile</li> </ul> <p>A detailed description of the assumptions and the results of the conducted impairment tests may be found in part 3 of the consolidated financial statements. A comprehensive presentation of the impairment losses recognised/reversed is presented in note 4.4 of the consolidated financial statements.</p> |
| <b>Profit or loss on involvement in a joint venture</b>                  | (757)   | A decrease in the result on involvement in a joint venture, comprised of: <ul style="list-style-type: none"> <li>– a decrease in profit due to the reversal of allowances for impairment of loans granted to a joint venture, PLN 772 million,</li> <li>– an increase in interest income on loans by PLN 15 million.</li> </ul>  |
| <b>Exchange differences</b>  | (1 828)   | A decrease in the result on exchange differences due to: <ul style="list-style-type: none"> <li>– a lower, by PLN 2 363 million, result on exchange differences presented in other operating income and costs (mainly due to loans within the Group),</li> <li>– a higher, by PLN 535 million, result on exchange differences from the measurement and realisation of borrowings presented in financial income and costs (mainly exchange differences on borrowings of KGHM Polska Miedź S.A.)</li> </ul>  |
| <b>Income tax</b>  | +1 624  | A decrease in income tax, mainly due to: <ul style="list-style-type: none"> <li>– a decrease in current tax by PLN 687 million, mainly due to lower EBITDA,</li> <li>– a decrease in the adjustment of deferred tax by PLN 884 million, mainly as a result of impairment losses.</li> </ul>  |
| <b>Other</b>   | (559)   | Other adjustments of the result, mainly: <ul style="list-style-type: none"> <li>– a decrease in gain from the disposal of subsidiaries by PLN 179 million (in 2022 the Group recorded a gain from the sale of S.C.M. Franke in the amount of PLN 143 million, and gain from the sale of INTERFERIE S.A. and Interferie Medical SPA Sp. z o.o. in the amount of PLN 37 million),</li> <li>– a decrease in gain from the disposal of intangible assets by PLN 127 million (in 2022 the Group recorded a gain from the sale of the OXIDE project in the amount of PLN 135 million)</li> </ul>   |

Chart 27. Change in profit/loss of the Group in 2023 (in PLN million)



## 7.4.2 Cash flow

Table 63. Cash flow of the Group (in PLN million)

|   | 2023           | 2022           | Change (%)   | 4Q'23          | 3Q'23          | 2Q'23        | 1Q'23          |
|---|----------------|----------------|--------------|----------------|----------------|--------------|----------------|
| <b>Net cash generated from financing activities, including:</b> | <b>6 051</b>   | <b>2 464</b>   | <b>×2.5</b>  | <b>2 409</b>   | <b>712</b>     | <b>1 450</b> | <b>1 480</b>   |
| Change in working capital                                       | 3 735          | (2 317)        | ×            | 2 027          | 480            | 949          | 279            |
| <b>Net cash used in investing activities</b>                    | <b>(4 798)</b> | <b>(2 695)</b> | <b>+78.0</b> | <b>(1 762)</b> | <b>(1 049)</b> | <b>(824)</b> | <b>(1 163)</b> |
| <b>Net cash used in/(generated from) financing activities</b>   | <b>(747)</b>   | <b>(446)</b>   | <b>+67.5</b> | <b>(361)</b>   | <b>(105)</b>   | <b>(347)</b> | <b>66</b>      |
| <b>Net cash flow</b>  | <b>506</b>     | <b>(677)</b>   | <b>×</b>     | <b>286</b>     | <b>(442)</b>   | <b>279</b>   | <b>383</b>     |
| Exchange differences  | 23             | (27)           | ×            | 40             | (34)           | 26           | (9)            |
| Cash and cash equivalents at beginning of the period            | 1 200          | 1 904          | (37.0)       | 1 403          | 1 879          | 1 574        | 1 200          |
| <b>Cash and cash equivalents at the end of the period</b>       | <b>1 729</b>   | <b>1 200</b>   | <b>+44.1</b> | <b>1 729</b>   | <b>1 403</b>   | <b>1 879</b> | <b>1 574</b>   |

Net cash generated from operating activities in 2023 amounted to +PLN 6 051 million and mainly comprised:

- EBITDA, excluding Sierra Gorda S.C.M., PLN 3 778 million,
- a positive impact from a change in working capital by PLN 3 735 million, including PLN 2 868 million due to trade payables transferred to factoring,
- income tax paid, PLN 1 646 million.

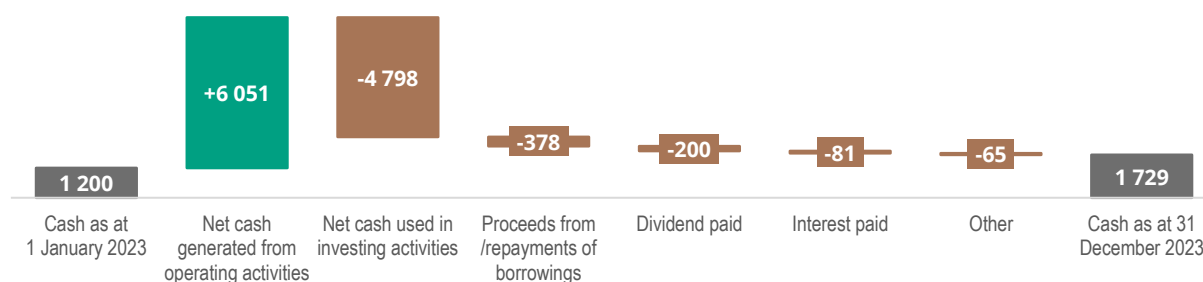
Net cash used in investing activities in 2023 amounted to -PLN 4 798 million and mainly comprised:

- expenditures on property, plant and equipment and intangible assets of the segment KGHM Polska Miedź S.A. in the amount of PLN 3 074 million,
- expenditures on property, plant and equipment and intangible assets of the segment KGHM International LTD in the amount of PLN 984 million,
- expenditures on property, plant and equipment and intangible assets of other segments in the amount of PLN 602 million,
- investments related to the acquisition of photovoltaic farms, PLN 141 million under advances granted in financial assets, and PLN 7 million in expenditures on the acquisition of subsidiaries,
- repayment of the loan by Sierra Gorda S.C.M. with interest, PLN 163 million.

Net cash used in financing activities in 2023 amounted to -PLN 747 million and mainly comprised the balance of proceeds and repayments of borrowings in the amount of -PLN 378 million, dividends paid to shareholders of the parent entity in the amount of PLN 200 million, interest paid in the amount of PLN 81 million and repayment of lease liabilities, PLN 83 million.

After reflecting exchange differences on cash and cash equivalents, the balance of cash and cash equivalents increased by PLN 529 million and at the end of 2023 amounted to PLN 1 729 million.

Chart 28. Cash flow of the Group in 2023 (in PLN million)





### 7.4.3 Assets

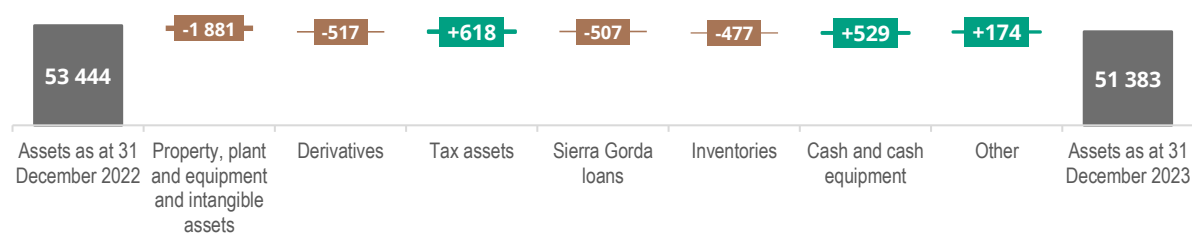
Table 64. Consolidated assets (in PLN million)

|   | 31.12.2023    | 31.12.2022    | Change (%)   | 30.09.2023    | 30.06.2023    | 31.03.2023    |
|---|---------------|---------------|--------------|---------------|---------------|---------------|
| Property, plant and equipment and intangible assets | 26 749        | 28 630        | (6.6)        | 29 809        | 28 884        | 28 820        |
| Joint ventures – loans granted                      | 9 096         | 9 603         | (5.3)        | 10 349        | 9 635         | 9 511         |
| Financial instruments                               | 1 613         | 1 789         | (9.8)        | 1 685         | 1 736         | 1 659         |
| Deferred tax assets                                 | 137           | 137           | -            | 138           | 139           | 143           |
| Other non-financial assets                          | 386           | 220           | +75.5        | 232           | 233           | 220           |
| <b>Non-current assets</b>                           | <b>37 981</b> | <b>40 379</b> | <b>(5.9)</b> | <b>42 213</b> | <b>40 627</b> | <b>40 353</b> |
| Inventories   | 8 425         | 8 902         | (5.4)        | 8 783         | 8 888         | 8 538         |
| Trade receivables                                   | 932           | 1 177         | (20.8)       | 1 513         | 765           | 1 131         |
| Tax assets  | 985           | 367           | +2.7         | 324           | 372           | 367           |
| Derivatives   | 760           | 796           | (4.5)        | 439           | 766           | 611           |
| Other financial assets                              | 296           | 337           | (12.2)       | 259           | 426           | 373           |
| Other non-financial assets                          | 275           | 286           | (3.8)        | 563           | 478           | 388           |
| Cash and cash equivalents                           | 1 729         | 1 200         | +44.1        | 1 403         | 1 879         | 1 574         |
| <b>Current assets</b>                               | <b>13 402</b> | <b>13 065</b> | <b>+2.6</b>  | <b>13 284</b> | <b>13 574</b> | <b>12 982</b> |
| <b>TOTAL ASSETS</b>                                 | <b>51 383</b> | <b>53 444</b> | <b>(3.9)</b> | <b>55 497</b> | <b>54 201</b> | <b>53 335</b> |

At the end of 2023, total assets in the consolidated statement amounted to PLN 51 383 million and were lower as compared to 31 December 2022 by PLN 2 061 million. The main changes comprised:

- a decrease in the value of property, plant and equipment and intangible assets by PLN 1 881 million, mainly as a result of impairment losses by PLN 4 036 million and depreciation/amortisation at the level of PLN 2 641 million. The increase in this amount is due to cash expenditures in the amount of PLN 4 776 million. A detailed description of the assumptions and results of the conducted impairment tests may be found in part 3 of the consolidated financial statements. The share of individual segments in the cash expenditures incurred is presented in note 2.2 of the consolidated financial statements,
- a decrease in the value of derivatives by PLN 517 million, including due to hedging by PLN 946 million (in respect of metals, PLN 555 million, currencies, PLN 251 million and cross currency interest rate swaps, PLN 140 million) and an increase in the value of instruments initially designated as hedging excluded from hedge accounting, entirely comprising currencies (+PLN 474 million). A detailed presentation of assets and liabilities due to derivatives may be found in notes 7.1 and 7.2 of the financial statements,
- an increase in tax receivables by PLN 618 million, mainly due to the surplus of income tax advances in KGHM Polska Miedź S.A. In 2023 the Company made income tax advances under a simplified formula, i.e. at a fixed level calculated on the basis of income earned in 2021,
- a decrease in the carrying amount of loans for Sierra Gorda by PLN 507 million, mainly due to foreign exchange losses in the amount of PLN 1 042 million and loans repaid, PLN 163 million. The increase in the value of loans was impacted by accrued interest in the amount of PLN 597 million and gains due to the reversal of allowance for impairment, PLN 101 million,
- a decrease in the value of inventories by PLN 477 million, mainly due to the write-down of inventories, PLN 442 million (including PLN 370 million of the segment KGHM INTERNATIONAL LTD. since the cost was higher than the net realisable value),
- an increase in cash and cash equivalents by PLN 529 million, which were of a short term nature and were mainly related to an increase in factoring liabilities in the fourth quarter of 2023.

Chart 29. Change in assets of the Group in 2023 (in PLN million)



#### 7.4.4 Equity and liabilities

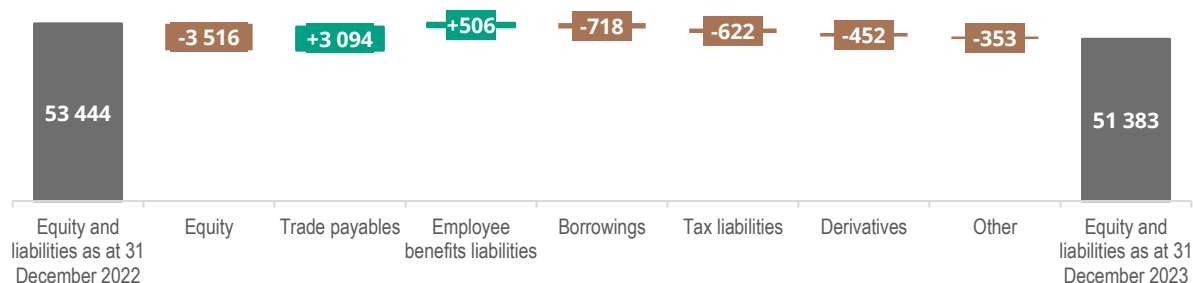
Table 65. Consolidated equity and liabilities (in PLN million)

|  | 31.12.2023    | 31.12.2022    | Change (%) | 30.09.2023    | 30.06.2023    | 31.03.2023    |
|--|---------------|---------------|------------|---------------|---------------|---------------|
| <b>Equity</b>  | <b>28 630</b> | <b>32 146</b> | (10.9)     | <b>33 108</b> | <b>32 791</b> | <b>32 172</b> |
| Borrowings, leases and debt securities                             | 4 761         | 5 220         | (8.8)      | 5 363         | 5 046         | 5 899         |
| Derivatives  | 202           | 719           | (71.9)     | 384           | 453           | 540           |
| Employee benefits liabilities                                      | 3 117         | 2 621         | +18.9      | 2 896         | 2 778         | 2 692         |
| Provisions for decommissioning costs of mines and other facilities | 1 923         | 1 859         | +3.4       | 1 672         | 1 705         | 1 751         |
| Deferred tax liabilities   | 646           | 1 151         | (43.9)     | 1 281         | 1 175         | 1 081         |
| Other liabilities  | 487           | 543           | (10.3)     | 468           | 476           | 506           |
| <b>Non-current liabilities</b>                                     | <b>11 136</b> | <b>12 113</b> | (8.1)      | <b>12 064</b> | <b>11 633</b> | <b>12 469</b> |
| Borrowings, leases and debt securities                             | 964           | 1 223         | (21.2)     | 1 041         | 966           | 618           |
| Derivatives  | 499           | 434           | +15.0      | 296           | 429           | 343           |
| Trade and similar payables   | 6 188         | 3 094         | +2.0       | 5 033         | 3 881         | 2 819         |
| Employee benefits liabilities                                      | 1 709         | 1 699         | +0.6       | 1 669         | 2 067         | 1 819         |
| Tax liabilities  | 611           | 1 233         | (50.4)     | 649           | 707           | 1 366         |
| Provisions for liabilities and other charges                       | 194           | 173           | +12.1      | 179           | 172           | 182           |
| Other liabilities  | 1 452         | 1 329         | +9.3       | 1 458         | 1 555         | 1 547         |
| <b>Current liabilities</b>   | <b>11 617</b> | <b>9 185</b>  | +26.5      | <b>10 325</b> | <b>9 777</b>  | <b>8 694</b>  |
| <b>Non-current and current liabilities</b>                         | <b>22 753</b> | <b>21 298</b> | +6.8       | <b>22 389</b> | <b>21 410</b> | <b>21 163</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                | <b>51 383</b> | <b>53 444</b> | (3.9)      | <b>55 497</b> | <b>54 201</b> | <b>53 335</b> |

Equity and liabilities at the end of 2023 were lower by PLN 2 061 million, mainly due to:

- a decrease in equity by PLN 3 516 million due to a loss for the period in the amount of PLN 3 691 million and dividends paid, PLN 200 million. In 2023, the Group recorded an increase in actuarial loss due to the measurement of benefits after the period of employment, by PLN 252 million (including deferred tax) and an increase in reserves from the measurement of financial instruments by PLN 704 million (including PLN 294 million from an increase in the measurement of Tauron Polska Energia S.A. and PLN 451 million from an increase in the measurement of cash flow hedging instruments),
- a decrease in borrowings, leases and debt securities by PLN 718 million, mainly due to EBITDA, PLN 3 778 million (excluding Sierra Gorda), a change in working capital, PLN 3 735 million (including PLN 2 868 million due to payables transferred to factoring) and foreign exchange gains, PLN 356 million. The increase in borrowings was mainly due to income tax paid, PLN 1 646 million, cash expenditures, PLN 4 798 million, dividends paid, PLN 200 million and an increase in the balance of cash and cash equivalents by PLN 529 million. At the end of 2023, 83% of borrowings is long-term, 48% of borrowings is denominated in USD and 50% in PLN.
- a decrease in the value of derivatives by PLN 452 million, including due to hedging by PLN 790 million (in respect of metals, PLN 272 million, currencies PLN 130 million and cross currency interest rate swaps, PLN 388 million) along with an increase in the value of trade instruments (+PLN 379 million), mainly currencies. A detailed presentation of assets and liabilities due to derivatives may be found in notes 7.1 and 7.2 of the financial statements,
- higher employee benefits liabilities by PLN 506 million, mainly due to an increase in the measurement of liabilities due to the coal equivalent by PLN 191 million, jubilee awards by PLN 144 million and retirement and disability benefits by PLN 128 million. The higher measurement of liabilities was mainly due to actuarial losses, PLN 452 million.
- higher current trade and similar payables by PLN 3 094 million mainly due to an increase in liabilities transferred to factoring by PLN 3 003 million. Trade payables transferred to reverse factoring are presented in the statement of financial position as „Trade and similar payables” and are categorised as „similar”, as, given the significant judgment of the Group, such a presentation best reflects the nature of such transactions.
- a decrease in tax liabilities by PLN 622 million, mainly in respect of income tax liabilities in KGHM Polska Miedź S.A. Tax liability for 2022 was paid by 30 June 2023. At the end of 2023 the Company did not have any income tax liabilities.

Chart 30. Change in equity and liabilities of the Group in 2023 (in PLN million)



#### 7.4.5 Contingent assets and liabilities due to guarantees granted

As at 31 December 2023, contingent assets amounted to PLN 459 million and mainly comprised promissory notes receivables in the amount of PLN 111 million and guarantees received by the Company in the amount of PLN 324 million.

As at 31 December 2023, the liabilities of the Group due to guarantees and letters of credit granted amounted to a total of PLN 1 132 million (as at 31 December 2022: PLN 1 156 million) and due to promissory notes payables amounted to PLN 257 million (as at 31 December 2022: PLN 170 million).

Detailed information regarding contingent assets and liabilities, including guarantees granted, may be found in notes 12.5 and 8.6 of the consolidated financial statements.

Based on the knowledge held, at the end of the reporting period the Group assessed the probability of payments resulting from liabilities due to guarantees granted as low.

### 7.5 FINANCING IN THE GROUP

The KGHM Polska Miedź S.A. Group manages its financial resources based on the approved Financial Liquidity Management Policy in the Group. Its primary goal is to ensure continuous operations by securing the availability of funds required to achieve the Group's business goals, while optimising incurred costs. Moreover, the Policy regulates the Group's borrowing principles, the principles of managing debt and monitoring the level of the Group's debt. Financial liquidity management involves securing an appropriate amount of cash and available debt financing in the short, medium and long term.

#### 7.5.1 Net debt in the Group

Borrowings of the Group at the end of 2023 amounted to PLN 5 725 million. The debt structure is based on diversified and long-term financing sources, ensuring financial stability over the long term.

The Group's free cash and cash equivalents, which as at 31 December 2023 amounted to PLN 1 702 million, are of a short term nature.

Table 66. Net debt structure of the Group (in PLN million)

|                                       | 31.12.2023   | 31.12.2022   | Change (%)    | 30.09.2023   | 30.06.2023   | 31.03.2023   |
|---------------------------------------|--------------|--------------|---------------|--------------|--------------|--------------|
| <b>Liabilities due to:</b>            | <b>5 725</b> | <b>6 443</b> | <b>(11.1)</b> | <b>6 404</b> | <b>6 012</b> | <b>6 517</b> |
| Bank loans                            | 667          | 1 263        | (47.2)        | 955          | 686          | 936          |
| Other loans                           | 2 272        | 2 434        | (6.7)         | 2 618        | 2 542        | 2 760        |
| Debt securities                       | 2 002        | 2 002        | -             | 2 044        | 2 001        | 2 045        |
| Leases                                | 784          | 744          | +5.4          | 787          | 783          | 776          |
| <b>Free cash and cash equivalents</b> | <b>1 701</b> | <b>1 179</b> | <b>+44.3</b>  | <b>1 376</b> | <b>1 852</b> | <b>1 543</b> |
| <b>Net debt</b>                       | <b>4 024</b> | <b>5 264</b> | <b>(23.6)</b> | <b>5 028</b> | <b>4 160</b> | <b>4 974</b> |

Table 67. Net debt structure of the Parent Entity (in PLN million)

|                                       | 31.12.2023   | 31.12.2022   | Change (%)    | 30.09.2023   | 30.06.2023   | 31.03.2023   |
|---------------------------------------|--------------|--------------|---------------|--------------|--------------|--------------|
| <b>Liabilities due to:</b>            | <b>5 691</b> | <b>6 445</b> | <b>(11.7)</b> | <b>6 397</b> | <b>5 968</b> | <b>6 532</b> |
| Bank loans                            | 590          | 1 194        | (50.6)        | 875          | 616          | 859          |
| Other loans                           | 2 058        | 2 241        | (8.2)         | 2 378        | 2 323        | 2 520        |
| Debt securities                       | 2 002        | 2 002        | -             | 2 044        | 2 001        | 2 045        |
| Cash pooling                          | 350          | 321          | +9.0          | 411          | 341          | 401          |
| Leases                                | 691          | 687          | +0.6          | 689          | 687          | 707          |
| <b>Free cash and cash equivalents</b> | <b>1 463</b> | <b>971</b>   | <b>+50.7</b>  | <b>1 065</b> | <b>1 556</b> | <b>1 251</b> |
| <b>Net debt</b>                       | <b>4 228</b> | <b>5 474</b> | <b>(22.8)</b> | <b>5 332</b> | <b>4 412</b> | <b>5 281</b> |

## 7.5.2 Sources of financing in the Group

As at 31 December 2023, the Group held open lines of credit, loans and debt securities with a total available amount of PLN 14 937 million, out of which PLN 4 941 million had been drawn.

