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2012

CORPORATE SOCIAL
RESPONSIBILITY REPORT



KGHM POLSKA MIEDŹ S.A.

*THE MOST ATTRACTIVE EMPLOYER IN POLAND



RESPONSIBLE
EMPLOYER



***KGHM Polska Miedź S.A.**

is the winner of the Most Attractive Employer title in third edition of the Randstadt Award survey held in Poland. The high employment standards maintained in Poland will be implemented in all KGHM Group companies worldwide.





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Letter of the President (1.1)

KGHM POLSKA MIEDŹ S.A.

Ladies and Gentlemen

It is with great satisfaction and joy, that I am handing over to you the second Corporate Social Responsibility Report of KGHM summarising our activities in the key areas linked indirectly to the Company's business strategy and directly to our CSR strategy for 2012–18.

The year 2012 was an exceptional year for us as we became a global player on the market of copper and silver manufacturing, following the acquisition of Quadra FNX Mining Ltd. As a result of international expansion, KGHM Polska Miedź has become an owner of mining assets on three continents and a co-owner of Sierra Gorda world-class mining development project located in Chile, one of the largest deposits of copper ores worldwide. On the other hand, we continue to take care of the existing deposits and of the development of mining resources in Poland, as demonstrated by the example of Głogów Głęboki-Przemysłowy investment project which continues to proceed on schedule and the prospective development areas in Niecka Grodziecka near Bolesławiec.

Guided by the principles of sustainable development, we wish to continue building our future in a responsible and predictable way and maintain a balance between the enterprise development needs, the expectations of our stakeholders and the need to protect our environment. It is of particular significance in the mining industry to develop good relationships with the local community and authorities and, in return, receive the 'license to operate'. KGHM's commitment to its region manifests itself mainly in the maintenance of the existing jobs and creation of new jobs, but also, in numerous local and regional initiatives stimulating economic activity and contributing to the emergence of new businesses and growing diversification of the economic structure. KGHM has created the Copper Basin where it conducts its operations and employs over 30,000 people so we feel responsible not only for the natural environment but also for the local community and their wellbeing.

The CSR Report prepared in accordance with the Global Reporting Initiative methodology is addressed to our stakeholders and presents our achievements in the area of corporate social responsibility in 2012.

Since 2009, KGHM has been continuously listed in the Respect Index of the Warsaw Stock Exchange in recognition of the Company's transparent information policy meeting the expectations of the stakeholders and promoting the highest standards of responsible management.

The corporate social responsibility initiatives of KGHM are appreciated equally by the people in the region and by the industry experts. According to surveys conducted at the Company's request, almost 72% of the local population acknowledge KGHM's commitment to the social development of the region e.g. in the area of culture, science and sports, 58% of people value investments in the region e.g. in hospitals and means of transport and 42% recognise our pro-environmental efforts.

Submitting this report to you, I would like to thank all our Stakeholders for their supportive attitude and relationship with KGHM Polska Miedź S.A. and all our employees for professional performance of their duties, in line with the principles of corporate social responsibility and sustainable development. Let me also express my deep gratitude to the team of people who, taking care of the Company's interest and the public interest, implement and execute the corporate responsibility and sustainable development projects of KGHM Polska Miedź S.A. which are widely recognised and honoured with prestigious awards, i.e. in the 2012 CSR Reports Competition organised by the Ministry of Economy of the Republic of Poland and in the Top Corporate Philanthropists competition of the Polish Donors Forum for contribution to the development of corporate philanthropy in Poland.

President of the Management Board

Herbert Wirth

Janusz Piechociński

Deputy Prime Minister, Minister of Economy



I am pleased to see that for a number of years, the Management Board of KGHM Polska Miedź S.A. has been incorporating in its business strategy the social and environmental aspects of its operations and the relationships with different groups of stakeholders.

Building an image of a trustworthy business partner is nowadays becoming a crucial element of the competitive advantage. It is also of significance in light of the challenges posed by the modern economy the objective of which, according to the Europe 2020 strategy, is to create favourable conditions for intelligent and sustainable economic growth, taking into account the needs of the society and of the natural environment.

