

Assessment of the Company's standing with an evaluation of the adequacy and effectiveness of the internal control, risk management and compliance systems applied in the Company, with standards or applicable practices, and of the internal audit function

/Resolution No. 38/XI/25 of the Supervisory Board of KGHM Polska Miedź S.A. dated 23 April 2025/

April, 2025

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1. Introduction

In accordance with principle 2.11.3. of the „Best Practice for GPW Listed Companies 2021” (hereafter „DPSN 2021”) the Supervisory Board prepares and presents to the Ordinary General Meeting for its approval an annual report which among others contains an assessment of the standing of the Company on a consolidated basis, with an evaluation of the adequacy and effectiveness of the internal control, risk management and compliance systems and of the internal audit function, with information on the actions taken by the Supervisory Board to perform this assessment. This assessment comprises all of the important control mechanisms, including in particular those involving reporting and the operations.

In accordance with art. 382 § 3¹ of the Act dated 15 September 2022, i.e. the Commercial Partnerships and Companies Code, Supervisory Board reports shall include an assessment of the Company's standing, with an evaluation of the adequacy and effectiveness of the internal control, risk management and compliance systems applied in the Company in terms of standards or applicable practices, and the internal audit function.

This assessment of the standing of KGHM Polska Miedź S.A. (hereafter: „the Company”) for 2024 on a consolidated basis, including an evaluation of the internal control, risk management and compliance systems and the internal audit function, was prepared based on an analysis of corporate documentation involving risk management, compliance and the internal audit function, as well as among others based on information received from the Management Board of KGHM Polska Miedź S.A. (hereafter: „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 persons invited to attend meetings of the Supervisory Board of KGHM Polska Miedź S.A. (hereafter: „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.

2. Economic results of the Company in 2024

2.1 Production

In 2024 extraction of ore (dry weight) amounted to 30.6 million tonnes and was higher by 0.16 million tonnes than in 2023. Average copper content in extracted ore amounted to 1.48% and was higher than the amount recorded in 2023. In the case of silver in ore, content amounted to 50.26 g/t and was slightly lower compared to the prior year.

In 2024, 30.6 million tonnes of ore (dry weight) were processed (131 thousand tonnes more compared to 2023). The higher processing of ore with a higher copper content, extracted by the Mining Divisions, had a direct impact on the amount of obtained copper in concentrate, which amounted to 400.1 thousand tonnes (4.7 thousand tonnes more compared to 2023).

The production of electrolytic copper as compared to 2023 decreased by 3.7 thousand tonnes, i.e. by 0.6% and reached the second highest level in the history of KGHM, i.e. 588.7 thousand tonnes. Maintaining high cathode production, despite lower process line availability due to the maintenance in the Głogów I Copper Smelter and Refinery, was possible thanks to the optimal accumulation of anodes prior to the maintenance, the high processing of own concentrates and the utilisation 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 and gold compared to 2024 decreased by 87 tonnes for silver and 751 kilograms for gold production. The lower production of metallic silver results from the availability of raw materials in the Precious Metals Plant.

2.2 Macroeconomic conditions in 2024

In 2024 the average price of copper on the LME amounted to 9 147 USD/t. The highest price was recorded on 20 May and amounted to 10 857 USD/t. The lowest level was recorded on 12 February, when the price of the red metal amounted to 8 085 USD/t. During the year the average price of copper rose by 7.9%.

It should however be pointed out that due to the strengthening of the Polish zloty in 2024, the average price expressed in PLN rose in 2024 by 2.1% compared to 2023 and amounted to 36 401 PLN/t (daily LME price after fixing by the NBP).

2.3 Revenues from sales

In 2024, the volume of copper sales by the Company was higher than that recorded in 2023, and finally amounted to 589.6 thousand tonnes, versus 584.7 thousand tonnes in the prior year. In 2024, sales of copper cathodes amounted to 297.4 thousand tonnes, meaning a decrease by 2.9% compared to 2023. However, sales of copper wire rod and OFE rod increased by 4.9%, amounting to 289.1 thousand tonnes in 2024.