Table 68. Sources of financing in the Group<sup>68</sup>

|  |   |
|--|---|
| <b>Unsecured, revolving syndicated credit facility in the amount of USD 1.5 billion</b>  | <p>A credit facility in the amount of USD 1 500 million (PLN 5 903 million), acquired on the basis of a financing agreement entered into by the Parent Entity with a syndicate banks group in 2019, with maturity falling on 19 December 2024 and the option of extending for a further 2 years (5+1+1). In the years 2020-2021 the Parent Entity received a consent of the Syndicate Members to extend the term of the agreement by 2 years, that is to 20 December 2026. The limit of available financing during the extension period will amount to USD 1 438 million (PLN 6 330 million). Interest is based on LIBOR plus a margin, which depends on the net debt/EBITDA ratio.</p> <p>The funds acquired under this credit facility are used to finance general corporate purposes.</p>  |
| <b>Investment loans, including from the European Investment Bank in the total amount of PLN 3.6 billion with financing periods of up to 12 years</b> | <p>Financing agreements signed by the Parent Entity with the European Investment Bank:</p> <ul style="list-style-type: none"> <li>– in August 2014 in the amount of PLN 2 000 million, which was drawn in the form of three instalments with maturities falling on 30 October 2026, 30 August 2028 and 23 May 2029 and used to the full available amount. The funds acquired through this loan were used to finance selected investment projects related to modernisation of metallurgy and development of the Żelazny Most tailings storage facility,</li> <li>– in December 2017 in the amount of PLN 1 340 million, under which four instalments were drawn with the payback period expiring on 28 June 2030, 23 April 2031, 11 September 2031 and 6 March 2035. The funds acquired through this loan are used to finance the Parent Entity's development and replacement projects at various stages of the production line.</li> </ul> <p>Interest on the instalments drawn is based on a fixed interest rate or the SOFR rate plus a margin, which depends on the net debt/EBITDA ratio.</p> |
| <b>Debt securities in the amount of PLN 2.0 billion</b>  | <p>The program to issue bonds on the Polish market was established under an issue agreement dated 27 May 2019. The issue had a nominal value of PLN 2 000 million, under which 5-year bonds were issued in the amount of PLN 400 million with maturity falling on 27 June 2024 and 10-year bonds in the amount of PLN 1 600 million with maturity falling on 27 June 2029. Interest is based on WIBOR plus a margin.</p> <p>The funds obtained from the bond issue are used to finance general corporate goals.</p>   |
| <b>Bilateral bank loans in the amount of up to PLN 3.5 billion</b>   | <p>The Group holds lines of credit in the form of short-term and long-term bilateral agreements in the total amount of PLN 3 452 million. Interest is based on a fixed interest rate or on the variable interest rates WIBOR, SOFR, EURIBOR plus a margin.</p> <p>The funds obtained under the aforementioned bank loan agreements are a tool supporting the management of current financial liquidity and support the financing of investments.</p>  |

Another source supporting the Group's liquidity is reverse factoring. The main goal of implementation of the reverse factoring program was to guarantee the effective management of working capital while ensuring the timely execution of trade payables towards the suppliers of the Group. Reverse factoring is treated by the Group as an important element in diversifying the sources of financing working capital.

The aforementioned sources fully cover the current, medium- and long-term liquidity needs of the Group.

<sup>68</sup> Detailed information on the aforementioned borrowings and debt securities may be found in note 8.4.3 of the financial statements

### 7.5.3 Debt position as at 31 December 2023

The following table presents the Group's borrowing structure and the extent to which borrowing was utilised.

Table 69. Amount of borrowing available and drawn by the Group (in PLN million)

|   | Amount drawn<br>as at 31.12.2023 | Amount drawn<br>as at 31.12.2022 | Change (%)    | Amount available<br>as at 31.12.2023 | Amount drawn<br>(%) as at<br>31.12.2023 |
|---|----------------------------------|----------------------------------|---------------|--------------------------------------|---|
| Unsecured, revolving syndicated credit facility | -                                | 528                              | (100.0)       | 5 903                                | -                                       |
| Loans   | 2 272                            | 2 434                            | (6.7)         | 3 582                                | 63.4                                    |
| Bilateral bank loans                            | 667                              | 735                              | (9.3)         | 3 452                                | 19.3                                    |
| Debt securities <sup>69</sup>                   | 2 002                            | 2 002                            | -             | 2 000                                | 100.1                                   |
| <b>Total</b>                                    | <b>4 941</b>                     | <b>5 699</b>                     | <b>(13.3)</b> | <b>15 386</b>                        | <b>32.1</b>                             |

As at 31 December 2023, 50% of the Group's debt came from liabilities drawn in PLN, 48% in USD, 1% in EUR and 1% in CAD.

### 7.5.4 Evaluation of financial resources management

In 2023, the KGHM Polska Miedź S.A. Group was fully capable of meeting its obligations with respect to liabilities drawn. The cash and cash equivalents held by the Group along with the external financing obtained ensure that liquidity will be maintained and will enable the achievement of investment goals.

As at 31 December 2023, the Group held PLN 1 702 million of free cash and cash equivalents and had open credit lines for total available financing in the amount of PLN 14 937 million, out of which PLN 4 941 million had been drawn.

In 2023, the Group continued activities aimed at ensuring long-term financial stability and optimising short-term sources of financing.

Under the unsecured, syndicated credit facility, the two bilateral bank loans and the investment loans from the European Investment Bank, the Group is obliged to maintain the financial covenant at a specified level. At the reporting date, during the financial year and following the reporting date, up to the date of publication of this report, the level of reportable financial covenant as at 30 June 2023 and 31 December 2023, met the conditions specified in agreements.

Table 70. Net debt / EBITDA of the Group

|                                   | 31.12.2023  | 31.12.2022  | Change (%)   | 30.09.2023  | 30.06.2023  | 31.03.2023  |
|-----------------------------------|-------------|-------------|--------------|-------------|-------------|-------------|
| <b>Net debt / Adjusted EBITDA</b> | <b>1.06</b> | <b>0.77</b> | <b>+37.7</b> | <b>1.18</b> | <b>0.89</b> | <b>0.87</b> |

<sup>69</sup> The carrying amount of PLN 2 002 million includes a valuation, or interest accrued from the date of final payment of interest, i.e. from 27 December 2023 to 31 December 2023.

## 7.5.5 Loans granted by Group companies

As at 31 December 2023, the balance of receivables due to loans granted by the Parent Entity, in accordance with the measurement pursuant to IFRS 9, amounted to PLN 9 711 million, while the balance of receivables due to loans granted by the Group, in accordance with the measurement pursuant to IFRS 9, amounted to PLN 9 118 million.

Table 71. The most significant<sup>70</sup> loans granted by Group companies as at 31 December 2023

| Lender                                 | Borrower                           | Year granted      | Total amount of loans  | Total balance of receivables due to loans granted <sup>71</sup> |                           | Maturity                            |
|--|------------------------------------|-------------------|------------------------|---|---------------------------|-------------------------------------|
| <b>Loans granted within the Group</b>  |                                    |                   |                        |   |                           |                                     |
| KGHM Polska Miedź S.A.                 | KGHM INTERNATIONAL LTD.            | 2015-2023         | USD 197 mn             | USD 206 mn  | PLN 807 mn                | from 31.12.2027 to 30.06.2034       |
| KGHM Polska Miedź S.A.                 | Future 1 Sp. z o.o.                | 2013-2016<br>2017 | USD 874 mn<br>PLN 7 mn | USD 1 190 mn  | PLN 4 681 mn<br>PLN 10 mn | 31.12.2024<br>31.12.2024            |
| KGHM Polska Miedź S.A.                 | Quadra FNX Holdings Chile Limitada | 2015-2017         | USD 437 mn             | USD 395 mn  | PLN 1 554 mn              | 31.12.2024                          |
| KGHM Polska Miedź S.A.                 | Quadra FNX FFI S.à r.l.            | 2017-2020         | USD 497 mn             | USD 654 mn  | PLN 2 647 mn              | 15.12.2024<br>31.12.2024            |
| Future 1 Sp. z o.o.                    | KGHM INTERNATIONAL LTD.            | 2012              | USD 453 mn             | USD 395 mn  | PLN 1 555 mn              | 31.12.2027                          |
| Future 1 Sp. z o.o.                    | Quadra FNX FFI S.à r.l.            | 2017              | USD 1 419 mn           | USD 1 546 mn  | PLN 6 085 mn              | 15.12.2024                          |
| KGHM INTERNATIONAL LTD.                | FNX Mining Company Inc.            | 2015              | USD 140 mn             | USD 105 mn  | PLN 413 mn                | on demand                           |
| KGHM INTERNATIONAL LTD.                | Robinson Holdings USA Ltd.         | 2018              | USD 86 mn              | USD 113 mn  | PLN 444 mn                | on demand, no later than 30.06.2025 |
| KGHM INTERNATIONAL LTD.                | DMC Mining Services Ltd.           | 2022              | CAD 10 mn              | CAD 11 mn   | PLN 33 mn                 | 01.12.2024                          |
| Quadra FNX FFI S.à r.l.                | Quadra FNX Holdings Chile Limitada | 2018-2020         | USD 347 mn             | USD 460 mn  | PLN 1 809 mn              | 31.12.2024                          |
| DMC Mining Services Ltd.               | DMC Mining Services Chile SpA      | 2019-2022         | USD 14 mn              | USD 20 mn   | PLN 61 mn                 | on demand                           |
| FNX Mining Company Inc./ DMC Branch    | DMC Mining Services Ltd.           | 2019-2021         | CAD 57 mn              | CAD 57 mn   | PLN 169 mn                | on demand                           |
| KGHM Chile SpA                         | Minera Carizalillo SpA             | 2022              | USD 9 mn               | USD 9 mn  | PLN 35 mn                 | on demand                           |
| Franke Holdings LTD                    | KGHM INTERNATIONAL LTD.            | 2022              | CAD 23 mn              | CAD 23 mn   | PLN 68 mn                 | 31.12.2024                          |
| <b>Loans granted to other entities</b> |                                    |                   |                        |   |                           |                                     |
| Quadra FNX FFI S.à r.l.                | Sierra Gorda S.C.M.                | 2012              | USD 1 700 mn           | USD 2 311 mn  | PLN 9 094 mn              | on demand, no later than 15.12.2024 |

The following table presents significant loans granted in 2023 by the Parent Entity and Group companies, with the balance of receivables due to loans granted as at the end of 2023 (reflecting accrued interest, redemption and measurement pursuant to IFRS 9).

Table 72. Loans granted by the Parent Entity and Group companies in 2023

| Lender                                | Borrower                | Year granted | Total amount of loans | Total balance of receivables due to loans granted <sup>72</sup> |            | Interest on loans as at 31.12.2023 | Maturity   |
|---------------------------------------|-------------------------|--------------|-----------------------|---|------------|------------------------------------|------------|
| <b>Loans granted within the Group</b> |                         |              |                       |   |            |                                    |            |
| KGHM POLSKA MIEDŹ S.A.                | KGHM INTERNATIONAL LTD. | 2023         | USD 106 mn            | USD 110 mn  | PLN 433 mn | 6.39%                              | 31.12.2033 |
| KGHM POLSKA MIEDŹ S.A.                | KGHM INTERNATIONAL LTD. | 2023         | USD 38 mn             | USD 38 mn   | PLN 150 mn | 7.26%                              | 30.06.2034 |
| KGHM POLSKA MIEDŹ S.A.                | KGHM INTERNATIONAL LTD. | 2023         | USD 44 mn             | USD 44 mn   | PLN 173 mn | 6.36%                              | 31.03.2029 |
| KGHM INTERNATIONAL LTD.               | Minera Carizalillo SpA  | 2023         | USD 4 mn              | USD 4 mn  | PLN 16 mn  | 6.00%                              | 31.12.2027 |

70 Balance of receivables over PLN 25 million

71 Including accrued, unpaid interest as at 31 December 2023.

72 Including accrued, unpaid interest as at 31 December 2023

Moreover, after the end of the reporting period, on 12 February 2024 the Company granted a loan to KGHM INTERNATIONAL LTD. in the amount of USD 30.6 million (PLN 122.9 million) for financing the purchase of mining machinery in the Robinson mine.

### 7.5.6 Cash pooling in the Group

In managing its financial liquidity, the Group utilises tools which support its efficiency. One of the basic instruments used by the Group is the cash pooling management in the group of accounts - domestically in PLN, USD and EUR and abroad in USD, and additionally in CAD in the KGHM INTERNATIONAL LTD. Group. The cash pooling system is aimed at optimising cash management, limiting interest costs, the effective financing of current needs in terms of working capital and supporting short term financial liquidity in the Group.

### 7.6 ECONOMIC OUTLOOK FOR 2024 AND ACHIEVEMENTS OF TARGETS IN 2023

KGHM Polska Miedź S.A. does not publish forecasts of financial results. However, in regulatory filings dated 21 December 2022 and 28 December 2023 the Company published its main Budget assumptions respectively for 2023 and 2024, which are presented in the table below.

Table 73. Implementation of targets of the Budget in 2023 and targets of the Budget for 2024

|  |        | 2023    | Budget 2023 | Execution (%) | Budget 2024 | Change (%) |
|--|--------|---------|-------------|---------------|-------------|------------|
| <b>KGHM Polska Miedź S.A.</b>  |        |         |             |               |             |            |
| Production of copper in concentrate  | kt     | 395.4   | 389.7       | 101.5         | 391.0       | (1.1)      |
| Production of silver in concentrate  | t      | 1 319.9 | 1 261.5     | 104.6         | 1 281.0     | (2.9)      |
| Electrolytic copper production, including:   | kt     | 592.4   | 582.1       | 101.8         | 569.2       | (3.9)      |
| - from own concentrate   | kt     | 385.5   | 385.3       | 100.1         | 370.4       | (3.9)      |
| Metallic silver production   | t      | 1 403.3 | 1 300.9     | 107.9         | 1 239.3     | (11.7)     |
| Copper products sales volume   | kt     | 584.7   | 606.8       | 96.4          | 593.2       | +1.5       |
| Silver products sales volume   | t      | 1 351.6 | 1 303.0     | 103.7         | 1 291.9     | (4.4)      |
| Total unit cost of electrolytic copper production from own concentrate <sup>73</sup> | PLN/t  | 33 255  | 36 340      | 91.5          | 35 950      | +8.1       |
| Capital expenditures on property, plant and equipment <sup>74</sup>                  | PLN mn | 3 199   | 3 250       | 98.4          | 4 100       | +28.2      |
| Other investments, including loans <sup>75</sup>                                     | PLN mn | 1 054   | 2 129       | 49.5          | 1 488       | +41.2      |
| <b>KGHM INTERNATIONAL LTD.</b>   |        |         |             |               |             |            |
| Payable copper production  | kt     | 39.9    | 56.0        | 71.3          | 58.3        | +46.1      |
| TPM production   | koz t  | 40.6    | 59.2        | 68.6          | 48.7        | +20.0      |
| <b>Sierra Gorda (55%)</b>  |        |         |             |               |             |            |
| Payable copper production  | kt     | 78.7    | 80.3        | 98.0          | 87.5        | +11.2      |
| Molybdenum production  | mn lbs | 3.5     | 5.7         | 61.4          | 5.7         | +62.9      |

#### 7.6.1 Achievement of targets in 2023

In 2023, the Company recorded production of electrolytic copper which was 10.3 thousand tonnes (+2%) higher than the Budget target for 2023, with production from own concentrate maintained at the planned level. In the case of silver, production was higher by 102 tonnes (+8%). As a result, sales of silver were also higher than planned (+49 tonnes, or 4%).

However, sales of copper were lower than assumed in the Budget by 22.1 thousand tonnes (-4%) as a result of complying with customers' ongoing needs.

Production of payable copper and precious metals by KGHM INTERNATIONAL LTD. was lower than assumed in the Budget, mainly due to lower production by the Robinson mine.

Sierra Gorda ended 2023 with payable copper production at a level slightly lower (-2%) than the target, mainly due to lower recovery.

<sup>73</sup> The sum of costs of mining, flotation, smelter processing per electrolytic copper, together with support functions and cathode selling costs, adjusted by the value of inventories of half-finished products and work in progress, less value of anode slimes and divided by the volume of electrolytic copper production from own concentrate.

<sup>74</sup> Excluding costs of borrowing, leases per IFRS 16 unrelated to an investment project as well as expenditures on development work – uncompleted.

<sup>75</sup> Acquisition of shares and investment certificates together with loans.



The total unit cost of electrolytic copper production from own concentrate in KGHM Polska Miedź S.A. was lower than planned by 8%, mainly due to lower cost of own concentrate and metallurgical processing cost.

Capital expenditures on property, plant and equipment were realised at the level of PLN 3 199 million, or 2% lower than assumed in the Budget. However, other investments including increases in share capital of subsidiaries and other equity investments, amounted to PLN 1 054 million versus the target of PLN 2 129 million, mainly due to the postponement of RES investment plans.

### 7.6.2 Targets for 2024

**Production** – higher copper production by the Group in 2024 by 4.0 thousand tonnes (+1%) compared to the amount recorded in 2023:

- KGHM Polska Miedź S.A. -23.2 thousand tonnes (-4%) with lower production from own concentrate by 15.1 thousand tonnes,
- KGHM INTERNATIONAL LTD. +18.4 thousand tonnes (+46%),
- Sierra Gorda +8.8 thousand tonnes (+11%).






The assumed level of **sales** of copper by KGHM Polska Miedź S.A. is higher by 8.5 thousand tonnes (+1%).

Total **unit cost** of electrolytic copper production from own concentrate (KGHM Polska Miedź S.A.) will increase by 8% due to the adopted assumptions regarding higher prices of materials and technological fuels as well as energy factors.

**Capital expenditures on property, plant and equipment** (excluding costs of borrowing, leases per IFRS 16 unrelated to an investment project and expenditures on uncompleted development work) – an assumed increase by 28% as compared to the amount achieved in 2023 due to the greater scope of work and the expected price increases.

The increase in **equity investments** assumed in the budget for 2024 concerns primarily the financing of infrastructure development in Group companies, investments in renewable energy sources and expenditures on the Victoria project.

## 8 ECONOMIC RESULTS OF THE SEGMENT KGHM POLSKA MIEDŹ S.A.

|   |   |   |  |   |
|---|---|---|--|---|
|  |  |  |  |  |
| <b>Copper production</b>  | <b>C1 cost</b>  | <b>Revenues</b>   | <b>Adjusted EBITDA</b>   | <b>Loss for the period</b>  |
| <b>592</b><br>kt  | <b>2.98</b><br>USD/lb   | <b>29 084</b><br>PLN mn   | <b>3 563</b><br>PLN mn   | <b>-1 153</b><br>PLN mn   |

### 8.1 PRODUCTION

The main goals set by the Management Board in terms of production and occupational health and safety for 2023 were:

- optimal utilisation of the resource base and of the production capacity of the Company, and
- optimisation of copper content in ore and concentrate

The goals set required advancement of the following actions:

|  |   |
|--|---|
| <b>in mining</b>                         | <ul style="list-style-type: none"> <li>– expanding mining operations within the Deep Głogów (Głogów Głęboki-Przemysłowy) area,</li> <li>– continuation of work related to exploration of the „Radwanice” and „Retków” copper ore deposits,</li> <li>– improvement of the ore extraction technology, greater mining efficiency and improved occupational health and safety, by: <ul style="list-style-type: none"> <li>– adapting the geometry of mining systems to local geological and mining conditions,</li> <li>– improving the efficiency of technological and active methods of limiting the threat of rock bursts and of other associated natural threats, and</li> <li>– proper barren rock management in mining areas (selective extraction, siting of rock, mechanical ore mining),</li> </ul> </li> <li>– a greater scope of work with respect to identifying gas-related threats and the use of new technical solutions and means of prevention to counteract this threat,</li> <li>– developing mine ventilation connections with the GG-1 shaft at the level of the deposit,</li> <li>– continued construction of the Surface-based Air Conditioning Station at the GG-1 shaft with target capacity of 40 MW,</li> <li>– expansion of the mine dewatering system,</li> <li>– maintaining the efficiency of mining vehicles in an assortment and quantities required to execute production tasks along with successive replacement of the machine park,</li> <li>– realisation of the planned practical scope of preparatory and access work using the commissioning system at the level of 57 thousand meters,</li> </ul> |
| <b>in ore processing</b>                 | <ul style="list-style-type: none"> <li>– maintaining the production capacity of individual areas of the Concentrators Division Areas to the amount and quality of ore supplied,</li> <li>– maintaining the production of concentrates in an amount and quality necessary for optimal use of the production capacity of the fire phases of the smelters and refineries,</li> <li>– tests were conducted on RFC (Reflux Flotation Cell) flotation machinery, dedicated to the recovery of small grains,</li> <li>– the continuity of concentrate deliveries to the Rudna Region concentrator continued despite the simultaneous advancement of investment tasks and breakdowns of a technical-construction nature (limited amount of thickeners, modernisation of press filters, driers, modernisation of concentrate loading and haulage),</li> <li>– 8.5 million tonnes of ore were processed in the Lubin Region concentrator – the coordination of maintenance work requiring a shutdown and in the logistics of transport and storage was improved,</li> </ul>   |
| <b>in metallurgy</b>                     | <ul style="list-style-type: none"> <li>– maintaining the share of imported concentrates and copper scrap accompanying the smelting of own concentrates in order to carry out the planned high level of electrolytic copper production,</li> <li>– planned maintenance carried out at the Legnica Copper Smelter and Refinery,</li> <li>– environmental impact was minimised by improving the efficiency of the dedusting and hermetic sealing of processes and the optimisation of water and effluents management,</li> <li>– optimal utilisation of infrastructure enabled the full execution of production tasks in terms of the main products,</li> <li>– an increase in the share of recycling in copper production as a result of an increase in the processing of scrap in the furnaces of the Głogów Copper Smelter and Refinery and maximisation of scrap processing in all fire phases in the Legnica Copper Smelter and Refinery, in order to carry out the planned high level of electrolytic copper production,</li> </ul>  |
| <b>in occupational health and safety</b> | <ul style="list-style-type: none"> <li>– the activation and moderation of the engagement of all Company employees in the question of occupational health and safety,</li> <li>– consistent implementation of the Employee Safety Improvement Program – „Think About Consequences”,</li> <li>– the implementation of agreed elements of the Program to eliminate the most frequent threats to workplace safety through utilisation of innovative technology,</li> </ul>  |

- constant monitoring of threats occurring in the workplace and the realisation of organisational and technical goals aimed at limiting professional risks and accident rates,
- the commencement of additional organisational and technical initiatives aimed at improving workplace safety, in particular with respect to the Company's mines,
- continuous improvement of the occupational health and safety management system in the Company pursuant to the PN ISO 45000:2018 standard.