Achievement of the ambitious objectives can be made easier by the European funds. One of the key assumptions of the New Financial Perspective 2014–2020 is to increase innovativeness of Polish companies through revision of the business models, internal organisation systems and terms of collaboration with the social partners. A survey

conducted by the Responsible Business Forum in 2012 ("Joint Responsibility: the Role of Innovation") showed that 97% of companies with CSR strategies had already implemented state-of-the-art solutions. This means that CSR contributes to the growth of innovation and innovation builds competitive advantage and improves financial performance.

Therefore, I truly appreciate the efforts undertaken by KGHM Polska Miedź S.A. to develop a corporate social responsibility strategy and actively implement its objectives. I have also been looking with great interest at the commitment and initiatives of KGHM and the Polish Copper Foundation aimed at supporting prestigious cultural events and scientific, educational and medical institutions, saving historical monuments and maintaining relationships with the Polish communities abroad.

I am positive that the Company will attain its vision and will become a steadily growing global leader taking care of the common good and sustainable management of resources.

Warsaw, 7 October 2013

Our Report

1

This report is the only corporate social responsibility statement published by a mining sector company. When preparing this report, we did our best to present our operations in transparent and accurate way. We want our stakeholders to understand the business decisions we make and the opportunities and threats we are facing.

2

The second CSR Report of KGHM Polska Miedź covers the entire value chain of the Company, including the following Divisions: Lubin Mine, Polkowice-Sieroszowice Mine and Rudna Mine; Cedynia Wire Rod Plant, Głogów Smelter and Legnica Smelter; Ore Enrichment Plants, Tailings Plant, Data Center and Mine-Smelter Emergency Rescue Unit. **(3.6)**

3

(3.1) The figures and information presented in this report pertain to activities conducted by the Company over the last three years i.e. in 2012, benchmarked against 2010 and 2011. The reporting period begins on 1 January 2012 and ends on 31 December 2012 and covers the time of crucial significance for understanding the breakthrough in the history of the organisation.

2012 was a year of major developments for the Company, both on the domestic market (renewal of concessions for mining operations for another 50 years) and on the international market (acquisition of Quadra FNX Mining Ltd. and establishment of KGHM INTERNATIONAL LTD). Transformation into a global company within the Capital Group will have a significant impact on KGHM Polska Miedź S.A. **(3.7, 3.10)**. In order to give our stakeholders a comprehensive and meaningful insight in our situation, we have decided to extend the report to include descriptions of good practices associated with the takeover of Quadra FNX Mining Ltd. and with the operations of KGHM INTERNATIONAL LTD, KGHM Energetyka, Cuprum and Letia. The descriptions are outside the scope of the GRI indicators presented in the report. **(3.8)** We have not identified other factors which could have a major bearing on the comparability of the organisation's activities vs. the previous reporting period.

Bar Raised Higher

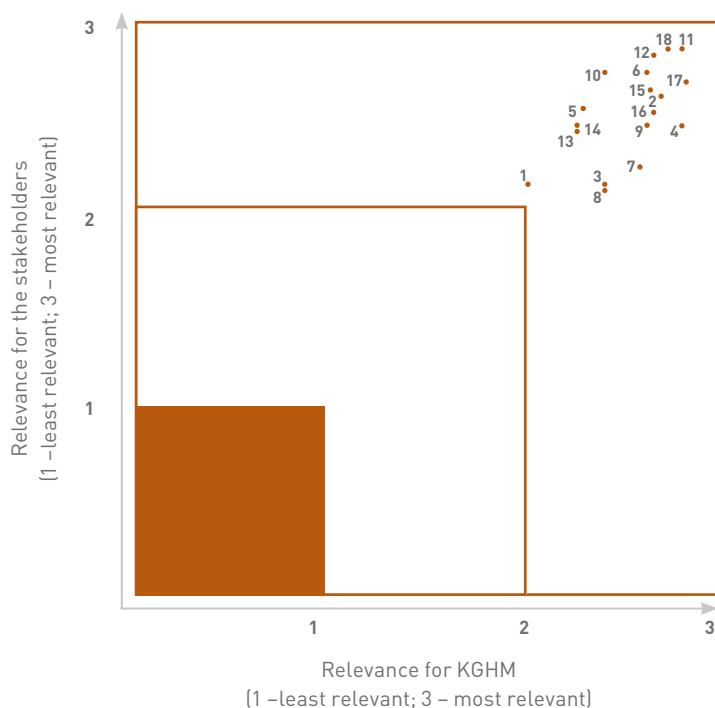
Once again, we have prepared our report in line with the highest international reporting standards based on the Global Reporting Initiative methodology. G 3.1. Our previous publication "Corporate Social Responsibility Report 2010–2011 of KGHM Polska Miedź S.A." **(3.2)** was awarded in 2012 in the competition for the best corporate social responsibility reports organised by the Ministry of Economy (www.raportyspoleczne.pl).