Sales of metallic silver in 2024 amounted to 1 347 tonnes, meaning a decrease by 0.3% compared to the volume in 2023. Sales of gold in 2024 amounted to 90.7 thousand troy ounces.

Total revenues from sales by KGHM Polska Miedź S.A. in 2024 amounted to PLN 29 894 million, representing an increase by 3% versus 2023, when revenues amounted to PLN 29 084 million.

The increase in revenues from contracts with customers by PLN 810 million compared to the previous year was mainly due to an increase in the prices of silver, gold and copper by +PLN 2 432 million with a decrease in sales volume by PLN 1 430 million.

2.4 Cost of sales, selling costs and administrative expenses

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 2024 amounted to PLN 27 038 million and was 9.9% lower compared to the corresponding period of 2023. The decrease in the value of the Company's cost of sales, selling costs and administrative expenses was significantly affected by impairment losses on the Company's Polish production assets of PLN 2 806 million made in December 2023.

Expenses by nature, excluding purchased metal-bearing materials, the minerals extraction tax, and impairment losses on production assets amounted to PLN 15 325 million and were lower as compared to the corresponding expenses of the previous year by PLN 520 million (-3%), mainly due to the following:

- lower consumption of materials and fuels (-PLN 507 million; -17%) - mainly due to lower fuel and process gas prices and lower volume of consumption of technological materials,
- lower consumption of energy factors (-PLN 525 million; -24%) - mainly due to a lower purchase price of electricity and lower purchase volumes with higher own power generation,
- higher costs of labour (+PLN 416 million; +8%) – due to an increase in salary rates and a higher provision for the annual bonus, with a PLN 125 million lower revaluation of the provision for future employee benefits,
- higher costs of external services (+PLN 155 million; +6%) – mainly due to an increase in service rates (e.g. indexed to the increase in minimum wage) and an increase in maintenance costs (maintenance shutdown in the Głogów Copper Smelter and Refinery).

The C1 unit cash cost of producing payable copper in concentrate amounted to respectively: 2.98 USD/lb in 2023 and 3.07 USD/lb in 2024. The 3% increase in cost was driven by an increase in the minerals extraction tax charge due to higher copper and silver prices and the strengthening of the zloty against the US dollar. The cost value was positively affected by the valuation of by-products due to higher silver and gold prices, higher production of copper in own concentrates and lower costs of energy factors and fuels.

2.5 Financial results and financial condition of the Company at the end of 2024

In 2023, the Company recorded a result on adjusted EBITDA in the amount of PLN 4 463 million and a profit for the period in the amount of PLN 2 788 million.

The increase in EBITDA compared to the prior year by +PLN 900 million (+25.3%) was mainly due to an increase in revenues from contracts with customers by PLN 810 million and a decrease in the level of expenses by nature (excluding depreciation/amortisation and impairment losses on property, plant and equipment and intangible assets) by PLN 354 million, an increase in the change in products and work in progress by PLN 465 million and a decrease in the value of merchandise and materials sold by PLN 197 million.

The increase in profit for the period by PLN 3 941 million was mainly comprised of:

- an increase in EBITDA by PLN 900 million (described in revenues and cost of sales, selling costs and administrative expenses,

- a decrease in impairment losses on property, plant and equipment and intangible assets by PLN 2 808 million, of which almost entirely (PLN 2 806 million) resulting from the impairment test on the mining and metallurgical assets, charged to the result for 2023,
- a decrease in impairment losses on fixed assets under construction and intangible assets not yet available for use by PLN 964 million, of which almost entirely (+PLN 965 million) related to the impairment test on the mining and metallurgical assets, charged to the result for 2023,
- an increase by PLN 496 million in reversal of impairment losses on shares in subsidiaries from PLN 827 million to PLN 1 323 million in both periods, related mainly to shares in Future 1 Sp. z o.o.
- a loss of PLN 563 mainly due to the change in the value of loans measured at fair value through profit or loss,
- a gain due to exchange differences of PLN 633 million,
- an increase in income tax by PLN 1 074 million.