### 8.1.1 Mine production

In 2023 extraction of ore (dry weight) amounted to 30.4 million tonnes and was at a similar level to the level recorded in 2022.

Average copper content in extracted ore amounted to 1.46% and was higher than the level achieved in 2022. In the case of silver in ore, content amounted to 50.44 g/t and was higher compared to the prior year.

As a result the amount of copper in extracted ore was higher than in 2022 by 2.8 thousand tonnes of copper and amounted to 445.5 thousand tonnes. The volume of silver in ore increased by 852 kg and amounted to 1 534 tonnes.

In 2023, 30.5 million tonnes of feed (dry weight) were processed (or 9 thousand tonnes more compared to 2022). The higher amount of ore extracted by the Mining Divisions, of a higher copper content, had a direct positive impact on the amount of obtained copper in concentrate, which amounted to 395.4 thousand tonnes (or 2.9 thousand tonnes more compared to 2022).

The production of concentrate (dry weight) increased by 6 thousand tonnes compared to 2022.

The amount of silver in concentrate was higher than in 2022 by 0.3%.

Table 74. Mine production of KGHM Polska Miedź S.A.

|  | Unit | 2023    | 2022    | Change (%) | 4Q'23 | 3Q'23 | 2Q'23 | 1Q'23 |
|--|------|---------|---------|------------|-------|-------|-------|-------|
| Mined ore (wet weight)                 | mn t | 32.1    | 32.1    | -          | 7.5   | 8.1   | 8.1   | 8.3   |
| Mined ore (dry weight)                 | mn t | 30.4    | 30.5    | (0.3)      | 7.2   | 7.7   | 7.7   | 7.9   |
| Copper grade                           | %    | 1.46    | 1.45    | +0.7       | 1.46  | 1.47  | 1.47  | 1.46  |
| Copper in ore                          | kt   | 445.5   | 442.7   | +0.6       | 104.2 | 113.1 | 113.6 | 114.6 |
| Silver grade                           | g/t  | 50.4    | 50.4    | -          | 50.2  | 50.4  | 50.9  | 50.3  |
| Silver in ore                          | t    | 1 534.2 | 1 533.3 | +0.1       | 359.0 | 387.4 | 392.3 | 395.5 |
| Production of concentrate (dry weight) | kt   | 1 761   | 1 755   | +0.3       | 414   | 451   | 451   | 445   |
| Copper in concentrate                  | kt   | 395.4   | 392.5   | +0.7       | 92.2  | 100.9 | 101.8 | 100.5 |
| Silver in concentrate                  | t    | 1 319.9 | 1 315.8 | +0.3       | 308.3 | 334.2 | 338.8 | 338.6 |

### 8.1.2 Metallurgical production

The production of electrolytic copper as compared to 2022 increased by 6.4 thousand tonnes, or by 1.1% and reached the highest level in the history of KGHM, i.e. 592.4 thousand tonnes. This increase in production was facilitated by higher processing of own concentrate and of purchased metal-bearing materials in the form of scrap and imported concentrate. Supplementing own concentrate with purchased metal-bearing materials enabled the effective utilisation of existing technological capacity.

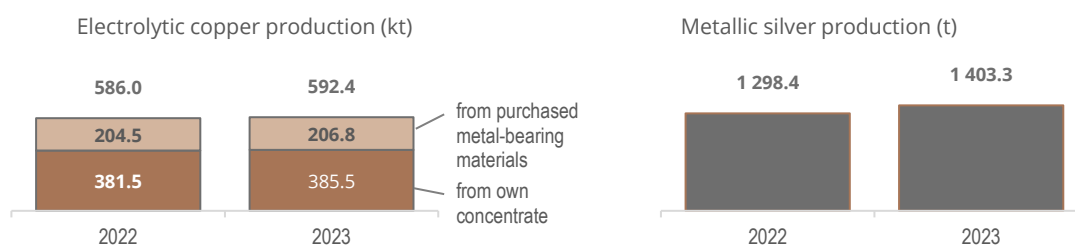
The production of metallic silver compared to 2022 increased by 104.9 tonnes, or 8.1%, and reached the highest level in the history of KGHM, i.e. 1 403.3 tonnes. In comparison to 2022, the production of metallic gold increased by 736 kg, or 27.1%.

The production of other metallurgical products derives from the level of electrolytic copper production and depends on the type of raw material used and, in the case of processed copper products, on market demand.

Table 75. Metallurgical production of KGHM Polska Miedź S.A.

|   | Unit  | 2023    | 2022    | Change (%) | 4Q'23 | 3Q'23 | 2Q'23 | 1Q'23 |
|---|-------|---------|---------|------------|-------|-------|-------|-------|
| Electrolytic copper, including:                     | kt    | 592.4   | 586.0   | +1.1       | 148.8 | 147.7 | 146.8 | 149.1 |
| - production from own concentrates                  | kt    | 385.5   | 381.5   | +1.0       | 98.5  | 92.2  | 95.6  | 99.2  |
| - production from purchased metal-bearing materials | kt    | 206.8   | 204.5   | +1.1       | 50.3  | 55.5  | 51.2  | 49.9  |
| Wire rod, OFE and CuAg rod                          | kt    | 275.8   | 277.8   | (0.7)      | 59.7  | 73.9  | 70.3  | 71.9  |
| Metallic silver                                     | t     | 1 403.3 | 1 298.4 | +8.1       | 323.2 | 381.0 | 324.2 | 374.9 |
| Metallic gold                                       | koz t | 111.0   | 87.3    | +27.1      | 27.7  | 25.6  | 26.8  | 30.9  |
| Refined lead  | kt    | 29.1    | 28.8    | +1.0       | 8.1   | 6.5   | 7.3   | 7.1   |

Chart 31. Production of electrolytic copper (thousand tonnes) and metallic silver (tonnes)



### 8.1.3 Main production goals

The main goals set by the Management Board in terms of production and occupational health and safety for 2024 are a continuation of actions taken in 2023, i.e.:

- optimal utilisation of the resource base and of the production capacity of the Company, and
- optimisation of copper content in ore and concentrate.

Key tasks in 2024:

|  |  |
|--|--|
| <b>in mining</b>                         | <ul style="list-style-type: none"> <li>– access and development work to intersect the deposit in the Deep Głogów (Głogów Głęboki-Przemysłowy) and Gaworzyce mining areas,</li> <li>– continuation of work related to exploration of the copper ore deposit in the areas of „Radwanice” and „Retków”,</li> <li>– continuation of work related to prevention of gas-related threats (hydrogen sulphide and methane) and the use of new technical solutions and means of prevention to counteract this threat,</li> <li>– continuation of work related to utilising the capacity of the input and output ventilation shafts in the interconnected mine ventilation system,</li> <li>– maintaining the efficiency of mining vehicles in an assortment and number required to execute production tasks,</li> <li>– the consistent introduction of mining vehicles with low-emission engines and the continuation of work related to implementing zero-emission, electric battery-powered mining vehicles,</li> <li>– continued construction of the Central Air Conditioning Station at the GG-1 shaft with target capacity of 40 MW,</li> <li>– development of the mine dewatering system,</li> <li>– realisation of the planned scope of preparatory and access work using the commissioning system in 2024 at the level of 59 thousand meters,</li> </ul> |
| <b>in ore processing</b>                 | <ul style="list-style-type: none"> <li>– optimising the work of the drum driers by new-generation control systems,</li> <li>– maintaining the availability of the machine park and the production capacity of individual Concentrators Division Areas to the amount of ore supplied and to simultaneously-advanced investments,</li> <li>– maintaining the production of concentrates in an amount and quality necessary for optimal use of the production capacity of the smelters and refineries,</li> <li>– modernisation of the compressed air installation at the Lubin Region Concentrator – reduction of power consumption,</li> <li>– monitoring and assessing the impact of technological water on the technological parameters and condition of technical infrastructure,</li> <li>– optimisation of ore transport logistics,</li> <li>– optimisation of water management,</li> <li>– continued testing at an industrial scale of RFC (Reflux Flotation Cell) flotation machinery,</li> </ul>  |
| <b>in metallurgy</b>                     | <ul style="list-style-type: none"> <li>– conducting a planned technological shutdown – maintenance of the flash furnace at the Głogów I Copper Smelter and Refinery,</li> <li>– optimisation of the processing of recycled materials and scrap in all fire phases aimed at maximising the production of electrolytic copper at the Legnica Copper Smelter and Refinery and at the Głogów Copper Smelter and Refinery,</li> <li>– maintaining the high level of electrolytic copper production by the Legnica Copper Smelter and Refinery and the Głogów Copper Smelter and Refinery,</li> <li>– further minimisation of environmental impact by actions directed towards improving the effectiveness of the dedusting and hermetic sealing processes and optimisation of water-effluents management,</li> <li>– optimum management of materials between the metallurgical facilities,</li> </ul>   |
| <b>in occupational health and safety</b> | <ul style="list-style-type: none"> <li>– permanent improvement in terms of identifying and monitoring workplace hazards,</li> <li>– the introduction of organisational and technical solutions aimed at eliminating threats, reducing professional risk and accidents,</li> <li>– implementation of technical solutions to balance changes in workplace conditions, in particular in mining,</li> <li>– permanent improvement aimed at making employees more safety-conscious, including their habits, attitudes and views, in particular awareness of causes and the consequences of their actions,</li> <li>– consistent adaptation to changes in hygienic and biological standards for the workplace environment,</li> <li>– preparation for generational changes in and the introduction of active solutions in age management,</li> <li>– maintaining a certificate confirming conformance of the OHS Management System with the ISO 45001 standard,</li> <li>– implementation of IT solutions in the area of workplace safety, including in terms of workplace data and information analytics.</li> </ul>  |

## 8.2 SALES

In 2023, the level of sales of copper products by the Company was higher than that achieved in 2022 and amounted to 584.7 thousand tonnes, versus 565.0 thousand tonnes in the prior year. In 2023, sales of copper cathodes amounted to 306.3 thousand tonnes, meaning an increase by 9.5% compared to 2022. Sales of copper wire rod and OFE rod decreased by 2.4%, amounting to 275.5 thousand tonnes in 2023.

Sales of metallic silver in 2023 amounted to 1 351.6 tonnes, meaning an increase by 1% compared to volume in 2022. Sales of gold in 2023 amounted to 114.6 thousand troy ounces.

Table 76. Sales volume of basic products of KGHM Polska Miedź S.A.

|   | Unit      | 2023         | 2022         | Change (%)  | 4Q'23        | 3Q'23        | 2Q'23        | 1Q'23        |
|---|-----------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|
| Cathodes and cathodes parts             | kt        | 306.3        | 279.7        | +9.5        | 75.1         | 70.0         | 77.9         | 83.3         |
| Copper wire rod and OFE rod             | kt        | 275.5        | 282.3        | (2.4)       | 64.6         | 69.7         | 68.4         | 72.8         |
| Other copper products                   | kt        | 2.9          | 3.0          | (3.3)       | 0.6          | 0.9          | 0.7          | 0.8          |
| <b>Total copper and copper products</b> | <b>kt</b> | <b>584.7</b> | <b>565.0</b> | <b>+3.5</b> | <b>140.2</b> | <b>140.6</b> | <b>147.0</b> | <b>156.9</b> |
| Metallic silver                         | t         | 1 351.6      | 1 338.3      | +1.0        | 310.9        | 357.3        | 311.2        | 372.2        |
| Metallic gold                           | koz t     | 114.6        | 80.5         | +42.4       | 19.2         | 28.8         | 26.6         | 40.0         |
| Refined lead                            | kt        | 25.6         | 29.3         | (12.6)      | 6.7          | 5.2          | 6.9          | 6.8          |

Total revenues from sales by KGHM Polska Miedź S.A. in 2023 amounted to PLN 29 084 million, representing an increase by 2.3% versus 2022, when revenues amounted to PLN 28 429 million.

Revenues from sales of copper products in 2023 increased by 0.4% and amounted to PLN 22 290 million (compared to revenues in 2022 at the level of PLN 22 207 million).

Revenues from metallic silver sales in 2023 increased by 1% to PLN 4 389 million, compared to PLN 4 341 million in 2022. Revenues from sales of metallic gold in 2023 increased to PLN 932 million, versus PLN 649 million in 2022 (+44%).

The increase in revenues from contracts with customers by PLN 655 million compared to the prior year was mainly due to:

- a decrease by PLN 1 651 million in revenues from the sale of basic products (copper, silver, gold) due to a less-favourable average annual USD/PLN exchange rate (a change from 4.46 to 4.20),
- an increase by PLN 1 107 million in revenues due to a higher sales volume of basic products: copper (+19.7 thousand tonnes, +3%), silver (+13 tonnes, +1%) and gold (+34 thousand troy ounces, +42%),
- a change by +PLN 817 million in adjustments to revenues due to hedging transactions, from -PLN 182 million to +PLN 635 million,
- higher by PLN 140 million revenues due to: higher prices of silver (+1.62 USD/oz t, +7%) and gold (+141 USD/oz t, +8%) with lower copper prices (-319 USD/t, -4%),
- an increase by PLN 241 million in other revenues from sales, including revenues from the sale of merchandise (+PLN 293 million).

Table 77. Revenues from contracts with customers of KGHM Polska Miedź S.A. (in PLN million)

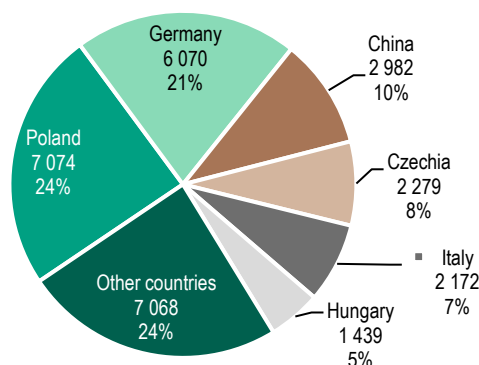
|   | 2023          | 2022          | Change (%)  | 4Q'23        | 3Q'23        | 2Q'23        | 1Q'23        |
|---|---------------|---------------|-------------|--------------|--------------|--------------|--------------|
| Cathodes and cathodes parts                         | 11 392        | 10 803        | +5.5        | 2 644        | 2 537        | 2 845        | 3 366        |
| Copper wire rod and OFE rod                         | 10 786        | 11 283        | (4.4)       | 2 417        | 2 657        | 2 663        | 3 050        |
| Other copper products                               | 112           | 122           | (8.2)       | 21           | 32           | 26           | 32           |
| <b>Total copper and copper products</b>             | <b>22 290</b> | <b>22 207</b> | <b>+0.4</b> | <b>5 082</b> | <b>5 226</b> | <b>5 534</b> | <b>6 448</b> |
| Metallic silver                                     | 4 389         | 4 341         | +1.1        | 980          | 1 154        | 1 035        | 1 221        |
| Metallic gold                                       | 932           | 649           | +43.6       | 156          | 230          | 216          | 331          |
| Refined lead  | 264           | 294           | (10.2)      | 68           | 52           | 70           | 73           |
| Other goods and services                            | 563           | 570           | (1.2)       | 169          | 137          | 131          | 125          |
| Merchandise and materials                           | 646           | 367           | +76.0       | 160          | 161          | 154          | 173          |
| <b>Total revenues from contracts with customers</b> | <b>29 084</b> | <b>28 429</b> | <b>+2.3</b> | <b>6 615</b> | <b>6 960</b> | <b>7 140</b> | <b>8 370</b> |

### 8.2.1 Geographical structure of sales

In 2023, KGHM Polska Miedź S.A. earned most of its revenues from domestic sales, which amounted to 24% of total revenues. The remaining major customers of KGHM came from Germany (21%), China (10%), Czechia (8%), Italy (7%) and Hungary (5%).

The following chart shows the geographic structure of revenues in 2023. Sales revenue includes the result from the settlement of hedging instruments.

Chart 32. Sales revenues of KGHM Polska Miedź S.A. by market (in PLN million)



### 8.3 COSTS

The Company's cost of sales, selling costs and administrative expenses (cost of products, merchandise and materials sold plus selling costs and administrative expenses) in 2023 amounted to PLN 30 004 million and was 23% higher compared to the corresponding period of 2022. The Company's cost of sales, selling costs and administrative expenses was significantly impacted by impairment losses recognised on the Company's production assets in Poland in the amount of PLN 2 806 million, which are the result of tests conducted as a result of the identification of indications of a possible change in the recoverable amount of the Company's assets. In terms of the costs of basic operating activities, impairment losses are recognised in the items: „Cost of sales, selling costs and administrative expenses” in the amount of PLN 2 675 million, and in „Administrative expenses”, PLN 131 million.

After excluding the impact of the impairment losses, the costs of basic operating activities increased by 11%, mainly due to: the increase in sales of copper, silver and gold products and by higher prices for technological materials and external services rates due to the current market situation.

Total expenses by nature in 2023 as compared to 2022 were higher by 15%, i.e. PLN 3 964 million, of which PLN 2 806 million represented impairment losses on the Polish production assets of the Company. The increase in costs was also impacted by the minerals extraction tax, which was higher by PLN 450 million (+15%) despite lower copper prices expressed in PLN/t, as during the period January-November 2022 the Company took advantage of a statutory reduction in the tax rate by 30%, which was no longer in effect in 2023.

The cost of consumed purchased metal-bearing materials was lower in 2023 compared to 2022 by PLN 1 147 million (a lower volume by 16 thousand tonnes of copper and a lower price by 6%).

Table 78. Expenses by nature of KGHM Polska Miedź S.A. (in PLN million)

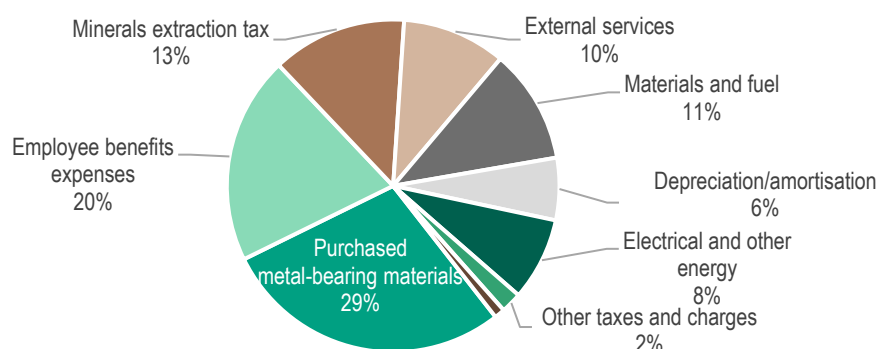
|   | 2023          | 2022          | Change (%)   | 4Q'23        | 3Q'23        | 2Q'23        | 1Q'23        |
|---|---------------|---------------|--------------|--------------|--------------|--------------|--------------|
| Depreciation of property, plant and equipment and amortisation of intangible assets | 1 675         | 1 504         | +11.4        | 400          | 427          | 435          | 413          |
| Employee benefits expenses  | 5 475         | 4 832         | +13.3        | 1 410        | 1 340        | 1 458        | 1 267        |
| Materials and energy, including:  | 12 955        | 13 687        | (5.3)        | 3 058        | 2 906        | 3 270        | 3 721        |
| – purchased metal-bearing materials   | 7 712         | 8 859         | (12.9)       | 1 915        | 1 678        | 1 908        | 2 211        |
| – electrical and other energy   | 2 224         | 1 921         | +15.8        | 365          | 573          | 602          | 684          |
| External services   | 2 638         | 2 238         | +17.9        | 754          | 659          | 645          | 580          |
| Minerals extraction tax   | 3 496         | 3 046         | +14.8        | 699          | 824          | 905          | 1 068        |
| Other taxes and charges   | 632           | 487           | +29.8        | 179          | 157          | 55           | 241          |
| Other costs   | 2 988         | 101           | +x29.6       | 2 868        | 28           | 59           | 33           |
| <b>Total expenses by nature</b>   | <b>29 859</b> | <b>25 895</b> | <b>+15.3</b> | <b>9 368</b> | <b>6 341</b> | <b>6 827</b> | <b>7 323</b> |

Expenses by nature, excluding purchased metal-bearing materials, the minerals extraction tax, and impairment losses on production assets amounted to PLN 15 845 million and were higher as compared to the corresponding period of 2022 by PLN 1 855 million, mainly due to increases in the following costs:

- consumption of materials and energy (+PLN 415 million) – mainly due to higher prices for technological materials and electricity,
- labour (+PLN 643 million) – due to an increase in remuneration rates and an increase by PLN 147 million in the revaluation of provision for future employee benefits,
- external services (+PLN 400 million) – mainly due to an increase in transportation, repairs and maintenance services and in mine preparatory work,
- depreciation/amortisation (+PLN 171 million) – an increase due to investments advanced in prior periods.