The judges appreciated a good balance of the social and economic aspects. As we want to improve our processes and meet the expectations of our stakeholders even more effectively, this year we have decided to extend the list of subjects and indicators covered and move from GRI Application Level C to B. **(3.11)** In this report, you will find 16 more Profile Indicators and 12 more Performance Indicators versus the previous report. We have elaborated on the themes of organisation supervision and management, suppliers, human rights and product responsibility.

(3.5) In the report, we have tried to focus on the issues important from the perspective of the business, industry, sustainable development strategy and corporate responsibility. The process of determining the contents of the report has been based on a series of interviews with the senior managers of KGHM. Overall, close to 60 persons were involved in the reporting process. The diagram presented below shows important aspects which we have identified as areas for discussion and action, subjects which affect us most, which are interesting to you and over which we have most influence.

The relevance matrix presents a list of issues which, in the opinion of our management, are crucial for KGHM Polska Miedź S.A. from the perspective of sustainable development and corporate responsibility. We have tried to focus on the subjects which are significant both

Diagram 1. Relevance Matrix and List of Issues



No.	Issue
1	Product responsibility
2	Environment management
3	Waste management
4	Reclamation and maintenance of biodiversity
5	Water protection
6	Production effectiveness
7	Mine decommissioning or extension
8	Communication and dialogue
9	Climate change (CO ₂)
10	Contribution to the economic and business development of the region
11	Impact on local community
12	Commitment to society
13	Work safety
14	Age management
15	Relationships with the trade unions
16	Ethics management
17	Transparency
18	Risk management

to KGHM and to our shareholders. Our Corporate Social Responsibility Strategy was developed on the basis of those themes and you will find numerous references to them in this report.

Due to new calculation methods, adjustments have been made to indicators EN3 and EN4. In the current report, the data have been calculated on the basis of the figures from the Central Statistical Office reports. **(3.10)** All data have been sourced from the Company’s internal systems. The greenhouse gas emissions monitoring standards are based on the unified methodology of KGHM Cuprum CBR Sp. z o.o. **(3.9)**

(3.3) We have adopted the annual reporting cycle. In subsequent years, following the latest trends, we are planning to prepare the organisation for reporting based on IT solutions to increase the quality of the reported information, for a transition to the new GRI G4 standard, extension of the scope of the report and **(3.13)** external verification.

(3.4) If you wish to share with us your opinions or offer feedback which might be significant for the future reporting processes of KGHM, please contact Krzysztof Kułacz, Communication and CSR Department Manager, by email at k.kulacz@kghm.pl or telephone at +48 76 74 78 123).





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ABOUT KGHM
– CHALLENGES
AND OPPORTUNITIES
OF A LOCAL
ENTREPRENEUR
ON GLOBAL MARKETS

About KGHM Polska Miedź S.A.

KGHM Polska Miedź S.A. is a global player on the market of non-ferrous metals. The Company was established in 1961 as an industrial complex Kombinat Górniczo-Hutniczy Miedzi with its mission to explore the largest single deposit of copper ore in Europe discovered in Lower Silesia four years earlier. Today, it is the owner of mines in Canada, United States and Chile and a co-owner of Sierra Gorda development project in Chile. Rational and effective management of resources requires long-term planning and a holistic approach to the business, taking into account the requirements of sustainable development.

[2.2] KGHM Polska Miedź S.A. is the leading European mining producer of copper (number eight worldwide). Every year KGHM produces approximately 566 thousand tonnes of electrolytic copper and close to 427 thousand tonnes of mining copper. For a number of years, KGHM has also been the world leader in silver production. With a high output of this precious metal in 2012 (1 274 tonnes), KGHM once again topped the World Silver Survey published by Thomson Reuters GFMS.