Net cash generated from operating activities in 2024 amounted to +PLN 2 532 million. This amount was mainly comprised of EBITDA in the amount of PLN 4 463 million, income tax paid in the amount of PLN 406 million and the negative effect of working capital by PLN 1 222 million, including PLN 1 007 million due to trade payables transferred to factoring.

Net cash used in investing activities in 2024 amounted to -PLN 3 652 million and mainly comprised expenditures on property, plant and equipment and intangible assets in the amount of -PLN 3 365 million, expenditures due to the acquisition of subsidiaries of PLN 218 million and the balance of proceeds and expenditures due to loans granted, +PLN 248 million.

Net cash used in financing activities amounted to +PLN 3 million and mainly comprised the issuance of 7-year bonds series C in the amount of PLN 1 000 million and the redemption of 5-year bonds series A in the amount of PLN 400 million, dividends paid to shareholders in the amount of PLN 300 million, the balance of loans drawn and paid in the amount of -PLN 167 million and interest paid, PLN 259 million.

After reflecting exchange differences on cash and cash equivalents, in 2024 cash and cash equivalents decreased by PLN 1 114 million and at the end of 2024 amounted to PLN 367 million.

At the end of 2024, total assets of the Company amounted to PLN 50 405 million and were higher compared to the amount as at 31 December 2023 by PLN 1 509 million. The main changes were comprised of the following:

- an increase in property, plant and equipment and intangible assets by PLN 1 869 million as a result of expenditure on property, plant and equipment and intangible assets in the amount of PLN 3 635 million and depreciation/amortisation of PLN 1 607 million,
- an increase in investments in subsidiaries by PLN 1 339 million, mainly due to a reversal of impairment losses on FUTURE 1 Sp. z o.o.,
- an increase in the carrying amount of loans granted by PLN 262 million, including short-term loans by PLN 173 million and long-term loans by PLN 89 million,
- a decrease in inventories by PLN 469 million, including mainly finished products by PLN 222 million and materials by PLN 161 million,
- an increase in trade receivables by PLN 414 million, including receivables measured at amortised cost by PLN 119 million and receivables measured at a fair value by PLN 295 million,
- a decrease in tax assets by PLN 536 million mainly related to the decrease in current income tax assets,
- a PLN 488 million decrease in derivatives mainly relates to the PLN 474 million decrease in foreign exchange derivatives (USD/PLN exchange rate) excluded from hedge accounting,
- a decrease in cash and cash equivalents by PLN 1 114 million.

Equity and liabilities at the end of 2024 were higher by PLN 1 509 million mainly due to:

- an increase in equity by PLN 2 336 million mainly as a result of profit for the period of +PLN 2 788 million and dividends paid in the amount of -PLN 300 million, actuarial gains due to the measurement of benefits after the period of employment of +PLN 352 million and a decrease in reserves from the measurement of financial instruments of -PLN 446 million,
- a decrease in trade and other payables (non-current and current) by the total amount of PLN 1 241 million, mainly with regard to trade payables within the reverse factoring mechanism by PLN 1 021 million,
- an increase in borrowings, cash pooling, leases and debt securities by PLN 660 million,

- a decrease in derivatives (non-current and current) by PLN 388 million, mainly sold put options (USD/PLN) by -PLN 473 million, including an increase in hedging instruments by +PLN 100 million,
- an increase in tax liabilities by PLN 381 million, including +PLN 277 million due to current income tax and a +PLN 104 million increase in liabilities due to other taxes (mainly due to the minerals extraction tax).

The good condition of the Company and of the KGHM Group is also attested to by the debt ratios, including mainly net debt to EBITDA for the KGHM Group, which at the end of 2024 amounted to 0.81 and remains at a safe level, substantially below covenant restrictions.

The full scope of financial and economic results of the Company were presented in the separate and consolidated financial statements for 2024, and the Management Board's Report on the activities of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group in 2024. The Supervisory Board in resolutions 27/XI/25, 28/XI/25 and 29/XI/25 dated 25 March 2025, positively evaluated the aforementioned financial statements, presenting them for approval by the Ordinary General Meeting of KGHM Polska Miedź S.A.