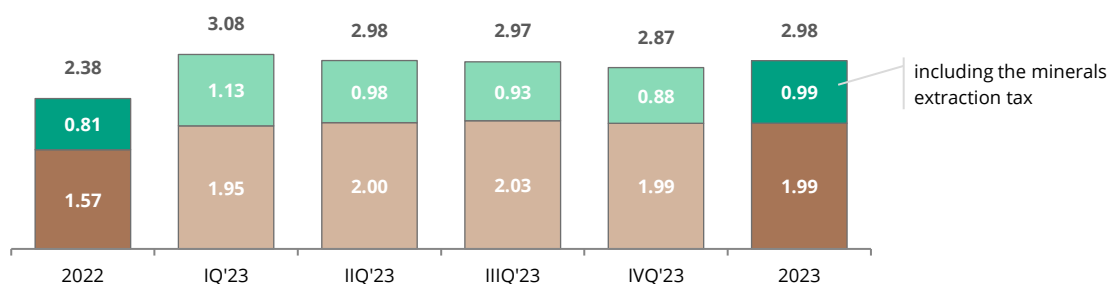
The structure of expenses by nature in 2023 (excluding impairment losses on production assets) is presented below. As compared to the prior year, it is at a very similar level.

Chart 33. Structure of expenses by nature in 2023



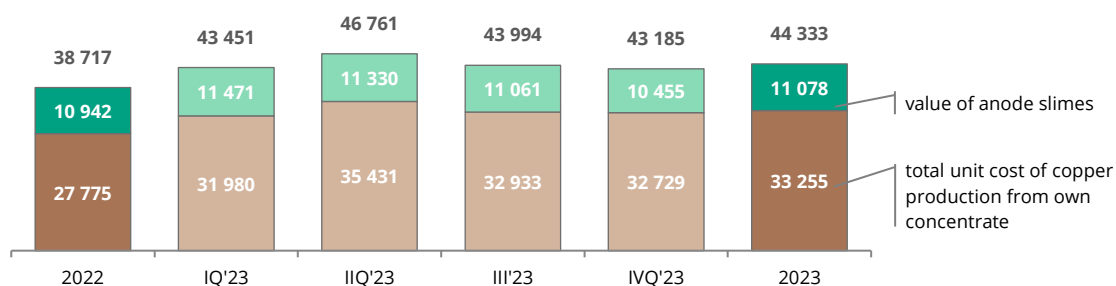
The Company's operating costs are decisively impacted by the costs of electrolytic copper production (prior to decrease by the value of by-products), whose share is around 94%.

Chart 34. Cost of producing copper in concentrate – C1 (USD/lb)



**Cost of producing copper in concentrate - C1** (unit cash cost of producing payable copper in concentrate, reflecting costs of ore extraction and processing, transport costs, the minerals extraction tax, administrative costs during the mining stage, and smelter treatment and refining charges (TC/RC), less the value of by-products) amounted to respectively: in 2022: 2.38 USD/lb and in 2023: 2.98 USD/lb. The increase in this cost by 25% was mainly due to the higher costs of materials, external services and labour described above, but also to the increase in the minerals extraction tax, due to the lack of the relief that the Company took advantage of in 2022, as well as the strengthening in the PLN versus the USD. Positive impact on this cost came from the valuation of by-products due to higher silver and gold prices.

Chart 35. Pre-precious metals credit unit cost of electrolytic copper production – from own concentrate (PLN/t)



**The pre-precious metals credit unit cost of copper production from own concentrate** (unit cost prior to decrease by the value of anode slimes containing among others silver and gold) was higher than that recorded in 2022 by 5 616 PLN/t (+15%), with higher production from own concentrate. The increase in the unit cost was mainly due to an increase in prices of energy, technological materials, external services and higher labour costs. The total unit cost of copper production from own concentrate was higher compared to 2022 by 5 480 PLN/t (+20%) with a slightly higher valuation of anode slimes due to higher precious metals prices.



## 8.4 FINANCIAL RESULTS OF THE SEGMENT KGHM POLSKA MIEDŹ S.A.

### 8.4.1 Statement of profit or loss

In 2023, the Company recorded loss for the period in the amount of PLN 1 153 million, or the result by PLN 4 686 million lower than in the prior year.

Table 79. Basic items of the statement of profit or loss of KGHM Polska Miedź S.A. (in PLN million)

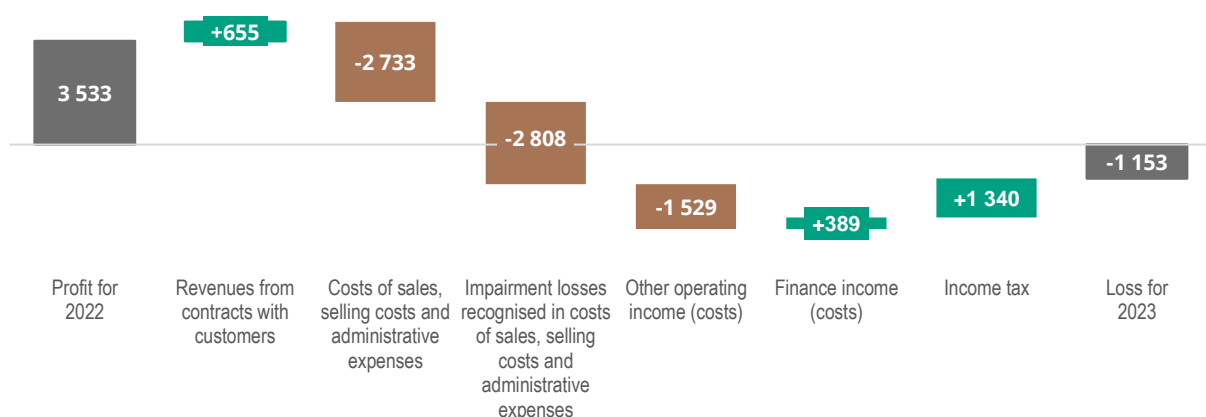
|  | 2023           | 2022         | Change (%)    | 4Q'23          | 3Q'23      | 2Q'23      | 1Q'23        |
|--|----------------|--------------|---------------|----------------|------------|------------|--------------|
| Revenues from contracts with customers, including:   | 29 084         | 28 429       | +2.3          | 6 614          | 6 960      | 7 140      | 8 370        |
| - adjustment to revenues due to hedging transactions   | 635            | (182)        | ×             | 210            | 198        | 162        | 65           |
| Cost of sales, selling costs and administrative expenses (prior to impairment losses on property, plant and equipment and intangible assets) | (27 196)       | (24 463)     | +11.2         | (6 613)        | (6 514)    | (6 696)    | (7 373)      |
| Impairment losses on property, plant and equipment and intangible assets   | (2 808)        | -            | ×             | (2 808)        | -          | -          | -            |
| <b>Profit/loss on sales</b>  | <b>(920)</b>   | <b>3 966</b> | <b>×</b>      | <b>(2 807)</b> | <b>446</b> | <b>444</b> | <b>997</b>   |
| Other operating income and (costs)   | (230)          | 1 299        | ×             | (1 108)        | 689        | 373        | (184)        |
| Finance income / (costs)   | 120            | (269)        | ×             | 245            | (298)      | 117        | 56           |
| <b>Profit/loss before income tax</b>   | <b>(1 030)</b> | <b>4 996</b> | <b>×</b>      | <b>(3 670)</b> | <b>837</b> | <b>934</b> | <b>869</b>   |
| Income tax expense   | (123)          | (1 463)      | (91.6)        | 780            | (307)      | (209)      | (387)        |
| <b>Profit/(loss) for the period</b>  | <b>(1 153)</b> | <b>3 533</b> | <b>×</b>      | <b>(2 890)</b> | <b>530</b> | <b>725</b> | <b>482</b>   |
| Depreciation/amortisation in expenses by nature  | (1 675)        | (1 504)      | +11.4         | (400)          | (427)      | (435)      | (413)        |
| <b>Adjusted EBITDA</b>   | <b>3 563</b>   | <b>5 470</b> | <b>(34.9)</b> | <b>401</b>     | <b>873</b> | <b>879</b> | <b>1 410</b> |

Table 80. Main factors impacting the change in profit or loss of KGHM Polska Miedź S.A.

| Item  | Impact on change in result (in PLN million) | Description   |
|---|---|---|
| <b>Revenues from contracts with customers</b>   | +655  | The higher revenues were mainly comprised of: a higher sales volume of basic products, the more favourable impact of adjustments to revenues due to hedging transactions, alongside a less favourable USD/PLN exchange rate. A detailed description of the increase in revenues may be found in section <a href="#">8.2 Sales</a> .   |
| <b>Cost of sales, selling costs and administrative expenses (prior to impairment losses)</b>  | (2 733)                                     | An increase in cost of sales, selling costs and administrative expenses, mainly comprised of: <ul style="list-style-type: none"> <li>– an increase in expenses by nature by PLN 1 156 million, with respect to all groups of expenses by nature, except for costs of purchased metal-bearing materials which decreased by PLN 1 147 million. A detailed description of changes in expenses by nature may be found in section <a href="#">8.3 Costs</a>.</li> <li>– adjustments to change in products and work in progress by PLN 1 491 million (-PLN 174 million in 2023; -PLN 1 665 million in 2022),</li> </ul>   |
| <b>Impairment losses on property, plant and equipment and intangible assets recognised in costs of sales, selling costs and administrative expenses</b> | (2 808)                                     | Of which nearly the entirety (PLN 2 806 million) results from the impairment test conducted on the mining and metallurgical assets, described in detail in part 3 of the financial statements.  |
| <b>Other operating income and (costs)</b>   | (1 529)                                     | A decrease in the result on other operating activities, mainly comprised of: <ul style="list-style-type: none"> <li>– a lower result due to exchange differences on assets and liabilities other than borrowings by PLN 1 270 million,</li> <li>– impairment losses on fixed assets under construction and intangible assets not yet available for use (-PLN 963 million) mainly due to the impairment test conducted on the mining and metallurgical assets (-PLN 965 million), described in detail in part 3 of the financial statements,</li> <li>– reversal of impairment losses on shares in subsidiaries in 2023 in the amount of PLN 827 million, due to shares in Future 1 Sp. z o.o. (PLN 741 million) and in KGHM Metraco S.A. (PLN 86 million),</li> <li>– income in 2023 due to assistance under the government program „Aid for energy-intensive sectors related to sudden increases in natural gas and electricity prices in 2022 and 2023”, in the amount of PLN 178 million,</li> <li>– a lower level of reversals of impairment losses on financial instruments measured at amortised cost by PLN 195 million, including due to loans by PLN 198 million,</li> </ul> |

|                                 |        |  |
|---------------------------------|--------|--|
|                                 |        | <ul style="list-style-type: none"> <li>– higher fair value losses on financial assets measured at fair value through profit or loss by PLN 136 million, including due to loans (-PLN 94 million) and due to trade receivables (-PLN 42 million),</li> <li>– higher fair value gains on financial assets measured at fair value through profit or loss by PLN 37 million, including due to loans by PLN 56 million,</li> <li>– a lower level of financial support granted to municipalities by PLN 93 million.</li> </ul> |
| <b>Finance income / (costs)</b> | +389   | An increase in the result on finance income and costs, mainly comprised of: <ul style="list-style-type: none"> <li>– a higher by PLN 537 million result on exchange differences due to the measurement and realisation of borrowings,</li> <li>– higher by PLN 94 million interest costs on borrowings,</li> <li>– unwinding of the discount effect, -PLN 49 million.</li> </ul>   |
| <b>Income tax expense</b>       | +1 340 | A decrease in income tax, mainly due to lower: <ul style="list-style-type: none"> <li>– deferred income tax by PLN 691 million,</li> <li>– current income tax by PLN 558 million,</li> <li>– adjustment of current income tax for prior periods by PLN 91 million</li> </ul>   |

Chart 36. Change in profit for the period of KGHM Polska Miedź S.A. (in PLN million)



## 8.4.2 Cash flows

Table 81. Statement of cash flows of KGHM Polska Miedź S.A. (in PLN million)

|   | 2023           | 2022           | Change (%)  | 4Q'23          | 3Q'23        | 2Q'23        | 1Q'23          |
|---|----------------|----------------|-------------|----------------|--------------|--------------|----------------|
| <b>Net cash generated from operating activities, including:</b> | <b>5 639</b>   | <b>1 791</b>   | <b>×3.1</b> | <b>2 114</b>   | <b>427</b>   | <b>1 336</b> | <b>1 762</b>   |
| Change in working capital                                       | 3 185          | (1 877)        | ×           | 1 779          | 404          | 887          | 115            |
| <b>Net cash used in investing activities</b>                    | <b>(4 332)</b> | <b>(1 629)</b> | <b>×2.7</b> | <b>(1 289)</b> | <b>(833)</b> | <b>(651)</b> | <b>(1 559)</b> |
| <b>Net cash (used in)/generated from financing activities</b>   | <b>(809)</b>   | <b>(506)</b>   | <b>×1.6</b> | <b>(423)</b>   | <b>(79)</b>  | <b>(393)</b> | <b>86</b>      |
| <b>NET CASH FLOW</b>  | <b>498</b>     | <b>(344)</b>   | <b>×</b>    | <b>402</b>     | <b>(485)</b> | <b>292</b>   | <b>289</b>     |
| Exchange differences on cash and cash equivalents               | (2)            | (3)            | ×0.7        | (2)            | (9)          | 12           | (3)            |
| Cash and cash equivalents at beginning of the period            | 985            | 1 332          | ×0.7        | 1 081          | 1 575        | 1 271        | 985            |
| <b>Cash and cash equivalents at the end of the period</b>       | <b>1 481</b>   | <b>985</b>     | <b>×1.5</b> | <b>1 481</b>   | <b>1 081</b> | <b>1 575</b> | <b>1 271</b>   |

Net cash generated from operating activities in 2023 amounted to +PLN 5 639 million and mainly comprised:

- EBITDA in the amount of PLN 3 563 million,
- the positive impact of a change in working capital by PLN 3 185 million, including PLN 2 886 million due to trade payables transferred to factoring,
- income tax paid in the amount of PLN 1 631 million.

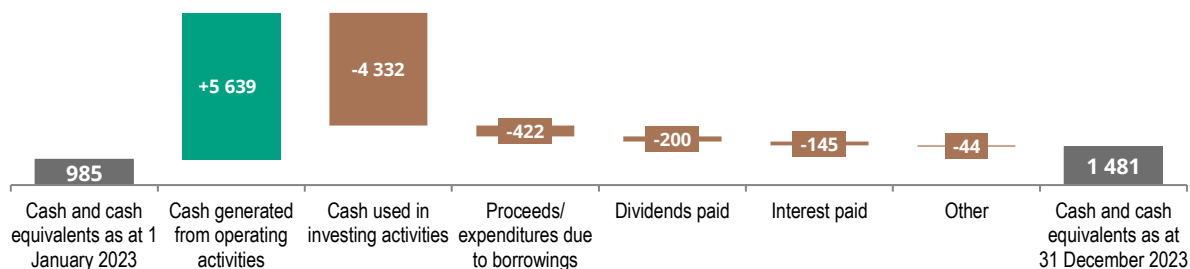
Net cash used in investing activities in 2023 amounted to -PLN 4 332 million and mainly comprised:

- expenditures on property, plant and equipment and intangible assets in the amount of PLN 3 074 million (including PLN 3 037 million on mining and metallurgical assets) – information on capital expenditures may be found in section 8.5 of this Report,
- the balance of proceeds and expenditures due to loans granted (with interest) in the amount of -PLN 714 million, mainly with respect to loans to the subsidiary KGHM INTERNATIONAL LTD. related to advancement of the Victoria project (USD 233 million),
- expenditures due to the acquisition of shares (-PLN 224 million), including mainly due to increases in the share capital of the subsidiaries Energetyka Sp. z o.o., POL-MIEDŹ TRANS Sp. z o.o., Zagłębie Lubin S.A. and PMT Linie Kolejowe Sp. z o.o.,
- advances granted on property, plant and equipment and intangible assets -PLN 143 million, and
- advances granted for the acquisition of financial assets (-PLN 141 million), with respect to investments related to advancement of the strategy as regards RES projects (the acquisition of photovoltaic farms).

Net cash used in financing activities during the same period amounted to -PLN 809 million and mainly comprised: the balance of proceeds and expenditures due to borrowings drawn in the amount of -PLN 422 million, expenditures due to dividends paid to shareholders in the amount of -PLN 200 million, and interest paid in the amount of -PLN 145 million, including due to debt, -PLN 119 million.

After reflecting exchange differences on cash and cash equivalents, in 2023 cash and cash equivalents increased by PLN 496 million and amounted to PLN 1 481 million.

Chart 37. Cash flow of KGHM Polska Miedź S.A. (in PLN million)



### 8.4.3 Assets

Table 82. Assets of KGHM Polska Miedź S.A. (in PLN million)

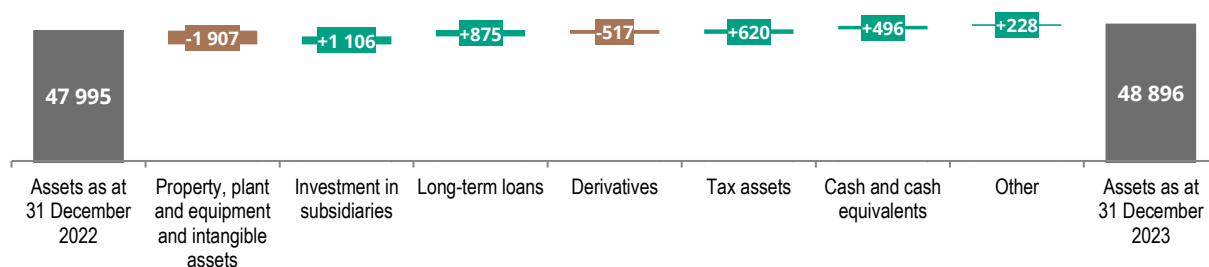
|   | 31.12.2023    | 31.12.2022    | Change (%)  | 30.09.2023    | 30.06.2023    | 31.03.2023    |
|---|---------------|---------------|-------------|---------------|---------------|---------------|
| Property, plant and equipment and intangible assets | 20 590        | 22 497        | (8.5)       | 23 222        | 22 872        | 22 467        |
| Investments in subsidiaries - shares                | 4 807         | 3 701         | +29.9       | 3 917         | 3 817         | 3 816         |
| Financial instruments, including:                   | 11 119        | 10 392        | +7.0        | 11 819        | 11 175        | 10 628        |
| - loans granted                                     | 9 638         | 8 763         | +10.0       | 10 283        | 9 580         | 9 124         |
| Other non-financial assets                          | 265           | 117           | ×2.3        | 123           | 125           | 263           |
| <b>Non-current assets</b>                           | <b>36 781</b> | <b>36 707</b> | <b>+0.2</b> | <b>39 081</b> | <b>37 989</b> | <b>37 174</b> |
| Inventories   | 7 506         | 7 523         | (0.2)       | 7 769         | 7 876         | 7 340         |
| Trade receivables                                   | 471           | 620           | (24.0)      | 1 099         | 436           | 691           |
| Tax assets  | 932           | 312           | ×3.0        | 274           | 296           | 319           |
| Derivatives   | 760           | 796           | (4.5)       | 439           | 766           | 611           |
| Cash pooling receivables                            | 424           | 588           | (27.9)      | 639           | 413           | 167           |
| Other financial assets                              | 327           | 322           | +1.6        | 262           | 298           | 342           |
| Other non-financial assets                          | 214           | 142           | +50.7       | 423           | 316           | 275           |
| Cash and cash equivalents                           | 1 481         | 985           | +50.4       | 1 081         | 1 575         | 1 271         |
| <b>Current assets</b>                               | <b>12 115</b> | <b>11 288</b> | <b>+7.3</b> | <b>11 986</b> | <b>11 976</b> | <b>11 016</b> |
| <b>TOTAL ASSETS</b>                                 | <b>48 896</b> | <b>47 995</b> | <b>+1.9</b> | <b>51 067</b> | <b>49 965</b> | <b>48 190</b> |

As at 31 December 2023, total assets amounted to PLN 48 896 million, or an increase as compared to the end of 2022 by PLN 901 million, or by 2%, mainly comprised of:

- a decrease in property, plant and equipment and intangible assets by PLN 1 907 million, which is mainly due to impairment losses of PLN 3 777 million and depreciation/amortisation at the level of PLN 1 675 million. Increases in this amount are due to cash expenditures incurred in the amount of PLN 3 074 million. A detailed description of the assumptions and the results of the conducted impairment tests may be found in part 3 of the financial statements. The share of individual segments in cash expenditures is presented in part 2 of the financial statements,
- higher investments in subsidiaries by PLN 1 106 million, including due to a reversal of impairment losses of FUTURE 1 Sp. z o.o. in the amount of PLN 741 million and of KGHM METRACO S.A. by PLN 86 million, along with an increase in the share capital of Energetyka Sp. z o.o. by PLN 159 million,
- an increase in long-term loans (+PLN 875 million) granted mainly to KGHM INTERNATIONAL LTD. due to realisation of the Victoria project,
- a decrease in derivatives by PLN 517 million, including due to hedging by PLN 946 million (in respect of metals PLN 555 million, currencies PLN 251 million and cross currency interest rate swaps by PLN 140 million) and an increase in the value of instruments initially designated as hedging excluded from hedge accounting, entirely comprising currencies (+PLN 474 million). A detailed presentation of assets and liabilities due to derivatives may be found in notes 7.1 and 7.2 of the financial statements,

- an increase in tax assets by PLN 620 million, mainly due to the surplus of income tax advances. In 2023 the Company made income tax advances under a simplified formula, i.e. at a fixed level calculated on the basis of income earned in 2021,
- an increase in cash and cash equivalents by PLN 496 million, which were of a short term nature and were mainly related to an increase in liabilities transferred to factoring in the fourth quarter of 2023.