Table 1. (2.1, 2.4, 2.6, 2.8)

Company name	KGHM Polska Miedź Spółka Akcyjna
Registered office	Lubin
Established in	1961
President of the Management Board (as at 31 December 2012)	Herbert Wirth
Number of employees (as at 31 December 2012)	18 629
Share capital	PLN 2 000 000 000 (paid up)
Net sales (2012)	PLN 20 736 845 thousand
Net profit (2012)	PLN 4 868 249 thousand
Equity (2012):	PLN 21 923 471 thousand
KGHM listing	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) since 1997 and London Stock Exchange until 22 December 2009

Significance of Copper for Sustainable Development

Copper is one of the most universal natural resources in the world. Its unparalleled quality parameters make copper an indispensable material in numerous industries, such as telecommunications, power engineering, transport, healthcare and construction. Copper plays a very important role in the sustainable development of the European Union. Thanks to its durability and properties, one tonne of copper used in an electric energy receiver or in a renewable energy heating device results in reduction of CO₂ emissions by 200 tonnes per year.

The Polish Copper Promotion Centre has prepared a catalogue showing the metal's advantages: it is easily forgeable and resistant to corrosion; it is an excellent electricity and heat conductor; it has powerful antimicrobial properties; and is 100% recyclable. According to a report of the International Copper Study Group (ICSG), as much as 44.8% of 5 million tonnes of copper used in Europe in 2010 was sourced from scrapped products or waste products from further stages of the value chain i.e. after copper ore mining and processing.

Copper can be found almost everywhere since modern devices and systems increasingly often rely on copper: from high-tech sector products, electric systems and engines to solar systems or intelligent home control systems. After the end of a life cycle of a copper containing product, the material can be recovered.

(4.8) The mission statement of KGHM Polska Miedź S.A. postulates:

“Optimal use of natural resources to maximise Company value”. Copper and silver are raw materials necessary for the development of the global economy, hence an increase in the Company’s production capacity will give it an even more important role in shaping the technologies of the future.”



Urban mining, the process of reclaiming compounds and elements from products, buildings and waste, provides considerable raw material reserves. All copper resources, including those already recycled, can be reused in the future many times. The elements of building infrastructure, such as pipes, roofing sheets or modern facade materials can be made entirely of copper produced from copper ore or from reclaimed and recycled copper.

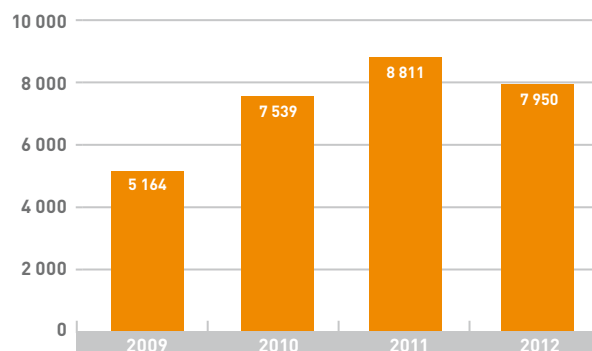
Copper also finds new applications. According to research conducted by the American Defence Department, intensive care units furnished with contact surfaces made of antimicrobial copper can reduce the risk of hospital infections by 58% compared to intensive care units where copper is not used. Such properties are attributed to pure copper and alloys containing more than 60% of copper. According to the information of the Polish Copper Promotion Centre, compared to other solutions preventing hospital infections, the metal is worthwhile because of its permanent effect and compatibility with other preventive measures. For more information about different uses of copper visit www.miec-miedz.pl.

Copper Production in Poland and Worldwide

Copper is one of the most important metals extracted in the world which accounts for approximately 16% of the total value of all extracted metals. Over 1000 copper ore deposits are known worldwide, of which close to 400 are currently mined. The documented global geological resources of copper exceed 1 billion megagrams (Mg), including industrial reserves suitable for extraction of 690 million Mg.

Over 50 years of continuous mining operations, KGHM Polska Miedź S.A. extracted over 1 billion tonnes of output and 18 million tonnes of copper. The resources in the areas covered by the Company’s concessions are estimated to

Diagram 2. Prices of copper (USD/tonne)



Source: Copper Survey

last another 40–50 years. The accuracy of deposit volume estimations was verified and confirmed in 2012 by an independent international auditor, Micon from Canada.