In 2024, the Supervisory Board had the possibility to oversee the process of assessment and control of the economic situation of the Company both directly and through committees: Audit, Remuneration and Strategy, comprised of members of the Supervisory Board.

The first stage of this process was to review and approve the Budget for 2025 adopted by the Management Board, which identified the main economic and financial goals to be achieved in 2024. The Budget was approved by the Supervisory Board by resolution no. 178/XI/24 dated 18 December 2024, following a review by the Audit Committee of the Supervisory Board.

An important element of this process was the identification of key performance parameters and bonus tasks (KPIs) for the Members of the Management Board, comprised of measures and indicators including safety, production and finance.

A subsequent stage of the assessment of the Company's standing comprised an analysis of current reports on the results achieved and the achievement of budgetary goals in the Company's individual operational and financial areas, including production, sales, investments, borrowing and the results of the Company and the KGHM Group. Reports are prepared by the Company after each reporting month and are subject to approval by the Management Board. In 2024, questions such as monitoring and assessing the execution of key investments, expenditures on advisory, legal and marketing services incurred by the Company and exposure to market risk, as well as the situation in the international assets and the Company's debt level, required the particular attention of the Supervisory Board.

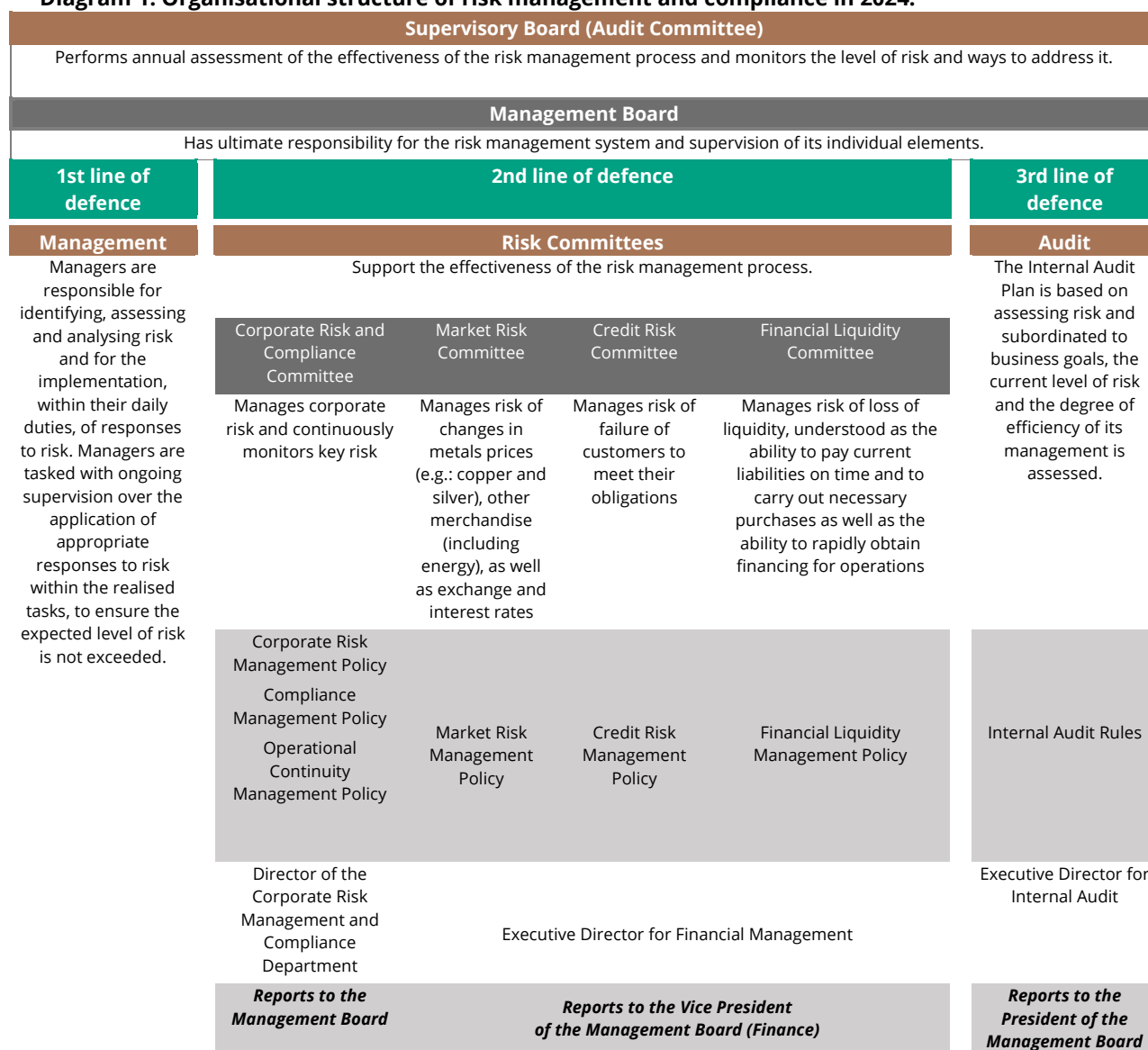
3. Assessment of the risk management system in the Company in 2024