Chart 38. Change in assets of KGHM Polska Miedź S.A. (in PLN million)



#### 8.4.4 Equity and liabilities

Table 83. Equity and liabilities of KGHM Polska Miedź S.A. (in PLN million)

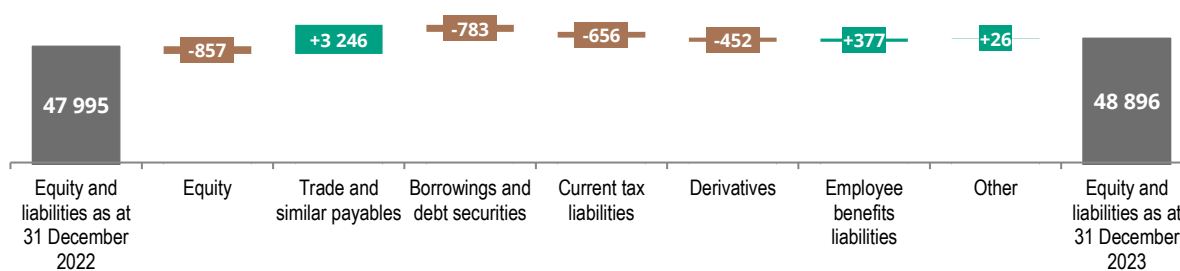
|  | 31.12.2023    | 31.12.2022    | Change (%)   | 30.09.2023    | 30.06.2023    | 31.03.2023    |
|--|---------------|---------------|--------------|---------------|---------------|---------------|
| Share capital  | 2 000         | 2 000         | -            | 2 000         | 2 000         | 2 000         |
| Other reserves from measurement of financial instruments                         | 320           | (395)         | ×            | 63            | 222           | (435)         |
| Accumulated other comprehensive income   | (921)         | (702)         | +31.2        | (821)         | (771)         | (749)         |
| Retained earnings  | 27 419        | 28 772        | (4.7)        | 30 309        | 29 779        | 29 254        |
| <b>Equity</b>  | <b>28 818</b> | <b>29 675</b> | <b>(2.9)</b> | <b>31 551</b> | <b>31 230</b> | <b>30 070</b> |
| Borrowings, leases and debt securities   | 4 508         | 5 000         | (9.8)        | 5 074         | 4 784         | 5 633         |
| Derivatives  | 202           | 719           | (71.9)       | 384           | 453           | 540           |
| Employee benefits liabilities  | 2 821         | 2 394         | +17.8        | 2 645         | 2 532         | 2 453         |
| Provisions for decommissioning costs of mines and other technological facilities | 1 389         | 1 233         | +12.7        | 1 132         | 1 133         | 1 123         |
| Deferred tax liabilities   | 328           | 705           | (53.5)       | 912           | 856           | 703           |
| Other non-current liabilities  | 220           | 260           | (15.4)       | 236           | 232           | 243           |
| <b>Non-current liabilities</b>   | <b>9 468</b>  | <b>10 311</b> | <b>(8.2)</b> | <b>10 383</b> | <b>9 990</b>  | <b>10 695</b> |
| Borrowings, leases and debt securities   | 833           | 1 124         | (25.9)       | 913           | 844           | 498           |
| Cash pooling liabilities   | 350           | 321           | +9.0         | 411           | 341           | 401           |
| Derivatives  | 499           | 434           | +15.0        | 296           | 429           | 342           |
| Trade and similar payables   | 6 065         | 2 819         | ×2.2         | 4 777         | 3 664         | 2 486         |
| Employee benefits liabilities  | 1 315         | 1 365         | (3.7)        | 1 274         | 1 722         | 1 481         |
| Tax liabilities  | 405           | 1 061         | (61.8)       | 485           | 525           | 1 209         |
| Provisions for liabilities and other charges                                     | 82            | 110           | (25.5)       | 115           | 116           | 116           |
| Other current liabilities  | 1 061         | 775           | +36.9        | 862           | 1 104         | 892           |
| <b>Current liabilities</b>   | <b>10 610</b> | <b>8 009</b>  | <b>+32.5</b> | <b>9 133</b>  | <b>8 745</b>  | <b>7 425</b>  |
| <b>Non-current and current liabilities</b>                                       | <b>20 078</b> | <b>18 320</b> | <b>+9.6</b>  | <b>19 516</b> | <b>18 735</b> | <b>18 120</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>  | <b>48 896</b> | <b>47 995</b> | <b>+1.9</b>  | <b>51 067</b> | <b>49 965</b> | <b>48 190</b> |

The change in equity and liabilities was mainly comprised of:

- a decrease in equity by PLN 857 million due to a loss for the period in the amount of PLN 1 153 million and dividends paid, PLN 200 million. In 2023, the Group recorded an increase in actuarial losses due to the measurement of benefits after the period of employment, by PLN 219 million (including deferred tax) and an increase in reserves from the measurement of financial instruments by PLN 715 million (including PLN 294 million from an increase in the measurement of Tauron Polska Energia S.A. and PLN 451 million from an increase in the measurement of cash flow hedging instruments),
- higher current trade and similar payables by PLN 3 246 million, mainly due to an increase in liabilities transferred to factoring by PLN 3 021 million. Trade payables transferred to reverse factoring are presented in the statement of financial position as „Trade and similar payables“ and are categorised as „similar“, as, given the significant judgment of the Company, such a presentation best reflects the nature of such transactions,

- a decrease in borrowings, leases and debt securities by PLN 783 million, mainly due to EBITDA, PLN 3 563 million, a change in working capital, PLN 3 185 million (including PLN 2 886 million due to liabilities transferred to factoring) and foreign exchange gains, PLN 358 million. The increase in borrowings was mainly due to income tax paid, PLN 1 631 million, cash expenditures, PLN 4 332 million, dividends paid, PLN 200 million, and an increase in the balance of cash and cash equivalents by PLN 496 million. At the end of 2023, 84% of borrowings is long-term, 47% of borrowings is denominated in USD and 53% in PLN,
- a decrease in tax liabilities by PLN 656 million, mainly in respect of overpayment of tax liabilities due to the application of fixed income tax advances under a simplified formula, i.e. at a fixed level calculated on the basis of income earned in 2021. Tax liabilities for 2022 were paid by 30 June 2023. At the end of 2023 the Company did not have any income tax liabilities,
- a decrease in liabilities due to derivatives by PLN 452 million, including due to hedging by PLN 790 million (in respect of metals PLN 272 million, currencies PLN 130 million and cross currency interest rate swaps, PLN 388 million) and an increase in the value of trade instruments (+PLN 379 million), mainly currencies. A detailed presentation of assets and liabilities due to derivatives may be found in notes 7.1 and 7.2 of the financial statements,
- higher liabilities due to employee benefits (+PLN 377 million), mainly due to an increase in the measurement of liabilities due to the coal equivalent (+PLN 191 million), jubilee awards (+PLN 112 million) and retirement and disability benefits (+PLN 109 million).

Chart 39. Change in equity and liabilities of KGHM Polska Miedź S.A. (in PLN million)



#### 8.4.5 Contingent assets and liabilities due to guarantees granted

As at 31 December 2023, contingent assets amounted to PLN 531 million and related mainly to promissory notes receivables in the amount of PLN 383 million and guarantees received by the Company in the amount of PLN 147 million.

As at 31 December 2023, the Company held liabilities due to guarantees granted and letters of credit in the total amount of PLN 1 537 million.

Detailed information regarding contingent assets and liabilities, including due to guarantees granted, may be found in notes 12.5 and 8.6 of the financial statements.

As far as the Company is aware, at the end of the reporting period the Company determined the probability of payments resulting from the contingent liabilities as low.

## 8.5 CAPITAL EXPENDITURES

In 2023, capital expenditures on property, plant and equipment amounted to PLN 3 467 million. Together with expenditures incurred on uncompleted development work, capital expenditures amounted to PLN 3 474 million and were higher than in the prior year by 20.8%.

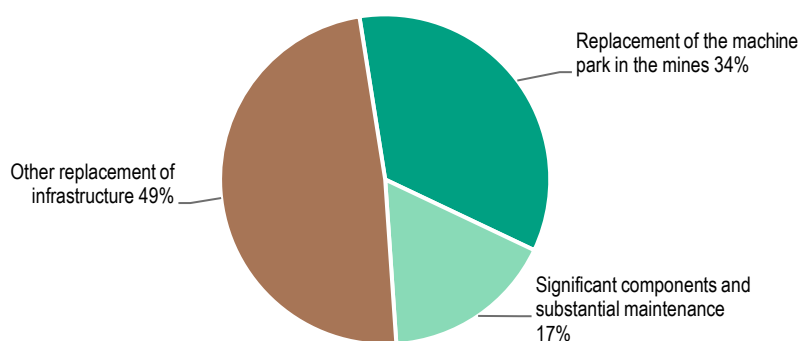
Table 84. Structure of expenditures on property, plant and equipment and intangible assets of KGHM Polska Miedź S.A. (in PLN million)

|                                  | 2023         | 2022         | Change (%)   | 4Q'23        | 3Q'23      | 2Q'23      | 1Q'23      |
|----------------------------------|--------------|--------------|--------------|--------------|------------|------------|------------|
| Mining                           | 2 689        | 2 116        | +27.1        | 939          | 638        | 559        | 553        |
| Metallurgy                       | 594          | 621          | (4.3)        | 283          | 138        | 114        | 59         |
| Other activities                 | 86           | 57           | +50.9        | 68           | 10         | 5          | 3          |
| Development work - uncompleted   | 7            | 9            | (22.2)       | 4            | -          | 1          | 2          |
| Leases per IFRS 16 <sup>76</sup> | 98           | 74           | +32.4        | 13           | 12         | 51         | 22         |
| <b>Total</b>                     | <b>3 474</b> | <b>2 877</b> | <b>+20.8</b> | <b>1 307</b> | <b>798</b> | <b>730</b> | <b>639</b> |
| <i>including borrowing costs</i> | 173          | 182          | (4.9)        | 21           | 27         | 67         | 58         |

Investment activities comprised projects related to the replacement of equipment, maintenance and development.

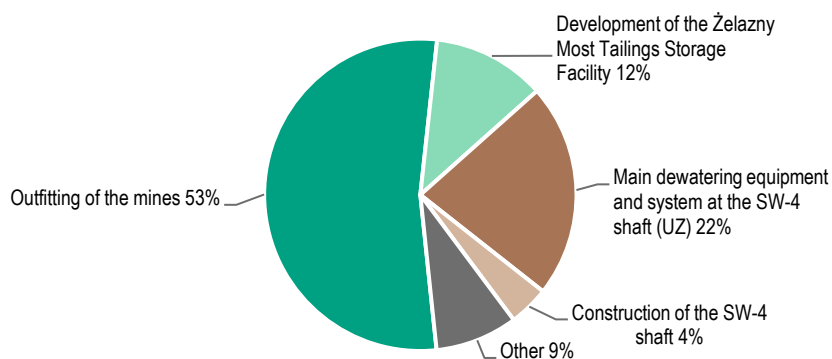
**Projects related to replacement** aimed at maintaining production equipment in an undeteriorated condition, represent 41% of total expenditures incurred.

Chart 40. Structure of expenditures on replacement of KGHM Polska Miedź S.A.



**Projects related to maintenance** aimed at maintaining mine production on the level set in approved Production Plan (development of infrastructure to match mine advancement) represent 32% of total expenditures incurred.

Chart 41. Structure of expenditures on maintenance of KGHM Polska Miedź S.A.<sup>77</sup>

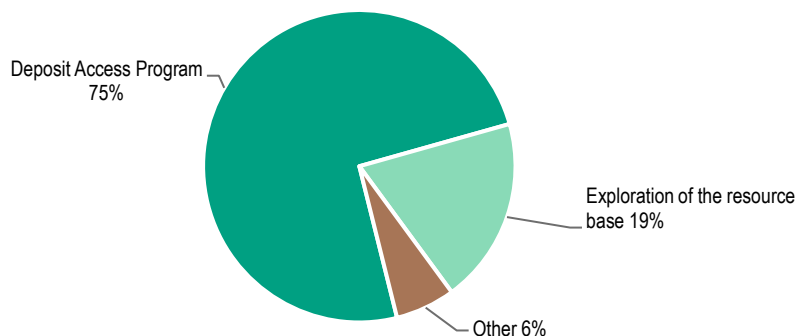


**Development projects** aimed at increasing or maintaining the current level of revenues from sales, implementation of technical and technological activities optimising use of existing infrastructure, decreasing operating costs, represent 25% of total expenditures incurred.

<sup>76</sup> reflects PLN 2.5 million incurred in 2023 due to leases under tangible investments

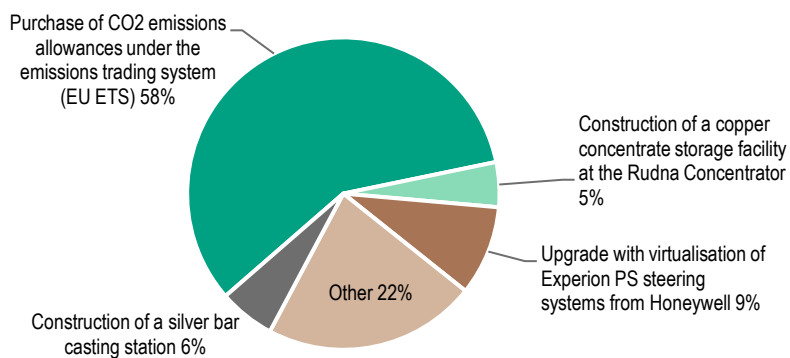
<sup>77</sup> UZ – Deposit Access Program

Chart 42. Structure of expenditures on development of KGHM Polska Miedź S.A.



**Adaptation projects** aimed at adapting the company's operations to changes in laws, existing standards or other regulations, especially as regards occupational health and safety, securing property, cybersecurity, ethical and anti-corruption standards, environmental impact, quality standards and management systems, represent 2% of expenditures incurred.






Chart 43. Structure of expenditures on adaptation of KGHM Polska Miedź S.A.



Detailed information on the advancement of key projects may be found in section [1.2 Strategy of the KGHM Polska Miedź S.A. Group](#).



## 9 ECONOMIC RESULTS OF THE SEGMENT KGHM INTERNATIONAL LTD.

|   |   |   |  |   |
|---|---|---|--|---|
|  |  |  |  |  |
| <b>Copper production</b>  | <b>C1 cost</b>  | <b>Revenues</b>   | <b>Adjusted EBITDA</b>   | <b>Loss for the period</b>  |
| <b>39.9</b><br>kt   | <b>4.15</b><br>USD/lb   | <b>2 451</b><br>PLN mn  | <b>-142</b><br>PLN mn  | <b>-1 120</b><br>PLN mn   |

### 9.1 PRODUCTION

Table 85. Production of KGHM INTERNATIONAL LTD.

|  | Unit      | 2023        | 2022        | Change (%)    | 4Q'23       | 3Q'23      | 2Q'23      | 1Q'23      |
|--|-----------|-------------|-------------|---------------|-------------|------------|------------|------------|
| <b>Payable copper, including:</b>            | <b>kt</b> | <b>39.9</b> | <b>56.2</b> | <b>(29.0)</b> | <b>15.8</b> | <b>8.7</b> | <b>7.8</b> | <b>7.6</b> |
| - Robinson mine (USA)                        | kt        | 31.5        | 46.8        | (32.7)        | 14.1        | 6.8        | 5.2        | 5.3        |
| - Sudbury Basin mines (Canada) <sup>78</sup> | kt        | 4.5         | 2.5         | +80.0         | 0.7         | 0.8        | 1.5        | 1.6        |
| Payable nickel                               | kt        | 0.4         | 0.4         | -             | 0.1         | 0.0        | 0.2        | 0.1        |
| Precious metals (TPM), including:            | koz t     | 40.6        | 55.9        | (27.4)        | 14.6        | 7.7        | 9.3        | 9.0        |
| - Robinson mine (USA)                        | koz t     | 21.6        | 38.6        | (44.0)        | 10.6        | 4.3        | 3.5        | 3.2        |
| - Sudbury Basin mines (Canada) <sup>79</sup> | koz t     | 19.0        | 17.3        | +9.8          | 3.9         | 3.4        | 5.9        | 5.8        |

For most of 2023, the Robinson mine operated in a so-called transitional zone, characterised by relatively low quality of ore, resulting in lower recovery and copper content in concentrate. This factor was the main reason for the decrease in copper production by KGHM INTERNATIONAL LTD. by 29% compared to the level in 2022. The situation improved decisively in the last quarter of 2023. The increase in copper content in the deposit being mined by Robinson led to a substantial increase in payable copper production, which in the fourth quarter amounted to 15.8 thousand tonnes, versus 8.0 thousand tonnes on average in the three preceding quarters of 2023.

The decrease in precious metals production by 27% during the year is also a consequence of the aforementioned problems in the Robinson mine.

### 9.2 REVENUES

Table 86. Volume and sales revenues of KGHM INTERNATIONAL LTD. (in USD million)

|   | Unit          | 2023       | 2022       | Change (%)    | 4Q'23      | 3Q'23      | 2Q'23      | 1Q'23      |
|---|---------------|------------|------------|---------------|------------|------------|------------|------------|
| <b>Revenues from contracts with customers <sup>80</sup>, including:</b> | <b>USD mn</b> | <b>586</b> | <b>720</b> | <b>(18.6)</b> | <b>187</b> | <b>114</b> | <b>122</b> | <b>163</b> |
| - copper  | USD mn        | 337        | 451        | (25.3)        | 122        | 58         | 59         | 98         |
| - nickel  | USD mn        | 8          | 12         | (33.3)        | 1          | 1          | 3          | 3          |
| - TPM – precious metals   | USD mn        | 68         | 100        | (32.0)        | 22         | 12         | 15         | 19         |
| Copper sales volume   | kt            | 43.3       | 54.8       | (21.0)        | 16.3       | 7.9        | 8.4        | 10.7       |
| Nickel sales volume   | kt            | 0.4        | 0.4        | -             | 0.1        | 0.0        | 0.2        | 0.1        |
| TPM sales volume  | koz t         | 42.1       | 55.2       | (23.7)        | 13.6       | 6.8        | 9.7        | 12         |

78 McCreedy West mine in the Sudbury Basin

79 As above

80 Reflects processing premium

Table 87. Sales revenues of KGHM INTERNATIONAL LTD. (in PLN million)

|  | Unit          | 2023         | 2022         | Change (%)    | 4Q'23      | 3Q'23      | 2Q'23      | 1Q'23      |
|--|---------------|--------------|--------------|---------------|------------|------------|------------|------------|
| <b>Revenues from contracts with customers<sup>81</sup>, including:</b> | <b>PLN mn</b> | <b>2 451</b> | <b>3 217</b> | <b>(23.8)</b> | <b>764</b> | <b>470</b> | <b>506</b> | <b>711</b> |
| - copper   | PLN mn        | 1 409        | 2 015        | (30.1)        | 498        | 242        | 243        | 426        |
| - nickel   | PLN mn        | 33           | 55           | (40.0)        | 2          | 5          | 14         | 12         |
| - TPM – precious metals  | PLN mn        | 284          | 448          | (36.5)        | 89         | 49         | 62         | 84         |

The revenues of KGHM INTERNATIONAL LTD. in 2023 amounted to USD 586 million, or PLN 2 451 million, or a decrease respectively by 19% and 24% compared to the corresponding period of 2022. The decrease in revenues was mainly due to the weak production results of the Robinson mine during the first three quarters of 2023. Moreover, revenues in 2023 do not reflect Franke (the mine was sold in April 2022, and from the start of 2022 to the moment of disposal of the asset, the mine recorded sales revenue in the amount of USD 31 million). It should be noted that revenues from mining services performed by DMC Mining Services recorded an increase by 24%, mainly due to the provision of a wider range of services.

The impact of individual factors on the change in revenues is presented in the subsection on the financial results of KGHM INTERNATIONAL LTD.

### 9.3 COSTS

Table 88. C1 payable copper production cost of KGHM INTERNATIONAL LTD.

|   | Unit   | 2023 | 2022 | Change (%) | 4Q'23 | 3Q'23 | 2Q'23 | 1Q'23 |
|---|--------|------|------|------------|-------|-------|-------|-------|
| C1 payable copper production cost <sup>82</sup> | USD/lb | 4.15 | 2.14 | +93.9      | 2.22  | 5.40  | 5.66  | 5.00  |

The average weighted unit cash cost of copper production for all mines in the segment KGHM INTERNATIONAL LTD. in 2023 amounted to 4.15 USD/lb, or nearly twice an increase compared to 2022. This decrease in cost efficiency was likewise a result of the aforementioned problems in the Robinson mine which led to a decrease in the volume of copper production sold. In addition, the level of C1 cost in 2023 was negatively affected by write-down of ore and concentrate inventories from the Robinson mine as their value was higher than their net realisable value and lower capitalised stripping costs due to the lower scope of access work by the Robinson mine.

In tandem with the move in the fourth quarter to mining in a target zone, Robinson's results also improved, with a simultaneous drop in C1 cost compared to the level recorded in the first three quarters of 2023.