According to the data published by CRU International, the global mined copper production in 2012 amounted to 16 553 thousand tonnes (3% up on the previous year) and showed the highest growth rate since 2007. The good results were possible thanks to fewer unplanned disturbances in the copper production and launches of new mining projects, including Antapaccay in Peru, Lomas Bayas in Chile and Salobo in Brazil. In 2014, opening of the Sierra Gorda mine in Chile co-owned by KGHM International and Japanese Sumitomo corporation (a 45% stake in the joint venture) is planned.

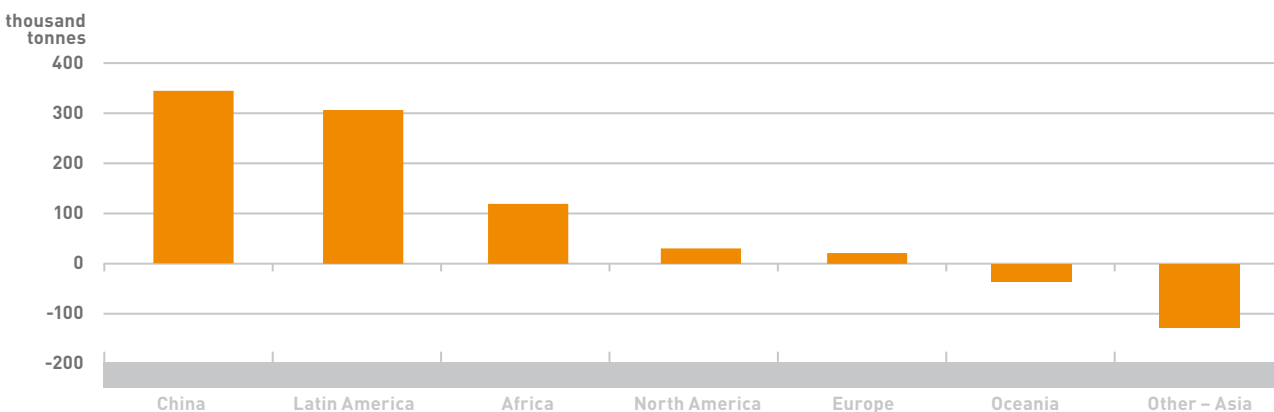
After the record-breaking 2011, the past 12 months saw a drop in the prices on the copper market. The average price of copper in 2012 approximated 7 950 USD/t, 10% down from the previous year. Following a period of sudden and considerable movements in the prices between 2009 and 2011, 2012 saw reduction in the volatility on the market of raw materials, including copper.

Over the last several decades the structure of copper consumption has changed substantially. (1.2) Among the most

important factors resulting in increased copper use are: urbanisation of developing countries and growth of infrastructural investments related to the development of cities, the increasingly common use of renewable energy sources, growing consumption of electric energy and a significant increase in the use of electronic devices in everyday life. Copper prices, like those of most natural resources, are currently determined by the level of global economic growth, stability of the global financial system and, to an increasing extent, by geopolitical factors. The most serious economic risks to be considered include deepening of the crisis in Europe with more European countries getting into difficulties and a slowdown in China. A positive aspect is the possible improvement of the situation in the United States, including the property market which may trigger demand for copper.

On the demand side, the long-term prospects of the copper market are favourable. Despite a weaker growth rate, the demand from China is still enormous and other Asian markets which dynamically invest in infrastructure also need copper. On the supply side, despite the expected completion of a number of mining projects within the next 2–3 years, some producers have suspended less advanced investment projects which can lead to shortages on the copper market in a few years' time.