Comprehensive corporate risk management system

The process of corporate risk management in the KGHM Group is carried out under the implemented Corporate Risk Management Policy and Procedure and the Rules of the Corporate Risk and Compliance Committee in force. The Company oversees the process of managing corporate risk in the KGHM Group, while in the companies of the KGHM Group, documents regulating this area are consistent with those of the Company.

The Company has broken down its structure into units responsible for achieving tasks under the risk management system and ensures them of the possibility of reporting directly to the Supervisory Board. The breakdown of rights and responsibilities under this system within the KGHM Group applies best practice principles for Corporate Governance and the generally recognised model of three lines of defense, with the first line comprised of risk management by business units and risk owners as well as control mechanisms in the Company's operational processes, the second of functions supporting risk management, with the third being internal audit which controls the other lines.

Diagram 1. Organisational structure of risk management and compliance in 2024.



Based on the above diagram, the Management Board has ultimate responsibility for the risk management system and supervision of its individual elements. In accordance with the adopted model and based on an analysis of corporate documentation, in 2024 the Supervisory Board, through the Audit Committee of the Supervisory Board, had the opportunity to monitor the actions of the Management Board in terms of risk management in the Company and the KGHM Group, analysing among others the periodic Reports on Corporate Risk Management presented by the manager of the corporate risk management function, containing key risks and the manner of dealing with these risks (including indicators to evaluate market, credit and liquidity risk). Moreover, the Supervisory Board, both in terms of the work of this body as well as through the work of the Committees) as documented in the minutes of these meetings, analyzed individual questions related to the risk of the KGHM Group, presented by the staff of the relevant units of the Company invited to attend the meetings of the aforementioned bodies as needed.

The comprehensive risk management system in the KGHM Group was described in detail in the Management Board's Report on the activities of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group in 2024 together with an indication of the key risks, risk factors and mitigation.

Moreover, in 2024 the corporate risk management system was subjected to an annual efficiency audit compliant with the guidelines of DPSN2021 carried out by the Internal Audit Department and presented in the Report on the execution of the internal audit plan for 2024.

The Department of Corporate Risk Management and Compliance provided the Supervisory Board with their own assessment of the functioning of the system in 2024, performed on the basis of criteria of a qualitative and quantitative nature, confirming the general conformity of the corporate risk management function in the Company with the adopted evaluation criteria.

Market, credit and liquidity risk

The goal of market, credit and liquidity risk management in the KGHM Polska Miedź S.A. Group is to restrict the undesired impact of financial factors on cash flow and results in the short and medium terms and to enhance the KGHM 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 an acceptable level. The process of risk management is supported by an appropriate policy, organisational structure and procedures. In the Company these issues are covered in the following documents:

- Market Risk Management Policy and the Rules of the Market Risk Committee,
- Financial Liquidity Management Policy and the Rules of the Financial Liquidity Committee,
- Credit Risk Management Policy and the Rules of the Credit Risk Committee, and
- Rules of purchase and price hedging of electricity, gaseous fuel, CO₂ emission allowances, property rights, guarantees of origin and the Rules of the Energy Committee.