### 9.4 FINANCIAL RESULTS

Table 89. Financial results of KGHM INTERNATIONAL LTD. (in USD million)

|  | 2023         | 2022       | Change (%) | 4Q'23        | 3Q'23       | 2Q'23       | 1Q'23       |
|--|--------------|------------|------------|--------------|-------------|-------------|-------------|
| Revenues from contracts with customers   | 586          | 720        | (18.6)     | 187          | 114         | 122         | 163         |
| Cost of sales, selling costs and administrative expenses, including: <sup>83</sup> | (791)        | (631)      | +25.4      | (182)        | (181)       | (199)       | (229)       |
| (recognition)/reversal of impairment losses on non-current assets                  | (2)          | (8)        | (75.0)     | -            | -           | -           | (2)         |
| <b>Profit/(loss) on sales</b>  | <b>(205)</b> | <b>89</b>  | <b>x</b>   | <b>5</b>     | <b>(67)</b> | <b>(77)</b> | <b>(66)</b> |
| <b>Profit/(loss) before taxation, including:</b>                                   | <b>(330)</b> | <b>229</b> | <b>x</b>   | <b>(181)</b> | <b>(77)</b> | <b>18</b>   | <b>(90)</b> |
| Income tax expense   | 61           | (27)       | x          | 29           | (3)         | 21          | 14          |
| <b>Profit/loss for the period</b>  | <b>(269)</b> | <b>202</b> | <b>x</b>   | <b>(152)</b> | <b>(80)</b> | <b>39</b>   | <b>(76)</b> |
| Depreciation/amortisation in expenses by nature                                    | (169)        | (147)      | +15.0      | (70)         | (40)        | (33)        | (26)        |
| <b>Adjusted EBITDA</b>   | <b>(34)</b>  | <b>224</b> | <b>x</b>   | <b>75</b>    | <b>(27)</b> | <b>(44)</b> | <b>(38)</b> |

81 Reflects processing premium

82 C1 unit production cost of copper - cash cost of payable copper production, reflecting costs of ore extraction and processing, the minerals extraction tax, transport costs, administrative expenses during the mining phase and smelter treatment and refining charges (TC/RC) less by-product value

83 Cost of products, merchandise and materials sold, selling costs and administrative expenses

Table 90. Financial results of KGHM INTERNATIONAL LTD. (in PLN million)

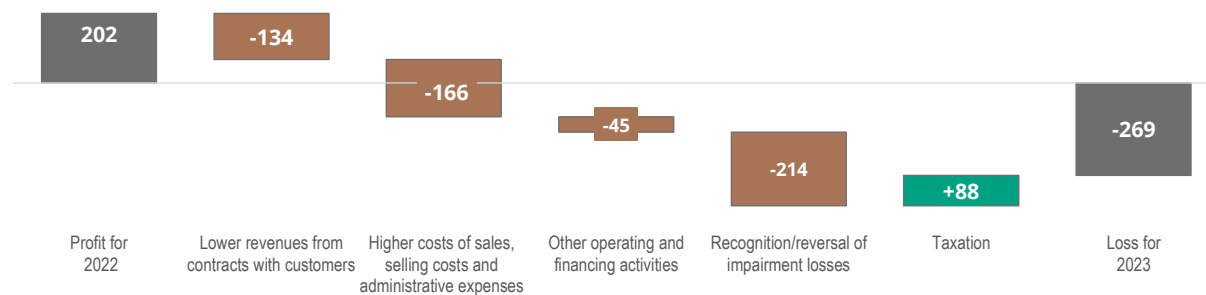
|  | 2023           | 2022         | Change (%) | 4Q'23        | 3Q'23        | 2Q'23        | 1Q'23        |
|--|----------------|--------------|------------|--------------|--------------|--------------|--------------|
| Revenues from contracts with customers   | 2 451          | 3 217        | (23.8)     | 764          | 470          | 506          | 711          |
| Cost of sales, selling costs and administrative expenses, including: <sup>84</sup> | (3 306)        | (2 820)      | +17.2      | (727)        | (752)        | (827)        | (1 000)      |
| - (recognition)/reversal of impairment losses on non-current assets                | (7)            | (36)         | (80.6)     | 1            | (0)          | 0            | (8)          |
| <b>Profit/(loss) on sales</b>  | <b>(855)</b>   | <b>397</b>   | <b>x</b>   | <b>37</b>    | <b>(282)</b> | <b>(321)</b> | <b>(289)</b> |
| <b>Profit/(loss) before taxation, including:</b>                                   | <b>(1 370)</b> | <b>1 022</b> | <b>x</b>   | <b>(741)</b> | <b>(320)</b> | <b>85</b>    | <b>(394)</b> |
| Income tax expense   | 250            | (122)        | x          | 115          | (16)         | 88           | 63           |
| <b>PROFIT/LOSS FOR THE PERIOD</b>  | <b>(1 120)</b> | <b>900</b>   | <b>x</b>   | <b>(626)</b> | <b>(336)</b> | <b>173</b>   | <b>(331)</b> |
| Depreciation/amortisation in expenses by nature                                    | (706)          | (656)        | +7.6       | (287)        | (169)        | (138)        | (112)        |
| <b>Adjusted EBITDA</b>   | <b>(142)</b>   | <b>1 089</b> | <b>x</b>   | <b>323</b>   | <b>(113)</b> | <b>(183)</b> | <b>(169)</b> |

Table 91. Key factors impacting the change in financial result of KGHM INTERNATIONAL LTD.

| Item  | Description   |
|---|---|
| <b>Lower revenues – impact on result</b><br><b>-USD 134 million</b>   | <b>-USD 101 million</b> - lower revenues due to a change in the metal sales volume, of which: <ul style="list-style-type: none"> <li>– copper (-11 kt; -USD 74 million),</li> <li>– precious metals (-13.1 koz t; -USD 27 million)</li> </ul>           |
|   | <b>-USD 30 million</b> - lower revenues due to a change in the metal sales prices, of which: <ul style="list-style-type: none"> <li>– copper (-USD 27 million)</li> <li>– other, including precious metals and nickel (-USD 3 million)</li> </ul>       |
|   | <b>+USD 29 million</b> - higher revenues realised by DMC Mining Services Ltd.   |
|   | <b>-USD 32 million</b> - other factors, including mainly higher processing premiums (-USD 27 million)   |
| <b>Higher cost of sales, selling costs and administrative expenses</b><br><b>- impact on results -USD 160 million</b> | <b>-USD 78 million</b> - higher write-down of ore and concentrate inventories as their value was higher than their net realisable sales price and other adjustments (write-down in the amount of USD 88 million for 2023 versus USD 10 million in 2022) |
|   | <b>-USD 38 million</b> - impact of change in products and work in progress (-USD 24 million versus -USD 62 million in 2022).  |
|   | <b>-USD 40 million</b> - lower capitalised stripping costs due to a lower scope of access work by the Robinson mine   |
|   | <b>+USD 6 million</b> - lower impairment losses on non-current assets   |
| <b>Impact of other operating and financing activities</b><br><b>-USD 265 million</b>                                  | <b>-USD 170 million</b> - reversal of allowance for impairment of loans granted for the construction of the Sierra Gorda mine (+USD 26 million in 2023 versus +USD 196 million in the corresponding period of 2022).                                    |
|   | <b>- USD 53 million</b> - result on the sale of the Oxide project (to Sierra Gorda S.C.M.) and of the Franke mine in 2022 (in 2023 this type of transaction did not occur)  |
|   | <b>-USD 63 million</b> - higher impairment losses on fixed assets under construction and intangible assets not yet available for use (mainly on the Victoria project)   |
|   | <b>+USD 13 million</b> - reversal of impairment losses on fixed assets under construction and intangible assets (mainly on the Ajax project) at the end of 2023 (did not occur in 2022)   |
| <b>Taxation – impact on results (+USD 88 million)</b>   | <b>+USD 8 million</b> - other factors, including higher interest income (+USD 15 million)   |
|   | A decrease in income tax mainly due to lower results of Robinson  |

84 Cost of products, merchandise and materials sold, selling costs and administrative expenses

Chart 44. Change in profit or loss for the period of KGHM INTERNATIONAL LTD. (in USD million) <sup>85</sup>



## 9.5 CASH EXPENDITURES

Table 92. Cash expenditures of KGHM INTERNATIONAL LTD. (in USD million)

|                     | 2023       | 2022       | Change (%)   | 4Q'23      | 3Q'23     | 2Q'23     | 1Q'23     |
|---------------------|------------|------------|--------------|------------|-----------|-----------|-----------|
| Victoria project    | 70         | 49         | +42.9        | 20         | 18        | 17        | 15        |
| Stripping and other | 165        | 155        | +6.5         | 83         | 35        | 16        | 31        |
| <b>Total</b>        | <b>235</b> | <b>204</b> | <b>+15.2</b> | <b>103</b> | <b>53</b> | <b>33</b> | <b>46</b> |






Table 93. Cash expenditures of KGHM INTERNATIONAL LTD. (in PLN million)

|                     | 2023       | 2022       | Change (%)  | 4Q'23      | 3Q'23      | 2Q'23      | 1Q'23      |
|---------------------|------------|------------|-------------|------------|------------|------------|------------|
| Victoria project    | 293        | 221        | +32.5       | 81         | 75         | 72         | 65         |
| Stripping and other | 690        | 692        | (0.3)       | 342        | 147        | 63         | 138        |
| <b>Total</b>        | <b>984</b> | <b>913</b> | <b>+7.8</b> | <b>424</b> | <b>222</b> | <b>135</b> | <b>203</b> |

Cash expenditures by the segment KGHM INTERNATIONAL LTD. in 2023 amounted to USD 235 million, and were higher by USD 31 million (+15%) compared to 2022, mainly as regards expenditures to advance the Victoria project.

<sup>85</sup> Cost of sales, selling costs and administrative expenses excluding recognition/reversal of impairment losses on property, plant and equipment, and costs of other operating activities excluding recognition/reversal of allowances for impairment of loans granted for the construction of the Sierra Gorda mine, fixed assets under construction and intangible assets

## 10 ECONOMIC RESULTS OF THE SEGMENT SIERRA GORDA S.C.M.

|   |   |   |  |   |
|---|---|---|--|---|
|  |  |  |  |  |
| <b>Copper production</b>  | <b>C1 cost</b>  | <b>Revenues</b>   | <b>Adjusted EBITDA</b>   | <b>Profit for the period</b>  |
| <b>78.7</b><br>kt (55%)   | <b>1.68</b><br>USD/lb   | <b>3 319</b><br>PLN mn (55%)  | <b>1 584</b><br>PLN mn (55%)   | <b>68</b><br>PLN mn (55%)   |

The segment Sierra Gorda S.C.M. is a joint venture, whose owners are the KGHM Polska Miedź S.A. Group (55%) and the Australian mining group South32 (45%).

The following production and financial data are presented on a 100% basis for the joint venture and proportionally to the interest in the company Sierra Gorda S.C.M. (55%), pursuant to the methodology of presentation of data in the note of the consolidated financial statements concerning the operating segments.

### 10.1 PRODUCTION

In 2023, Sierra Gorda S.C.M. produced 13% less copper than in 2022, with molybdenum production higher by 19%.

Table 94. Production of copper, molybdenum and precious metals by Sierra Gorda S.C.M. <sup>86</sup>

|                                       | Unit   | 2023  | 2022  | Change (%) | 4Q'23 | 3Q'23 | 2Q'23 | 1Q'23 |
|---------------------------------------|--------|-------|-------|------------|-------|-------|-------|-------|
| Copper production                     | kt     | 143.0 | 165.1 | (13.4)     | 34.5  | 35.7  | 38.4  | 34.4  |
| Copper production - segment (55%)     | kt     | 78.7  | 90.8  | (13.4)     | 19.0  | 19.6  | 21.2  | 18.9  |
| Molybdenum production                 | mn lbs | 6.3   | 5.3   | +18.9      | 0.7   | 1.7   | 2.1   | 1.8   |
| Molybdenum production - segment (55%) | mn lbs | 3.5   | 2.9   | +18.9      | 0.4   | 1.0   | 1.1   | 1     |
| TPM production - gold                 | koz t  | 59.8  | 62.4  | (4.2)      | 15.8  | 13.9  | 16.4  | 13.7  |
| TPM production - gold -segment (55%)  | koz t  | 32.9  | 34.3  | (4.2)      | 8.7   | 7.7   | 9     | 7.5   |

The decrease in copper production was a consequence of the mineralogical composition of the areas mined in 2023, which were characterised by lower copper content than in 2022. The quality of the ore processed also played a role in the decrease in copper recovery by more than 1% during the year. A positive factor was the nearly two-percent rise in the level of ore processed.

The increase in molybdenum content, as well as the aforementioned increase in the volume of ore processed, were the main factors responsible for the increase in payable molybdenum production. The visible decrease in molybdenum production in the last quarter of 2023 was due to unplanned shutdowns, including mainly related to eliminating the causes of breakdowns in the hydro-transport installation and the nature of the processed ore (the high content of swelling clays causing disturbances in the molybdenum flotation process and the decrease in recovery).

<sup>86</sup> Payable metal in concentrate

## 10.2 SALES

Revenues from sales in 2023 amounted to USD 1 443 million (on a 100% basis), or PLN 3 319 million respectively to the 55% interest held by KGHM Polska Miedź S.A.

Table 95. Sales volume and revenues of Sierra Gorda S.C.M.

|   | Unit          | 2023         | 2022         | Change (%)    | 4Q'23      | 3Q'23      | 2Q'23      | 1Q'23      |
|---|---------------|--------------|--------------|---------------|------------|------------|------------|------------|
| <b>Revenues from contracts with customers<sup>87</sup>, including from the sale of:</b> | <b>USD mn</b> | <b>1 443</b> | <b>1 617</b> | <b>(10.8)</b> | <b>378</b> | <b>337</b> | <b>339</b> | <b>389</b> |
| - copper  | USD mn        | 1 164        | 1 322        | (12.0)        | 304        | 263        | 278        | 319        |
| - molybdenum  | USD mn        | 128          | 153          | (16.3)        | 34         | 40         | 21         | 33         |
| - TPM (gold)  | USD mn        | 120          | 109          | +10.1         | 32         | 27         | 33         | 28         |
| Copper sales volume   | kt            | 146.5        | 165.6        | (11.5)        | 38.2       | 34.0       | 39.9       | 34.4       |
| Molybdenum sales volume   | mn lbs        | 5.8          | 7.8          | (25.6)        | 1.8        | 1.7        | 1.1        | 1.2        |
| TPM (gold) sales volume   | koz t         | 61.1         | 61.4         | (0.5)         | 16.6       | 14.0       | 16.2       | 14.3       |
| <b>Revenues from contracts with customers<sup>88</sup> - segment (55%)</b>              | <b>PLN mn</b> | <b>3 319</b> | <b>3 974</b> | <b>(16.5)</b> | <b>840</b> | <b>768</b> | <b>779</b> | <b>932</b> |

In comparison to the results achieved in 2022, revenues decreased respectively by 11% in the functional currency and by 17% in PLN million (on a 55% basis). The decrease in revenues is a direct result of the extraction of ore with a lower copper content, which led to lower sales by 19.1 thousand tonnes of payable copper (-12%). The volume of molybdenum sales was also lower (-26%). The change volume of sales of metals produced by Sierra Gorda S.C.M. is responsible for USD 214 million of the USD 174 million decrease in revenues. Other factors were mainly an increase in revenues resulting from more favourable macroeconomic conditions.

The detailed impact of individual factors on changes in revenues is presented in the subsection discussing the financial results of Sierra Gorda S.C.M.

## 10.3 COSTS

The cost of sales, selling costs and administrative expenses, prior to the reversal of impairment loss on non-current assets, amounted to USD 1 089 million, of which USD 947 million were costs of products sold, and USD 142 million were total selling costs and administrative expenses. Proportionally to the interest held (55%) the costs of the segment amounted to PLN 2 505 million.

Table 96. Cost of sales, selling costs and administrative expenses and production cost of payable copper (C1) of Sierra Gorda S.C.M.

|  | Unit          | 2023        | 2022        | Change (%)   | 4Q'23       | 3Q'23       | 2Q'23       | 1Q'23       |
|--|---------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|
| Costs of sales, selling costs and administrative expenses (prior to the reversal of impairment loss in 2023)                                     | USD mn        | (1 089)     | (1 107)     | (1.6)        | (330)       | (263)       | (254)       | (242)       |
| Reversal of impairment loss on non-current assets  | USD mn        | 101         | -           | x            | 101         | -           | -           | -           |
| Costs of sales, selling costs and administrative expenses (prior to the reversal of impairment loss on non-current assets in 2023) - segment 55% | PLN mn        | (2 505)     | (2 721)     | (7.9)        | (737)       | (602)       | (586)       | (580)       |
| <b>C1 unit cost<sup>89</sup></b>   | <b>USD/lb</b> | <b>1.68</b> | <b>1.50</b> | <b>+12.0</b> | <b>2.03</b> | <b>1.69</b> | <b>1.50</b> | <b>1.48</b> |

87 Reflecting treatment/refining and other charges

88 Reflecting treatment/refining and other charges

89 C1 unit production cost of copper - cash cost of payable copper production, reflecting costs of ore extraction and processing, the minerals extraction tax, transport costs, administrative expenses during the mining phase and smelter treatment and refining charges (TC/RC) less by-product value

Costs incurred in 2023 (prior to the reversal of impairment loss) were at a comparable level to those recorded in the corresponding period of 2022, although there were changes in terms of individual items of expenses by nature:

|  | 2023         | 2022         | Change (%)   |   |
|--|--------------|--------------|--------------|---|
| External services  | 279          | 224          | +24.6        | Higher costs due to: <ul style="list-style-type: none"> <li>- higher contractual rates,</li> <li>- a higher scope of maintenance services during maintenance shutdowns of the concentrator plant</li> <li>- a higher scope of vulcanisation services due to higher consumption of tires,</li> <li>- a higher scope of work of mining machinery and equipment (higher rental cost),</li> <li>- unfavourable impact of the USD/CLP exchange rate</li> </ul> |
| Depreciation/amortisation  | 335          | 381          | (12.1)       | Lower costs, mainly in respect of depreciation of investments related to stripping  |
| Materials and fuel   | 201          | 220          | (8.6)        | Mainly due to lower prices for fuel and explosives  |
| Spare parts  | 81           | 68           | +19.1        | A higher scope of maintenance compared to 2022  |
| Energy   | 196          | 246          | (20.3)       | The result of utilising renewable energy and energy resales   |
| Labour costs   | 161          | 99           | +62.6        | Higher costs resulting among others from signed wage agreements   |
| Selling costs  | 74           | 93           | (20.4)       | Lower costs resulting from a lower sales volume and lower seaborne transport rates.   |
| Other costs  | 63           | 55           | +14.5        | Mainly higher costs of insurance and travel costs.  |
| Capitalised stripping costs                                      | (293)        | (189)        | +55.0        | An increase in a scope of work and unit cost of extraction.   |
| Change in inventories  | (8)          | (90)         | -91.1        |   |
| <b>Costs of sales, selling costs and administrative expenses</b> | <b>1 089</b> | <b>1 107</b> | <b>(1.6)</b> |   |

The increase in costs of external services and labour, given the drop in the volume of copper sales, was the main cause of the deterioration of the C1 unit cash cost of copper production, which increased from 1.50 USD/lb in 2022 to 1.68 USD/lb in 2023.

## 10.4 FINANCIAL RESULTS

### 10.4.1 Statement of profit or loss

In 2023, adjusted EBITDA amounted to USD 689 million, of which proportionally to the interest held (55%) PLN 1 584 million is attributable to the KGHM Group.

Table 97. Results of Sierra Gorda S.C.M. in USD million (on a 100% basis)

|   | 2023       | 2022       | Change (%)    | 4Q'23      | 3Q'23       | 2Q'23      | 1Q'23      |
|---|------------|------------|---------------|------------|-------------|------------|------------|
| Revenues from contracts with customers  | 1 443      | 1 617      | (10.8)        | 378        | 337         | 339        | 389        |
| Cost of sales, selling costs and administrative expenses (prior to the reversal of impairment loss) | (1 089)    | (1 107)    | (1.6)         | (330)      | (263)       | (254)      | (242)      |
| Reversal of impairment loss on non-current assets   | 101        | -          | x             | 101        | -           | -          | -          |
| <b>Profit/(loss) on sales</b>   | <b>455</b> | <b>510</b> | <b>(10.8)</b> | <b>149</b> | <b>74</b>   | <b>85</b>  | <b>147</b> |
| <b>Profit/loss for the period</b>   | <b>36</b>  | <b>97</b>  | <b>(62.9)</b> | <b>13</b>  | <b>(11)</b> | <b>2</b>   | <b>32</b>  |
| Depreciation/amortisation in expenses by nature   | (335)      | (381)      | (12.1)        | (83)       | (84)        | (85)       | (83)       |
| <b>Adjusted EBITDA</b>  | <b>689</b> | <b>891</b> | <b>(22.7)</b> | <b>131</b> | <b>158</b>  | <b>171</b> | <b>229</b> |

Table 98. Results of the segment Sierra Gorda S.C.M. proportionally to the interest held (55%) in PLN million

|   | 2023         | 2022         | Change (%)    | 4Q'23      | 3Q'23       | 2Q'23      | 1Q'23      |
|---|--------------|--------------|---------------|------------|-------------|------------|------------|
| Revenues from contracts with customers  | 3 319        | 3 974        | (16.5)        | 840.3      | 768         | 779        | 932        |
| Cost of sales, selling costs and administrative expenses (prior to the reversal of impairment loss) | (2 505)      | (2 721)      | (7.9)         | (737)      | (602)       | (586)      | (580)      |
| Reversal of impairment loss on non-current assets   | 219          | -            | x             | 219        | -           | -          | -          |
| <b>Profit/(loss) on sales</b>   | <b>1 033</b> | <b>1 253</b> | <b>(17.5)</b> | <b>322</b> | <b>166</b>  | <b>193</b> | <b>352</b> |
| <b>Profit/loss for the period</b>   | <b>68</b>    | <b>239</b>   | <b>(71.5)</b> | <b>15</b>  | <b>(26)</b> | <b>1</b>   | <b>78</b>  |
| Depreciation/amortisation in expenses by nature   | (770)        | (937)        | (17.8)        | (184)      | (191)       | (197)      | (198)      |
| <b>Adjusted EBITDA</b>  | <b>1 584</b> | <b>2 190</b> | <b>(27.7)</b> | <b>287</b> | <b>357</b>  | <b>390</b> | <b>550</b> |

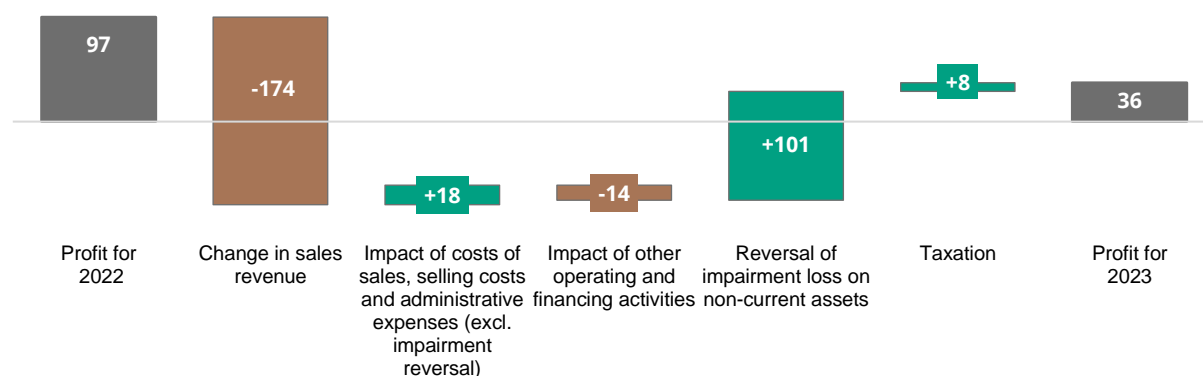


A summary of the major factors affecting revenues and costs, and therefore EBITDA, is presented in the following list of the major factors responsible for the decrease in profit/loss for the period of Sierra Gorda S.C.M. by USD 61 million.