Diagram 3. Winners and losers on the copper market: mining production



Source: Copper Survey 2013

Diagram 4. Copper production and consumption worldwide (thousand tonnes)

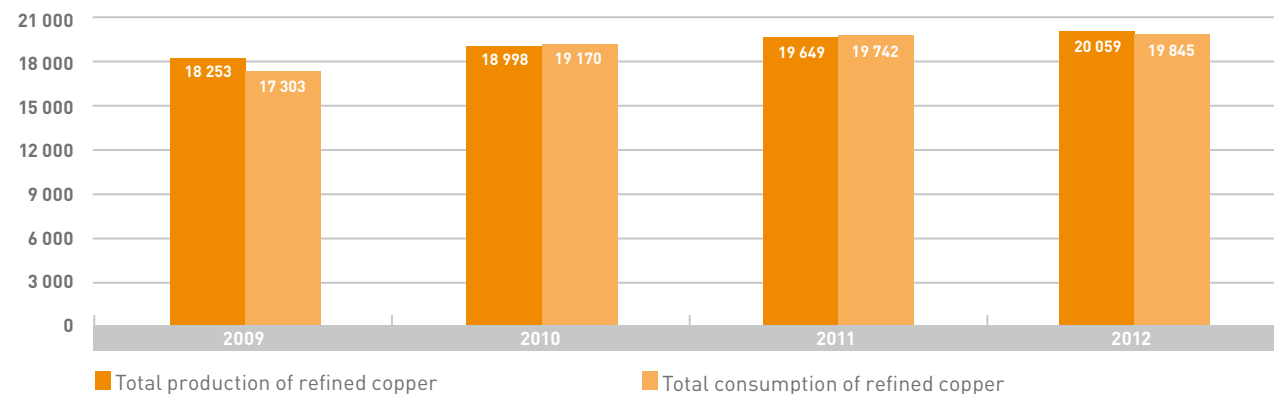
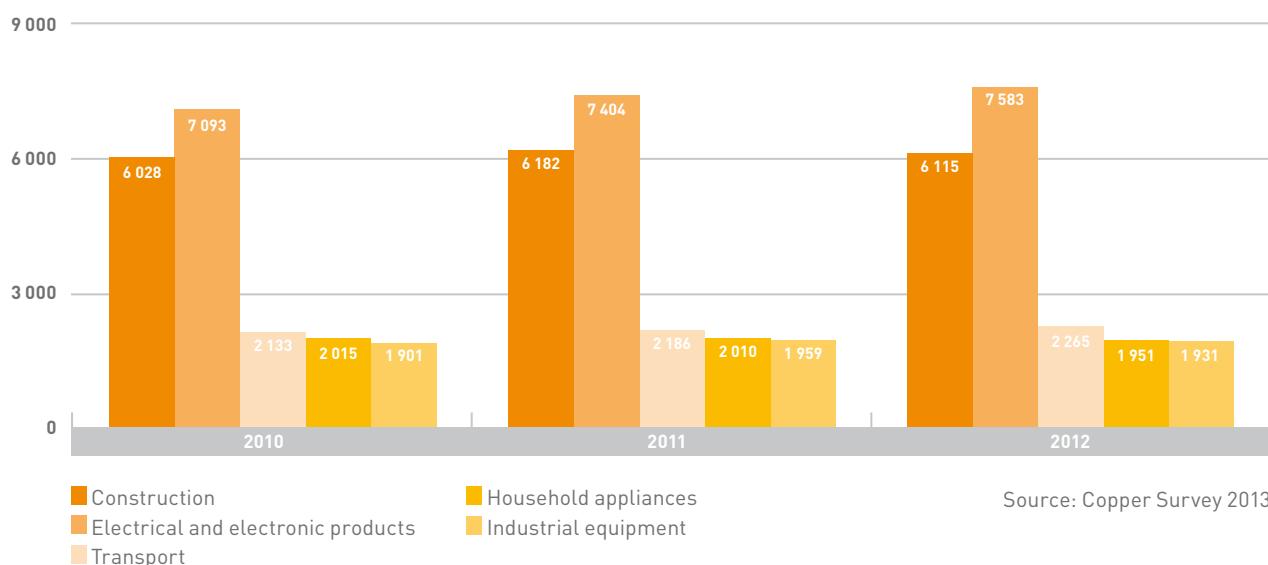
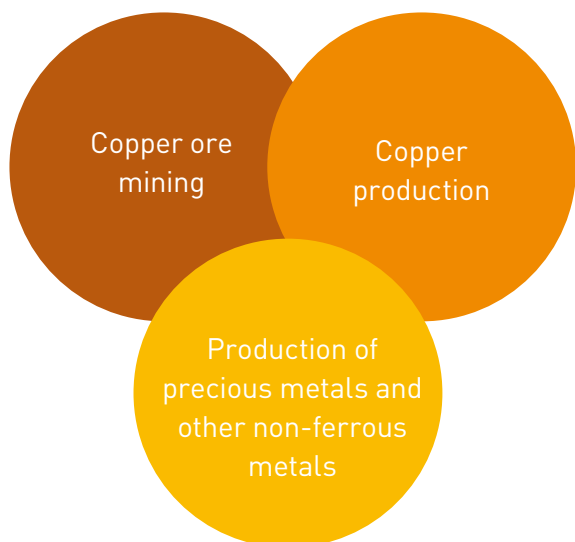