The „Market Risk Management Policy in the KGHM Polska Miedź S.A. Group” covers selected mining companies in the KGHM Group. Key tasks involving the process of market risk management in the KGHM Group, such as coordination of the identification of sources of exposure to market risk, the proposal of hedging strategies, contacts with financial institutions aimed at concluding, confirming and settling derivatives transactions, and calculating measurements to fair value, were centralised in the Company.

The Company manages market risk connected with changes in the prices of metals, exchange rates and interest rates, taking actions and decisions in this regard in the context of global exposure throughout the KGHM Group. In accordance with the „Market Risk Management Policy in the KGHM Polska Miedź S.A. Group” in 2024 the Company identified and measured market risk connected with changes in the prices of metals and other commodities (including energy), exchange rates and interest rates (analysis of the impact of market risk factors on the activities of the Company and the KGHM Group – financial result, balance sheet, cash flow), and also analysed the metals, currency and interest rates markets. These analyses, along with assessment of the internal situation of the Company and the KGHM Group, represented the basis for taking decisions on applying hedging strategies on the metals, currency and interest rates markets.

Periodic reports and ad hoc analyses on market risk management and its measurement were provided to and presented at meetings of the Supervisory Board and documented in the minutes of these meetings.

Management of liquidity is conducted in accordance with the „Financial Liquidity Management Policy in the KGHM Group” which regulates in a comprehensive manner the process of financial liquidity management in the KGHM Group, which is realised by individual companies, while its organisation and coordination as well as the supervision thereof is performed in the Company.

The basic principles arising from the „Financial Liquidity Management Policy in the KGHM Group” are:

- to ensure the stable and effective financing of the KGHM Group's activities,
- ongoing monitoring of the level of debt of the KGHM Group, and
- the efficient management of working capital.

The management of credit risk in the Company is performed in accordance with the „Credit Risk Management Policy” adopted by the Management Board. The Company serves in an advisory capacity for the companies of the KGHM Group as regards credit risk management. The „Credit Risk Management Policy in the KGHM Polska Miedź S.A. Group” covers selected companies in the KGHM Group, while its goal is to introduce a general, joint approach along with the most important elements of the credit risk management process.

Evaluation of the Supervisory Board – the risk management system in 2024

Based on an analysis of available corporate documents (such as the minutes of meetings of the Supervisory Board and its committees for 2024), the internal rules in force (such as the Organisational Regulations of KGHM Polska Miedź S.A. and the Corporate Risk Management Policy in the KGHM Polska Miedź S.A. Group), the periodic risk management reports submitted in 2024, the self-assessment presented by the Department

of Corporate Risk Management and Compliance, the evaluation of the system presented by the Management Board and the results of the review of effectiveness of the system in accordance with the guidelines contained in DPSN 2021, carried out by the Internal Audit Department, the Supervisory Board declares that the risk management system:

- ensures a breakdown of duties and responsibilities,
- has the possibility of encompassing all areas of activity and elements of the value chain,
- enables the identification of risk and mitigating actions to be undertaken,
- is a cyclical process enabling adaptation to a variable environment (internal and external),
- emphasizes the promotion of cultural organisations which enhance awareness of risk management within the Company and the KGHM Group,
- supports the Management Board and the Supervisory Board in carrying out their duties, both statutory and legal, as well as those involving the advancement of business goals by among others supplying critical information about risk, its factors and methods of mitigation.

In 2024 the Supervisory Board had the opportunity to engage in ongoing analysis of the Company's approach to key risks related to the advancement of the business goals, among others by monitoring the risk management function conducted by the Audit Committee of the Supervisory Board. The Company provided information on the exposure of its activities to key risks by presenting assessments of its sensitivity to individual risk factors as well as an evaluation of the impact and probability of the materialisation of negative events. It should however be noted that the process of risk management is connected with uncertainty as to the mitigation of risk, especially in those areas beyond the direct control of the KGHM Group.