Table 99. Main factors impacting the change in the financial result of the segment Sierra Gorda S.C.M.

| Item  | Description   |
|---|---|
| <b>Lower sales revenue – impact on result<br/>-USD 174 million</b>  | Lower revenues from copper sales (-USD 145 million), mainly due to a lower sales volume by 19 thousand tonnes (-USD 158 million), with a positive impact of price factors (+USD 13 million)   |
|   | Lower revenues from molybdenum sales (-USD 26 million), mainly due to a lower sales volume (-USD 49 million), the impact of which was partially offset by more favourable price factors (+USD 23 million)   |
|   | Higher revenues from sales of silver and gold (+USD 9 million)  |
|   | Higher treatment and refining charges due to market conditions (-USD 12 million)  |
| <b>Lower cost of sales, selling costs and administrative expenses prior to the reversal of impairment loss on non-current assets – impact on result<br/>+USD 18 million</b> | Lower costs of sales, selling costs and administrative expenses mainly due to lower costs of energy, materials and fuels and of depreciation/amortisation, offsetting higher costs in items such as external services, labour costs and spare parts.  |
| <b>Reversal of impairment loss on non-current assets<br/>+USD 101 million</b>   | In the profit/loss on sales for 2023, a reversal of impairment losses on non-current assets in the amount of USD 101 million was recognised. In 2022 Sierra Gorda S.C.M. did not recognise or reverse any impairment losses in this regard.   |
| <b>Impact of other operating and financing activities<br/>-USD 14 million</b>   | <ul style="list-style-type: none"> <li>– an impairment loss on fixed assets under construction (-USD 19 million in 2023),</li> <li>– higher interest on loans (-USD 15 million)</li> <li>– impact of other factors (+USD 20 million), including mainly higher interest income and lower costs of interest on a loan granted by the Owners to build the mine.</li> </ul> |
| <b>Taxation +USD 8 million</b>  | <ul style="list-style-type: none"> <li>– income tax +USD 4 million – mainly due to lower profit before income tax resulting from lower revenues</li> <li>– other, including the minerals extraction tax +USD 4 million</li> </ul>   |

Chart 45. Change in profit/loss for the period of Sierra Gorda S.C.M. (in USD million)



## 10.5 CASH EXPENDITURES

In 2023, cash expenditures on property, plant and equipment and intangible assets, reflected in the statement of cash flows of Sierra Gorda S.C.M., amounted to USD 481 million, of which the majority, or USD 260 million (54%) were cash expenditures incurred on stripping to gain access to further areas of the deposit, with the rest related to development and the replacement of property, plant and equipment.

Table 100. Cash expenditures of Sierra Gorda S.C.M.

|  | Unit   | 2023  | 2022  | Change (%) | 4Q'23 | 3Q'23 | 2Q'23 | 1Q'23 |
|--|--------|-------|-------|------------|-------|-------|-------|-------|
| Cash expenditures on property, plant and equipment                       | USD mn | 481   | 420   | +14.5      | 129   | 102   | 114   | 136   |
| Cash expenditures on property, plant and equipment – segment (55% share) | PLN mn | 1 106 | 1 031 | +7.3       | 285   | 233   | 261   | 327   |

The increase in cash expenditures by 15% compared to 2022 was mainly due to capitalised stripping costs and was the result of a greater scope of work, as well as the unit cost being the basis for capitalisation.

The positive cash flow generated from operating activities (USD 686 million) completely covered cash expenditures on property, plant and equipment (USD 481 million), while the surplus was utilised among others to make payments towards the Owners due to the loan granted to build the mine. The total amount of the principal and interest repaid in 2023 amounted to USD 70 million, of which USD 39 million is attributable to the KGHM Polska Miedź S.A. Group (respectively USD 350 million and USD 193 million in the corresponding period of 2022).

## 11 ECONOMIC RESULTS OF OTHER SEGMENTS

Companies in the other segments are very diversified in their operations. They include companies supporting the core business and others of a non-operating nature or playing an important role in fulfilling the policy of corporate social responsibility.

### 11.1 REVENUES

Table 101. Revenues from contracts with customers of companies within the KGHM Group – excluding intra-segment revenues (in PLN million)

| Revenues from contracts with customers | From external customers |              |              | From KGHM Polska Miedź SA |               |              | TOTAL         |               |              |
|--|-------------------------|--------------|--------------|---------------------------|---------------|--------------|---------------|---------------|--------------|
|  | 2023                    | 2022         | Change %     | 2023                      | 2022          | Change %     | 2023          | 2022          | Change %     |
| Metraco S.A.                           | 233                     | 222          | +5.0         | 5 132                     | 5 892         | (12.9)       | 5 365         | 6 114         | (12.3)       |
| Mercus Logistyka Sp. z o.o.            | 52                      | 70           | (25.7)       | 1 144                     | 1 121         | +2.1         | 1 196         | 1 190         | +0.5         |
| PeBeKa S.A.                            | -7                      | 52           | x            | 1 146                     | 883           | +29.8        | 1 139         | 935           | +21.8        |
| Energetyka Sp. z o.o.                  | 109                     | 128          | (14.8)       | 806                       | 732           | +10.1        | 915           | 860           | +6.4         |
| KGHM ZANAM S.A.                        | 77                      | 63           | +22.2        | 784                       | 683           | +14.8        | 861           | 746           | +15.4        |
| Centrozłom Wrocław S.A.                | 638                     | 812          | (21.4)       | 5                         | 2             | x2.5         | 643           | 814           | (21.0)       |
| NITROERG S.A.                          | 279                     | 319          | (12.5)       | 223                       | 216           | +3.2         | 502           | 535           | (6.2)        |
| WPEC S.A. w Legnicy                    | 330                     | 251          | +31.5        | 9                         | 7             | +28.6        | 339           | 258           | +31.4        |
| Miedziowe Centrum Zdrowia S.A.         | 277                     | 225          | +23.1        | 39                        | 31            | +25.8        | 316           | 256           | +23.4        |
| POL - MIEDŹ TRANS Sp. z o.o.           | 68                      | 51           | +33.3        | 186                       | 173           | +7.5         | 254           | 224           | +13.4        |
| Other                                  | 608                     | 573          | +6.1         | 447                       | 383           | +16.7        | 1 055         | 957           | +10.2        |
| <b>TOTAL</b>                           | <b>2 664</b>            | <b>2 766</b> | <b>(3.7)</b> | <b>9 921</b>              | <b>10 123</b> | <b>(2.0)</b> | <b>12 585</b> | <b>12 889</b> | <b>(2.4)</b> |

Information on the activities of the Group's main companies may be found in section [1.1.7 Our assets](#).

### 11.2 FINANCIAL RESULTS

Table 102. Financial results of other segments – prior to consolidation adjustments (in PLN million)

|   | 2023       | 2022       | Change (%)   | 4Q'23      | 3Q'23      | 2Q'23      | 1Q'23      |
|---|------------|------------|--------------|------------|------------|------------|------------|
| Sales revenue                                   | 12 585     | 12 889     | (2.4)        | 3 186      | 2 960      | 3 203      | 3 236      |
| - including from external clients               | 2 664      | 2 766      | (3.7)        | 646        | 631        | 682        | 705        |
| <b>Profit/loss on sales</b>                     | <b>64</b>  | <b>2</b>   | <b>x32.0</b> | <b>38</b>  | <b>-16</b> | <b>102</b> | <b>-60</b> |
| <b>Profit/loss for the period</b>               | <b>28</b>  | <b>-51</b> | <b>x</b>     | <b>19</b>  | <b>-26</b> | <b>103</b> | <b>-68</b> |
| Depreciation/amortisation in expenses by nature | -295       | -274       | +7.7         | -78        | -74        | -74        | -69        |
| <b>Adjusted EBITDA</b>                          | <b>357</b> | <b>275</b> | <b>+29.8</b> | <b>116</b> | <b>57</b>  | <b>175</b> | <b>9</b>   |

In 2023, other segments recorded a profit for the period, prior to recognition of consolidation adjustments, in the amount of PLN 28 million, or an improvement as compared to 2022 by PLN 79 million (the loss for 2022 amounted to PLN 51 million). The profit/loss for the period is comprised of profits/losses of individual companies of the KGHM Group after eliminating turnover between companies within the same segment.

The highest profit on sales was achieved by the following companies: Energetyka Sp. z o.o. (PLN 31.5 million), KGHM ZANAM S.A. (PLN 27.8 million), NITROERG S.A. (PLN 27.1 million) and Miedziowe Centrum Zdrowia S.A. (PLN 16.6 million). The lowest results were recorded by Centrozłom Wrocław S.A. (-PLN 42.4 million) and Zagłębie Lubin S.A. (-PLN 23.3 million). The adjustment of profit/loss on sales due to intra-segment turnover (i.e. between subsidiaries) amounts to approximately PLN 135 million, meaning a surplus of intra-segment revenues over costs, including manufacturing costs.

### 11.3 CASH EXPENDITURES

The total cash expenditures of other segments in 2023 amounted to approx. PLN 581 million, compared to approx. PLN 387 million in 2022.

Table 103. Cash expenditures – acquisition of intangible assets and property, plant and equipment (in PLN million)

| <i>Company within the KGHM Group</i> | <i>Amount</i> | <i>Main investment expenditures</i>  |
|--------------------------------------|---------------|--|
| Energetyka Sp. z o.o.                | 229           | Mainly the acquisition of CO <sub>2</sub> emission allowances, but also includes, among others, investments on the modernisation and development of the plant in Legnica involving the generation of heat in the form of hot water and steam, as well as de-mineralised water.     |
| PeBeKa S.A.                          | 98            | Mainly investments comprising the replacement of heavy mining and auxiliary machinery and other equipment and machinery.   |
| WPEC S.A. w Legnicy                  | 69            | Mainly a developmental investment in the modernisation of heat supply system in Legnica.   |
| POL - MIEDŹ TRANS Sp. z o.o.         | 48            | Replacement-related investments with respect to repairing railway cars using its own system, as well as development-related investments in the form of purchases of platform railway cars for intermodal transport, which will enable the Company to increase its carrying volume. |
| KGHM ZANAM S.A.                      | 35            | Among others replacement- and development-related investments in the plants in Polkowice and Legnica, as well as investments involving mine-related work.  |
| Centrozłom Wrocław S.A.              | 28            | Among others replacement-related investments in loading cranes and press-shears on the terrain of many divisions, including the division in Legnica.   |
| Other                                | 74            |  |
| <b>TOTAL</b>                         | <b>581</b>    |  |

**Disclosure in accordance with Annex III of Commission Delegated Regulation (EU) 2022/1214, supplementing Commission Delegated Regulation (EU) 2021/2178 with Annex XII, concerning standard templates for the disclosure of information referred to in Article 8(6) and (7) - i.e. for activities related to nuclear power and natural gas [for consolidated data]**

**Turnover**

Table 104. Taxonomy disclosure: Turnover - Template 1 Activities related to nuclear power and natural gas.

| <b>Template 1 Activities related to nuclear power and natural gas</b> |   |    |
|---|---|----|
| <b>Row</b>  | <b>Activities related to nuclear power</b>  |    |
| 1.  | The company engages in research, development, demonstration and deployment of innovative electricity generation facilities that produce energy through nuclear processes with minimum fuel cycle waste, finances or has exposure to such activity.  | NO |
| 2.  | The company engages in the construction and safe operation of new nuclear power facilities to generate electricity or process heat, including for district heating or industrial processes such as hydrogen production, as well as their modernisation in terms of safety using the best available technology, finances or has exposure to such activity. | NO |
| 3.  | The company engages in safe operation of existing nuclear power facilities generating electricity or process heat, including for district heating or industrial processes such as hydrogen production, as well as their modernisation in terms of safety, finances or has exposure to such activity.  | NO |
| <b>Activities related to natural gas</b>                              |   |    |
| 4.  | The company engages in the construction or operates facilities for generation of electricity using gaseous fossil fuels, finances or has exposure to such activity.   | NO |
| 5.  | The company engages in the construction, modernisation or operates facilities for combines generation of heat/cooling and electricity using gaseous fossil fuels, finances or has exposure to such activity.  | NO |
| 6.  | The company engages in the construction, modernisation or operates facilities for heat generation producing heat/cooling energy using gaseous fossil fuels, finances or has exposure to such activity.  | NO |

Table 105. Taxonomy disclosure: Turnover - Template 2 Taxonomy-compliant economic activity (denominator)

| Template 2 Taxonomy-compliant economic activity (denominator) |  |   |      |                                 |      |                                 |    |
|---|--|---|------|---------------------------------|------|---------------------------------|----|
| Row   | Types of economic activity   | Amount and share (information to be provided in monetary amounts and percentages) |      |                                 |      |                                 |    |
|   |  | CCM + CCA   |      | Climate change mitigation (CCM) |      | Climate change adaptation (CCA) |    |
|   |  | Amount (in million PLN)   | %    | Amount                          | %    | Amount                          | %  |
| 1.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 2.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 3.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 4.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 5.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 6.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 7.  | <b>Amount and share of other taxonomy-compliant economic activities not listed in rows 1-6 above in the denominator of the applicable key performance indicator</b>  | 300.03  | 0.9% | 300.03                          | 0.9% | 0.00                            | 0% |
| 8.  | Total applicable key performance indicator   | 33 467.26   |      | 33 467.26                       |      | 0.00                            |    |

Table 106. Taxonomy disclosure: Turnover - Template 3 Taxonomy-compliant economic activity (numerator)

| Template 3 Taxonomy-compliant economic activity (numerator) |  |   |      |                                 |      |                                 |    |
|---|--|---|------|---------------------------------|------|---------------------------------|----|
| Row   | Types of economic activity   | Amount and share (information to be provided in monetary amounts and percentages) |      |                                 |      |                                 |    |
|   |  | CCM + CCA   |      | Climate change mitigation (CCM) |      | Climate change adaptation (CCA) |    |
|   |  | Amount (in million PLN)   | %    | Amount                          | %    | Amount                          | %  |
| 1.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 2.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 3.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 4.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 5.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 6.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 7.  | The amount and share of other taxonomy-compliant economic activities not listed in rows 1-6 above in the denominator of the applicable key performance indicator   | 300.03  | 100% | 300.03                          | 100% | 0.00                            | 0% |
| 8.  | Total amount and total share of other taxonomy-compliant economic activities in the denominator of the applicable key performance indicator  | 300.03  | 100% | 300.03                          | 100% | 0.00                            | 0% |



Table 107. Taxonomy disclosure: Turnover - Template 4 Taxonomy-eligible but taxonomy non-compliant economic activity

| Template 4 Taxonomy-eligible but taxonomy non-compliant economic activity |  |   |      |                                 |      |                                 |    |
|---|--|---|------|---------------------------------|------|---------------------------------|----|
| Row   | Types of economic activity   | Amount and share (information to be provided in monetary amounts and percentages) |      |                                 |      |                                 |    |
|   |  | CCM + CCA   |      | Climate change mitigation (CCM) |      | Climate change adaptation (CCA) |    |
|   |  | Amount (in million PLN)   | %    | Amount                          | %    | Amount                          | %  |
| 1.  | The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 2.  | The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 3.  | The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 4.  | The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 5.  | The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 6.  | The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 7.  | <b>Amount and share of other taxonomy-eligible but taxonomy non-compliant economic activities not listed in rows 1-6 above in the denominator of the applicable key performance indicator</b>  | 219.47  | 0.7% | 219.47                          | 0.7% | 0.00                            | 0% |
| 8.  | <b>Total amount and total share of taxonomy-eligible but taxonomy non-compliant economic activities in the denominator of the applicable key performance indicator</b>   | 219.47  | 0.7% | 219.47                          | 0.7% | 0.00                            | 0% |

Table 108. Taxonomy disclosure: Turnover - Template 5 Taxonomy non-eligible economic activity

| <b>Template 5 Taxonomy non-eligible economic activity</b> |   |                                    |          |
|---|---|------------------------------------|----------|
| <b>Row</b>  | <b>Types of economic activity</b>   | <b>Amount<br/>(in million PLN)</b> | <b>%</b> |
| 1.  | The amount and share of taxonomy non-eligible economic activity referred to in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00                               | 0%       |
| 2.  | The amount and share of taxonomy non-eligible economic activity referred to in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00                               | 0%       |
| 3.  | The amount and share of taxonomy non-eligible economic activity referred to in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00                               | 0%       |
| 4.  | The amount and share of taxonomy non-eligible economic activity referred to in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00                               | 0%       |
| 5.  | The amount and share of taxonomy non-eligible economic activity referred to in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00                               | 0%       |
| 6.  | The amount and share of taxonomy non-eligible economic activity referred to in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00                               | 0%       |
| 7.  | <b>Amount and share of other taxonomy non-eligible economic activities not listed in rows 1-6 above in the denominator of the applicable key performance indicator</b>  | 32 946.86                          | 98.4%    |
| 8.  | <b>Total amount and total share of taxonomy non-eligible economic activities in the denominator of the applicable key performance indicator</b>   | 32 946.86                          | 98.4%    |

## Capital expenditures

Table 109. Taxonomy disclosure: Capital expenditures - Template 1 Activities related to nuclear power and natural gas.

| Template 1 Activities related to nuclear power and natural gas. |   |    |
|---|---|----|
| Row   | Activities related to nuclear power   |    |
| 1.  | The company engages in research, development, demonstration and deployment of innovative electricity generation facilities that produce energy through nuclear processes with minimum fuel cycle waste, finances or has exposure to such activity.  | NO |
| 2.  | The company engages in the construction and safe operation of new nuclear power facilities to generate electricity or process heat, including for district heating or industrial processes such as hydrogen production, as well as their modernisation in terms of safety using the best available technology, finances or has exposure to such activity. | NO |
| 3.  | The company engages in safe operation of existing nuclear power facilities generating electricity or process heat, including for district heating or industrial processes such as hydrogen production, as well as their modernisation in terms of safety, finances or has exposure to such activity.  | NO |
| Activities related to natural gas                               |   |    |
| 4.  | The company engages in the construction or operates facilities for generation of electricity using gaseous fossil fuels, finances or has exposure to such activity.   | NO |
| 5.  | The company engages in the construction, modernisation or operates facilities for combines generation of heat/cooling and electricity using gaseous fossil fuels, finances or has exposure to such activity.  | NO |
| 6.  | The company engages in the construction, modernisation or operates facilities for heat generation producing heat/cooling energy using gaseous fossil fuels, finances or has exposure to such activity.  | NO |

Table 110. Taxonomy disclosure: Capital expenditure - Template 2 Taxonomy-compliant economic activity (denominator)

| Template 2 Taxonomy-compliant economic activity (denominator) |  |   |      |                                 |      |                                 |    |
|---|--|---|------|---------------------------------|------|---------------------------------|----|
| Row   | Types of economic activity   | Amount and share (information to be provided in monetary amounts and percentages) |      |                                 |      |                                 |    |
|   |  | CCM + CCA   |      | Climate change mitigation (CCM) |      | Climate change adaptation (CCA) |    |
|   |  | Amount (in million PLN)   | %    | Amount                          | %    | Amount                          | %  |
| 1.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 2.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 3.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 4.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 5.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 6.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 7.  | <b>Amount and share of other taxonomy-compliant economic activities not listed in rows 1-6 above in the denominator of the applicable key performance indicator</b>  | 30.58   | 0.6% | 30.58                           | 0.6% | 0.00                            | 0% |
| 8.  | Total applicable key performance indicator   | 4 991.44  |      | 4 991.44                        |      | 0.00                            |    |