Diagram 5. Copper consumption worldwide (thousand tonnes)



KGHM Polska Miedź S.A. Market Position

The Company's core business focuses on:



[3.6] KGHM Polska Miedź S.A. as covered by this report includes the Company's Head Office with the Accounting Services Centre and the Central Procurement Office and 10 divisions: three mines (Lubin Mine, Rudna Mine, Polkowice-Sieroszowice Mine), three copper smelters (Głogów Smelter, Legnica Smelter, Cedynia Wire Rod Plant), Ore Enrichment Plants, Tailings Plant, the

Mine-Smelter Emergency Rescue Unit and the Data Centre. [2.5] The major operations conducted by KGHM Polska Miedź S.A. are located in Poland.

At the end of 2012 the KGHM Group numbered 85 entities operating in Poland and abroad, including three closed-ended non-public investment funds. Additionally, the KGHM Group held stakes in two associates and two joint ventures. The majority of the companies in the Polish part of the Group were founded in the course of restructuring of the enterprise and are still connected with its core industrial processes. The Company is also engaged in other sectors, including tourism (INTERFERIE S.A. – an indirect stake of 68%), healthcare (MCZ S.A. – 100% shares) or capital investments (closed-ended non-public investment funds).

[2.9] In 2012, as a result of a friendly takeover of a Canadian company Quadra FNX Mining Ltd. for the amount of CAD 2.9 bn (currently renamed to KGHM INTERNATIONAL LTD.), KGHM Polska Miedź S.A. evolved from a large company of domestic and European significance to a global organisation with assets spread across three continents. The acquisition of Quadra FNX Mining Ltd. was one of the largest and most prominent transactions in the Polish economy over the last 20 years which opened completely new prospects for KGHM Polska Miedź S.A. As a result, the Company came into possession of resources ensuring its future development and reduction of the average operating costs.