4. Evaluation of the compliance management system for 2024

Compliance system

A compliance management system has been implemented in the Company, the goal of which is to identify, evaluate and analyze the risk of a loss of compliance, defined as adherence to existing external laws in force and internal regulations or voluntarily adopted legal regulations and standards (including ethical standards). In accordance with the adopted Compliance Management Policy, the Company recognises that compliance is an important element in its effective functioning, which requires that actions be taken to ensure that this goal is achieved. The process of compliance management, which is connected with the process of corporate risk management in the KGHM Group, is aimed at preventing the occurrence of events which could result in the imposition of sanctions.

The Company has broken down its structure into units responsible for achieving tasks under the compliance management system and ensures them of the possibility of reporting directly to the Supervisory Board (the Audit Committee of the Supervisory Board). The breakdown of rights and responsibilities under this system in the KGHM Group applies best practice principles for Corporate Governance and the generally recognised model of three lines of defense. The organisational structure of risk management and compliance is presented above in Diagram 1.

Based on the aforementioned diagram, the Management Board has ultimate responsibility for the compliance management system and supervision of its individual elements. In accordance with the adopted model and based on analysis of corporate documentation, in 2024 the Supervisory Board, through the Audit Committee of the Supervisory Board, monitored the actions of the Management Board in terms of compliance management in the Company and the KGHM Group, analysing among others the periodic, quarterly Reports on Corporate Risk Management presented by the manager of the corporate risk management function, which contained information on the risk of a loss of compliance in the quarterly Reports on Compliance Management. Moreover, the Supervisory Board, both in terms of the work of this body as well as through the work of the Committees (especially the Audit Committee) as documented in the minutes of these meetings, had the opportunity in 2024 to analyze individual questions related to the evaluation of compliance, presented by the staff of the relevant units of the Company invited to attend the meetings of the aforementioned bodies as needed.

Functioning in the Company are a variety of organisational units (such as the Department of Corporate Risk Management and Compliance, the Supply Chain and Internal Control Department, the Legal Department) as well as systemic solutions (such as employee access to legal databases, formalised internal procedures for

legal interpretations, processes to identify legal requirements and to assess their compliance in terms of the ISO standards in force in the Company), which are aimed at ensuring support of compliance. Moreover, in 2024, a change was made to the organisational structure of the Department of Corporate Risk Management and Compliance, comprised of the creation of a Compliance Unit which took over the duties of the former Regulations Unit and Ethics and Anticorruption Unit in matters pertaining to regulations as regards ethics.

In 2024, actions continued which were aimed at enhancing the efficiency of the compliance system, such as with respect to the implementation of an IT tool needed for the effective implementation of this process.

Evaluation of the Supervisory Board – compliance system in 2024

Based on a analysis of available corporate documents (such as the minutes of meetings of the Supervisory Board and its committees for 2024), the internal rules in force in 2024 (such as the Organisational Regulations of KGHM Polska Miedź S.A., and the Compliance Management Policy in the KGHM Polska Miedź S.A. Group), the periodic risk management reports submitted in 2024, the self-assessment presented by the Department of Corporate Risk Management and Compliance, the evaluation of the system presented by the Management Board and the results of the review of effectiveness of the system in accordance with the guidelines contained in DPSN 2021, carried out by the Internal Audit Department, the Supervisory Board declares that the compliance system:

- ensures a breakdown of duties and responsibilities,
- has the possibility of preventing the occurrence of events which could result in the imposition of sanctions,
- is a cyclical process and undergoes annual evaluation,
- reflects both adherence to external laws generally in force and as well as to internal regulations and voluntarily adopted legal regulations and standards,
- assumes the building of transparent and active participation in the process of creating legal norms and business standards,
- assumes the regularity of stages and cyclical improvement, and
- supports the Management Board and the Supervisory Board in carrying out their duties, both statutory and legal, as well as those involving the advancement of business goals by among others supplying information about the risk of a loss of compliance and its mitigation.