Table 111. Taxonomy disclosure: Capital expenditure - Template 3 Taxonomy-compliant economic activity (numerator)

| Template 3 Taxonomy-compliant economic activity (numerator) |  |   |      |                                 |      |                                 |    |
|---|--|---|------|---------------------------------|------|---------------------------------|----|
| Row   | Types of economic activity   | Amount and share (information to be provided in monetary amounts and percentages) |      |                                 |      |                                 |    |
|   |  | CCM + CCA   |      | Climate change mitigation (CCM) |      | Climate change adaptation (CCA) |    |
|   |  | Amount (in million PLN)   | %    | Amount                          | %    | Amount                          | %  |
| 1.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 2.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 3.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 4.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 5.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 6.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 7.  | The amount and share of other taxonomy-compliant economic activities not listed in rows 1-6 above in the denominator of the applicable key performance indicator   | 30.58   | 100% | 30.58                           | 100% | 0.00                            | 0% |
| 8.  | Total amount and total share of other taxonomy-compliant economic activities in the denominator of the applicable key performance indicator  | 30.58   | 100% | 30.58                           | 100% | 0.00                            | 0% |

Table 112. Taxonomy disclosure: Capital expenditure - Template 4 Taxonomy-eligible but taxonomy non-compliant economic activity

| Template 4 Taxonomy-eligible but taxonomy non-compliant economic activity |  |   |      |                                 |      |                                 |    |
|---|--|---|------|---------------------------------|------|---------------------------------|----|
| Row   | Types of economic activity   | Amount and share (information to be provided in monetary amounts and percentages) |      |                                 |      |                                 |    |
|   |  | CCM + CCA   |      | Climate change mitigation (CCM) |      | Climate change adaptation (CCA) |    |
|   |  | Amount (in million PLN)   | %    | Amount                          | %    | Amount                          | %  |
| 1.  | The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 2.  | The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 3.  | The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 4.  | The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 5.  | The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0   | 0%   | 0                               | 0%   | 0.00                            | 0% |
| 6.  | The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 7.  | <b>Amount and share of other taxonomy-eligible but taxonomy non-compliant economic activities not listed in rows 1-6 above in the denominator of the applicable key performance indicator</b>  | 206.76  | 4.1% | 206.61                          | 4.1% | 0.15                            | 0% |
| 8.  | <b>Total amount and total share of taxonomy-eligible but taxonomy non-compliant economic activities in the denominator of the applicable key performance indicator</b>   | 206.76  | 4.1% | 206.61                          | 4.1% | 0.15                            | 0% |

Table 113. Taxonomy disclosure: Capital expenditures - Template 5 Taxonomy non-eligible economic activity

| <b>Template 5 Taxonomy-non-eligible economic activity</b> |   |                                    |          |
|---|---|------------------------------------|----------|
| <b>Row</b>  | <b>Types of economic activity</b>   | <b>Amount<br/>(in million PLN)</b> | <b>%</b> |
| 1.  | The amount and share of taxonomy non-eligible economic activity referred to in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00                               | 0%       |
| 2.  | The amount and share of taxonomy non-eligible economic activity referred to in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00                               | 0%       |
| 3.  | The amount and share of taxonomy non-eligible economic activity referred to in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00                               | 0%       |
| 4.  | The amount and share of taxonomy non-eligible economic activity referred to in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00                               | 0%       |
| 5.  | The amount and share of taxonomy non-eligible economic activity referred to in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00                               | 0%       |
| 6.  | The amount and share of taxonomy non-eligible economic activity referred to in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00                               | 0%       |
| 7.  | <b>Amount and share of other taxonomy non-eligible economic activities not listed in rows 1-6 above in the denominator of the applicable key performance indicator</b>  | 4 753.85                           | 95.2%    |
| 8.  | <b>Total amount and total share of taxonomy non-eligible economic activities in the denominator of the applicable key performance indicator</b>   | 4 753.85                           | 95.2%    |



## Operating expenditure

Table 114. Taxonomy disclosure: Operating expenditure - Template 1 Activities related to nuclear power and natural gas.

| Template 1 Activities related to nuclear power and natural gas. |   |     |
|---|---|-----|
| Row   | Activities related to nuclear power   |     |
| 1.  | The company engages in research, development, demonstration and deployment of innovative electricity generation facilities that produce energy through nuclear processes with minimum fuel cycle waste, finances or has exposure to such activity.  | NO  |
| 2.  | The company engages in the construction and safe operation of new nuclear power facilities to generate electricity or process heat, including for district heating or industrial processes such as hydrogen production, as well as their modernisation in terms of safety using the best available technology, finances or has exposure to such activity. | NO  |
| 3.  | The company engages in safe operation of existing nuclear power facilities generating electricity or process heat, including for district heating or industrial processes such as hydrogen production, as well as their modernisation in terms of safety, finances or has exposure to such activity.  | NO  |
| Activities related to natural gas                               |   |     |
| 4.  | The company engages in the construction or operates facilities for generation of electricity using gaseous fossil fuels, finances or has exposure to such activity.   | NO  |
| 5.  | The company engages in the construction, modernisation or operates facilities for combined generation of heat/cooling and electricity using gaseous fossil fuels, finances or has exposure to such activity.  | YES |
| 6.  | The company engages in the construction, modernisation or operates facilities for heat generation producing heat/cooling energy using gaseous fossil fuels, finances or has exposure to such activity.  | NO  |

Table 115. Taxonomy disclosure: Operating expenditure - Template 2 Taxonomy-compliant economic activity (denominator)

| Template 2 Taxonomy-compliant economic activity (denominator) |  |   |      |                                 |      |                                 |    |
|---|--|---|------|---------------------------------|------|---------------------------------|----|
| Row   | Types of economic activity   | Amount and share (information to be provided in monetary amounts and percentages) |      |                                 |      |                                 |    |
|   |  | CCM + CCA   |      | Climate change mitigation (CCM) |      | Climate change adaptation (CCA) |    |
|   |  | Amount (in million PLN)   | %    | Amount                          | %    | Amount                          | %  |
| 1.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 2.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 3.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 4.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 5.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 6.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 7.  | <b>Amount and share of other taxonomy-compliant economic activities not listed in rows 1-6 above in the denominator of the applicable key performance indicator</b>  | 44.18   | 2.1% | 44.18                           | 2.1% | 0.00                            | 0% |
| 8.  | Total applicable key performance indicator   | 2 078.86  |      | 2 078.86                        |      | 0.00                            |    |

Table 116. Taxonomy disclosure: Operating expenditure - Template 3 Taxonomy-compliant economic activity (numerator)

| Template 3 Taxonomy-compliant economic activity (numerator) |  |   |      |                                 |      |                                 |    |
|---|--|---|------|---------------------------------|------|---------------------------------|----|
| Row   | Types of economic activity   | Amount and share (information to be provided in monetary amounts and percentages) |      |                                 |      |                                 |    |
|   |  | CCM + CCA   |      | Climate change mitigation (CCM) |      | Climate change adaptation (CCA) |    |
|   |  | Amount (in million PLN)   | %    | Amount                          | %    | Amount                          | %  |
| 1.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 2.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 3.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 4.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 5.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 6.  | The amount and share of taxonomy-compliant economic activity referred to in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 7.  | The amount and share of other taxonomy-compliant economic activities not listed in rows 1-6 above in the denominator of the applicable key performance indicator   | 44.18   | 100% | 44.18                           | 100% | 0.00                            | 0% |
| 8.  | Total amount and total share of other taxonomy-compliant economic activities in the denominator of the applicable key performance indicator  | 44.18   | 100% | 44.18                           | 100% | 0.00                            | 0% |

Table 117. Taxonomy disclosure: Operating expenditure - Template 4 Taxonomy-eligible but taxonomy non-compliant economic activity

| Template 4 Taxonomy-eligible but taxonomy non-compliant economic activity |  |   |      |                                 |      |                                 |    |
|---|--|---|------|---------------------------------|------|---------------------------------|----|
| Row   | Types of economic activity   | Amount and share (information to be provided in monetary amounts and percentages) |      |                                 |      |                                 |    |
|   |  | CCM + CCA   |      | Climate change mitigation (CCM) |      | Climate change adaptation (CCA) |    |
|   |  | Amount (in million PLN)   | %    | Amount                          | %    | Amount                          | %  |
| 1.  | The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 2.  | The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 3.  | The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 4.  | The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 5.  | The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 22.46   | 1%   | 22.46                           | 1%   | 0.00                            | 0% |
| 6.  | The amount and share of taxonomy-eligible but taxonomy non-compliant economic activity referred to in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00  | 0%   | 0.00                            | 0%   | 0.00                            | 0% |
| 7.  | <b>Amount and share of other taxonomy-eligible but taxonomy non-compliant economic activities not listed in rows 1-6 above in the denominator of the applicable key performance indicator</b>  | 131.37  | 6.3% | 128.25                          | 6.2% | 3.13                            | 0% |
| 8.  | <b>Total amount and total share of taxonomy-eligible but taxonomy non-compliant economic activities in the denominator of the applicable key performance indicator</b>   | 153.83  | 7.4% | 150.71                          | 7.2% | 3.13                            | 0% |

Table 118. Taxonomy disclosure: Operating expenditures - Template 5 Taxonomy non-eligible economic activity

| <b>Template 5 Taxonomy-non-eligible economic activity</b> |   |                                |          |
|---|---|--------------------------------|----------|
| <b>Row</b>  | <b>Types of economic activity</b>   | <b>Amount (in million PLN)</b> | <b>%</b> |
| 1.  | The amount and share of taxonomy non-eligible economic activity referred to in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00                           | 0%       |
| 2.  | The amount and share of taxonomy non-eligible economic activity referred to in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00                           | 0%       |
| 3.  | The amount and share of taxonomy non-eligible economic activity referred to in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00                           | 0%       |
| 4.  | The amount and share of taxonomy non-eligible economic activity referred to in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00                           | 0%       |
| 5.  | The amount and share of taxonomy non-eligible economic activity referred to in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00                           | 0%       |
| 6.  | The amount and share of taxonomy non-eligible economic activity referred to in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable key performance indicator | 0.00                           | 0%       |
| 7.  | <b>Amount and share of other taxonomy non-eligible economic activities not listed in rows 1-6 above in the denominator of the applicable key performance indicator</b>  | 1 880.77                       | 90.5%    |
| 8.  | <b>Total amount and total share of taxonomy non-eligible economic activities in the denominator of the applicable key performance indicator</b>   | 1 880.77                       | 90.5%    |

## Useful terms and abbreviations

|   |  |
|---|--|
| <b>Adjusted EBITDA</b><br><i>(Earnings Before Interest, Taxes, Depreciation and Amortisation)</i> | Profit on sales plus depreciation/amortisation recognised in profit or loss and recognition/reversal of impairment losses on non-current assets  |
| <b>Barren rock</b>  | Rock which accompanies the extraction of mineral ore and is not considered as useful   |
| <b>BAT</b><br><i>(Best Available Technique)</i>   | Best Available Technique, as defined in Directive 96/61/EC, means the most effective and advanced stage in the development of activities and their methods of operation which indicate the practical suitability of particular techniques for providing in principle the basis for emission limit values designed to prevent and, where that is not practicable, generally to reduce emissions and the impact on the environment as a whole  |
| <b>BREF</b>   | "BAT REference document", the reference document of best available techniques (BAT)  |
| <b>Bearer shares</b>  | In accordance with the Polish legal system the term: "bearer shares" has a different meaning than "bearer shares" (anonymous and unregistered shares facilitating illicit actions) eliminated from the market by certain countries, e.g. in the UK. The obligatory dematerialisation of shares carried out in Poland in 2021 abolished the anonymity of all shareholders of joint-stock companies. The necessity to register bearer shares makes it possible to identify each shareholder entitled to hold shares. The division into registered and bearer shares has been upheld largely due to the legal tradition in Poland |
| <b>COMEX</b>  | The Commodity Exchange, Inc. – a global commodity exchange with its head office in New York, which focuses on trade in derivatives (forward contracts and options) on metals such as gold and silver, as well as copper, aluminium, steel, molybdenum, zinc, lead and iron ore.  |
| <b>Cost of producing payable copper (C1)</b>  | Unit cash cost of producing payable copper, reflecting ore mining and processing costs, transport costs, the minerals extraction tax, administrative expenses during the mining phase and smelter treatment and refining charges (TC/RC) less by-product value. C1 cost is in regard to payable copper in own concentrate in the case of the segment KGHM Polska Miedź S.A. and payable copper in end products of individual mines of the segment KGHM INTERNATIONAL LTD. and the segment Sierra Gorda S.C.M.  |
| <b>COPI</b>   | the Central Information Processing Center – KGHM Polska Miedź S.A.'s Division  |
| <b>Copper cathodes</b>  | The basic form of electrolytically-refined copper; the product of electrolytic copper refining   |
| <b>Copper concentrate</b>   | The product of enriching low-grade copper ore  |
| <b>Copper wire rod</b>  | Drawn copper rod, usually with a diameter of 6-12 mm, universally used as a starting material in the cable industry  |
| <b>CSRD</b>   | Directive 2022/2464 of the European Parliament and of the Council on sustainability reporting (CSRD - Corporate Sustainability Reporting Directive) published in the Official Journal of the EU on 16 December 2022.   |
| <b>CRU</b>  | CRU Group, an analytical company with its head office in London, involved in, among others, business analytics and advisory services, mainly on the mining, metals and fertiliser markets  |
| <b>Deposit/Orebody</b>  | Natural collection of minerals in the earth, arising as a result of various geological processes   |
| <b>EE TGE YA</b>  | Price of electricity on the Warsaw Commodity Exchange (Towarowa Giełda Energii, TGE) to be supplied in the next calendar year (YA – Year Ahead)  |
| <b>Electrolytic copper</b>  | The product of electrolytic copper refining  |
| <b>Electrolytic copper refining technology</b>  | A process involving the electrolytic refining of metal, in this case copper. The periodic removal of portions of the electrolyte is required to maintain the level of contaminants at an acceptable level, which is the one of decisive factors determining the quality of electrolytically-refined copper. The contaminated electrolyte and slimes are used as the raw materials in the recovery of some of the metals accompanying the copper, such as silver, gold, selenium and nickel   |

|   |   |
|---|---|
| <b>Electrorefining</b>  | The process of electrolysing dissoluble anodes which are produced from refinable alloys. During this process refined metal is collected on starter sheets under controlled conditions, while contaminants remain in the electrolyte as solids or liquid   |
| <b>ESRS (European Sustainability Reporting Standards)</b>     | European Sustainability Reporting Standards issued in the form of Commission Delegated Regulation (EU) 2023/2772. The regulation entered into force and is applicable from 1 January 2024.  |
| <b>Fed</b>  | The Federal Reserve System, often shortened to the Federal Reserve or abbreviated as Fed is the central bank of the United States of America  |
| <b>Flotation (ore enrichment)</b>                             | A stage in the process of breaking down ore into fragments of varying composition of useful elements which exploits differences in the degree of wettability of individual mineral grains. Well-wetted minerals fall to the bottom of the flotation tank, while the poorly-wetted grains (those whose wettability additionally decreases due to the action of so-called collecting agents, e.g. xanthates) collect at the surface of the froth created from froth-inducing agents |
| <b>Flotation tailings</b>                                     | Waste remaining after the ore enrichment process  |
| <b>FOMC (The Federal Open Market Committee)</b>               | The Federal Open Market Committee, a body within the Federal Reserve System that determines the direction of monetary policy, supervision over open market operations in the United States of America, as well as the availability and cost of money  |
| <b>Green transformation</b>                                   | Actions to increase the use of renewable sources for energy production  |
| <b>INE</b>  | Shanghai International Energy Exchange, a subsidiary of Shanghai Futures Exchange, enabling the trade of future contracts and options for crude oil, copper, palm oil with low sulphur content as well as rubber  |
| <b>Innovation Rules and Regulations</b>                       | An internal document of the Company, which sets the rules and procedures for reviewing and rewarding the submitted projects, acquisition by KGHM of rights to use the projects and acquisition of rights to obtain Exclusive Rights.  |
| <b>ISO</b>  | International Organization for Standardization  |
| <b>LBMA</b>   | London Bullion Market Association – a precious metals association responsible for setting main standards on the silver and gold markets.  |
| <b>LME</b>  | London Metal Exchange – the largest non-ferrous metal exchange in the world, which enables the trade in forward contracts and options on various commodities. It is a global benchmark for prices of metals and plays a key role in international trade.  |
| <b>LTIFR<sub>KGHM</sub> (Lost Time Injury Frequency Rate)</b> | Indicator of the number of accidents at work (as defined in Poland) in the Company KGHM Polska Miedz S.A., standardised to 1 million worked hours   |
| <b>Management staff</b>                                       | Managers of individual units or departments, including senior management and middle management  |
| <b>Mine excavation</b>  | Open area left after the mining work  |
| <b>Mobility policy</b>  | The International Mobility Policy of the KGHM Polska Miedz S.A. Group, which sets the principles governing the transfer of employees delegated from one of the entities of the KGHM Polska Miedz S.A. Group to another entity of the KGHM Polska Miedz S.A. Group with a head office in a different country.  |
| <b>Muck</b>   | Rock removed from a mine face. Contains both ore and barren rock  |
| <b>NBP</b>  | National Bank of Poland   |
| <b>Net debt</b>   | Borrowings and debt securities less cash and cash equivalents. This category includes lease liabilities and excludes reverse factoring liabilities  |
| <b>OFE rod</b>  | Oxygen-free copper wire rod produced at the Cedynia Wire Rod Plant using UPCAST technology  |
| <b>OPEC+</b>  | A broader agreement that includes OPEC members (Organization of the Petroleum Exporting Countries) and additional countries producing petroleum that agreed to cooperate with OPEC in order to regulate the supply of petroleum on international markets.   |
| <b>Ore</b>  | Rock which contains one or more useful elements. Ore can be monometallic (containing a single metal) or polymetallic (containing more than one metal)   |



|  |   |
|--|---|
| <b>Payable metal</b>   | Volume of metal produced less the loss incurred in further processing to pure metal   |
| <b>Pillar (mining)</b>   | An unremoved mass of rock in an underground mine used to support the ceiling against collapse   |
| <b>Pre-precious metals credit unit cost of electrolytic copper production from own concentrate</b> | The sum of costs of mining, flotation, smelter processing per cathode and support functions (the Data Center Division, the Mine-Smelter Emergency Rescue Division and the Head Office), together with cathode selling costs, adjusted by the value of inventories of half-finished products and work in progress divided by the volume of electrolytic copper production from own concentrate. Indicator used solely in the Parent Entity   |
| <b>REACH</b>   | Registration, Evaluation, Authorisation and Restriction of Chemicals - regulation issued by the European Parliament and of the Council (EU) on the safe use of chemicals through their registration and evaluation, and in certain cases through the issuance of permits and restrictions in the sale and use of certain chemicals  |
| <b>Sell-side</b>   | A term used in the finance services sector that covers the provision of securities sales services by entities such as investment banks, brokerage houses or market makers   |
| <b>Senior management</b>   | The highest level in the unit's organisation (Management Board, Supervisory Board)  |
| <b>SHFE</b>  | Shanghai Futures Exchange, one of the main futures exchanges in China, involved in the trade of financial instruments based on metals (for example copper, aluminium, zinc), including precious metals, energy carriers and rubber.   |
| <b>Silver smelting and electrolytic refining technology</b>  | Comprised of: batch preparation (the mixture of batch elements followed by drying); the smelting of Doré metal and the casting of anodes (melting of the batch in a Kaldo furnace to remove slag or gasify impurities followed by casting of the product [99% silver] into anodes); silver electrorefining (forming into cathodes containing a min. 99.99% silver); melting in an electric induction furnace and the casting of refined silver into commercial form (billets or granules) |
| <b>SMR (Small Modular Reactor)</b>   | Small modular nuclear reactor technology  |
| <b>SX-EW (solvent extraction and electrowinning)</b>   | Copper cathode production technology applied in some plants of KGHM INTERNATIONAL LTD. based on solvent extraction (the process of leaching useful minerals using a solvent) of the copper ore heap, with the aid of diluted sulphuric acid, under the atmospheric conditions   |
| <b>Time frame</b>  | A perspective and a deadline set for the completion of a given task. They are defines as follows: <ul style="list-style-type: none"> <li>- a short-term perspective – a period of up to 2 years</li> <li>- a medium-term perspective – a period of between 2 to 5 years</li> <li>- a long-term perspective – a period of over 5 years</li> </ul>  |
| <b>Total unit cost of producing copper from own concentrate</b>                                    | The sum of costs of mining, flotation, smelter processing per cathode and support functions (the Data Center Division, the Mine-Smelter Emergency Rescue Division and the Head Office), together with cathode selling costs, adjusted by the value of inventories of half-finished products and work in progress and less the value of anode slimes, divided by the volume of electrolytic copper production from own concentrate   |
| <b>The Group</b>   | The KGHM Polska Miedź S.A. Group  |
| <b>TSF</b>   | Tailings Storage Facility   |
| <b>TPM (Total Precious Metals)</b>   | Precious metals (gold, platinum, palladium)   |
| <b>TRIR (Total Recordable Incident Rate)</b>   | Indicator of the number of accidents at work meeting the conditions of registration as defined in the ICMM (International Council on Mining & Metals) standard, standardised to 200 000 worked hours  |
| <b>Troy ounce (oz t)</b>   | A unit of measure mainly used in English-speaking countries. The troy ounce (abbreviated as oz t) is universally used in jewellery and precious metals commerce. 1 troy ounce equals 31.1035 grams  |
| <b>WTI Crude Oil</b>   | WTI Crude Oil (West Texas Intermediate) – a brand of oil from USA. It serves as one of the main international price benchmarks for petroleum (aside from Brent and Urals).  |
| <b>YoY</b>   | year on year, i.e. comparison between one year and the next year  |

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## SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD

This report was authorised on 23 April 2024.

President  
of the Management Board

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Andrzej Szydło

Vice President  
of the Management Board

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Zbigniew Bryja

Vice President  
of the Management Board

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Piotr Krzyżewski

Vice President  
of the Management Board

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Mirosław Laskowski

Vice President  
of the Management Board

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Piotr Stryczek