In 2024 the Supervisory Board engaged in ongoing analysis of the Company's approach to key compliance risks related to the advancement of the business goals, among others by monitoring the risk management function conducted by the Audit Committee of the Supervisory Board. The Company provided information on the exposure of its activities to the key risk of a loss of compliance, among others by presenting assessments of the impacts of potential non-compliance.

5. Evaluation of the internal audit and internal control system for 2024

The internal control system comprises the areas of oversight, all of the internal procedures, the function of compliance with laws, the financial reporting system, organisational structures, the controls designed in IT systems and other control mechanisms aiding in the achievement of the Company's goals as well as having an impact on its security and the stability of its functioning. The internal control system is performed with the goal of the rational realisation of effective and efficient operations, the accuracy of information disclosed, in particular as regards financial statements, as well as the adequacy and operational efficiency of the audits conducted.

The internal control system is supervised in the Company by:

- the actions of the Management Board, involving the establishment of an appropriate and effective internal control system,
- monitoring the efficiency of the internal control system by the Supervisory Board's Audit Committee, and
- oversight by the owners of individual business areas over their respective organisational units.

In addition, in terms of institutional control, actions are undertaken by specialised units, in particular those responsible for security and internal auditing.

The internal audit function plays a special role, which in 2024 was performed by a separate organisational unit in the Company – the Internal Audit Department, headed by the Executive Director for Audit. The internal audit function is overseen by the Supervisory Board's Audit Committee, which issues opinions on internal audit regulations, the annual internal audit plan and receives half-year and annual reports on the execution of audit plans. The Executive Director for Audit presented reports on the execution of audit plans at meetings of the Supervisory Board's Audit Committee. Moreover, the Audit Committee of the Supervisory Board may order the conduct of ad hoc audits.

The Internal Audit Department evaluates and monitors the control mechanisms and identifies potential risks in individual processes occurring in the Company and in the entire Group, as well as uncovers irregularities and violations of existing procedures. Audit tasks in Sierra Gorda S.C.M. (hereafter „SG”) are carried out by SG's internal audit team.

Auditing activities focus on assessing risk and evaluating and monitoring the functioning of the internal control systems in individual processes occurring in the Company and KGHM Group.

The work of internal auditing in the Company may encompass all areas of the Company's and the KGHM Group's operations. In cases where the employees of the Internal Audit Department do not possess sufficient competence in an area which is to be assessed, the Department makes use of internal or external experts.

In 2024, 28 audits were conducted. Most of them were performed in several, or a dozen or so, KGHM Group entities simultaneously. These tasks were performed both in the divisions as well as in companies of the KGHM Group, including those outside Poland.

As a result of audits performed in 2024, recommendations were formulated for implementation. A summary of the results and recommendations from the comprehensive work were described in the Report on the Implementation of the Internal Audit Plan for 2024 of the KGHM Polska Miedź S.A. Group.

The audits carried out uncovered irregularities and violations of, among others, a formal and legal nature, violations of employee duties, and also inefficient management of resources in various units of the KGHM Group. The recommendations made in respect of the controlled units were aimed at eliminating the identified irregularities and strengthening the internal control system by implementing corrective procedures. The implementation of recommendations is continuously monitored by the Internal Audit Department.

The Supervisory Board reviewed key audits and risk areas involving financial reporting and their evaluation performed by an independent auditor. The Company monitored the execution of the recommendations contained in the Letter to the Management Board and Supervisory Board involving key questions confirmed during the audit for the financial year ending 31 December 2023. The Supervisory Board also reviewed the assessment of identified risks of corruption and of the abuses prevention system.

In 2024 the Supervisory Board monitored the functioning of the internal audit and internal control system, among others by the cyclical assessment of risk management and of the control mechanisms carried out by the Company's internal audit and their documentation in half-year and annual reports on the execution of the Internal Audit Plan of the KGHM Polska Miedź S.A. Group. The Company implemented and generally maintains corporate governance solutions aimed at assessing and improving the effectiveness of the processes of risk management, control and organisational management.

Supervisory Board of KGHM Polska Miedź S.A.

relevant signatures on the original