Integrated geological, mining and smelting operations of KGHM

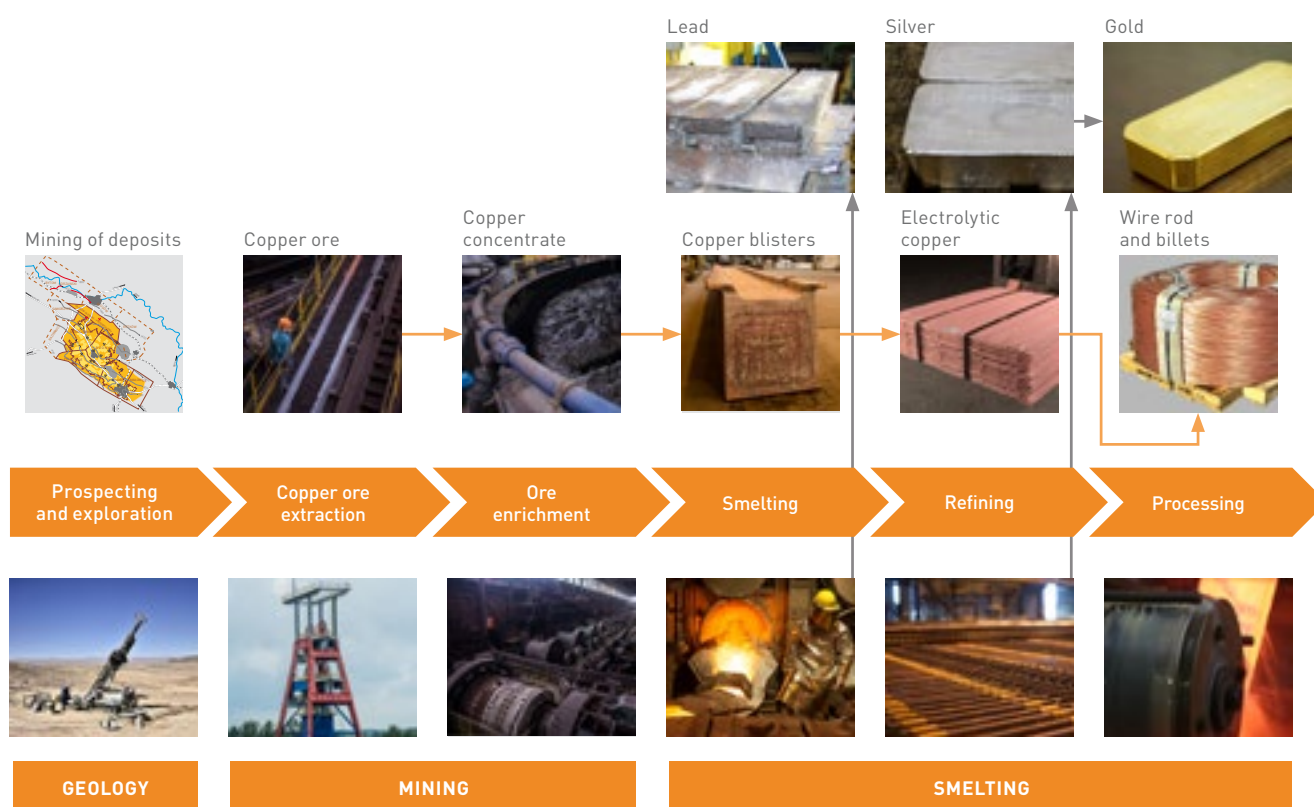


Table 2. Production operations of KGHM Polska Miedź S.A.

	Unit	2010	2011	2012	Change 2012/2011
Electrolytic copper	kt	547.1	571.0	565.8	99.1
Wire rod	kt	237.3	226.2	228.6	101.0
Cu OFE and Cu Ag	kt	16.1	16.4	14.4	87.6
Round billets	kt	18.7	20.3	18.0	88.4
Metallic silver	t	1 161	1 260	1 274	101.1
Gold	kg	775.8	703.8	916.4	130.2

Table 3. Shareholding structure of KGHM Polska Miedź S.A. (as at 31 December 2012) (4.1)

No.	Shareholder	Number of shares	% shares	Number of votes	% of votes
1.	State Treasury	63 589 900.00	31.79	63 589 900.00	31.79
2.	Other	136 410 100.00	68.21	136 410 100.00	68.21
	Total	200 000 000.00	100.00	200 000 000.00	100.00

Figure 1. Structure of the KGHM Polska Miedź S.A. Group (2.3)



1. Unconsolidated entities.

2. Change of the name – formerly Fundusz Uzdrawiska 01 Sp. zo.o.

3. As of 9 January 2013 operating under the name Polska Grupa Uzdrawisk Sp. z o.o. S.K.A

5. In June 2013 the company was renamed to KGHM ZANAM sp. z o.o.

Table 4. Key financial results of KGHM Polska Miedź S.A.

EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Unit	Value in 2012
1)	Income		
	Net sales and sales equivalents, including to related entities	PLN	21 338
	Net sales of finished goods	PLN	20 510
	Change in finished goods (increase – positive value, decrease – negative value)	PLN	417
	Cost of finished goods for internal consumption	PLN	184
	Net sales of goods for resale and materials	PLN	227
	Other operating income	PLN	33
	Gains on disposal of non-current assets	PLN	0
	Subsidies	PLN	3
	Other operating income	PLN	30
2)	Operating costs	PLN	16 179
	Operating expenses	PLN	14 203
	Amortisation and depreciation	PLN	772
	Materials and energy used	PLN	6 821
	External services	PLN	1 357
	Other costs by type	PLN	5 042
	Value of goods for resale and materials sold	PLN	211
	Other operating expenses	PLN	142
	Loss on disposal of non-financial non-current assets	PLN	1
	Impairment of non-financial assets	PLN	2
	Other	PLN	139
	Financial costs	PLN	1 834
	Interest, including to related parties	PLN	4
	Loss on investment disposal	PLN	285
	Impairment of investments	PLN	970
	Other	PLN	575
3)	Wages, salaries and employee benefits	PLN	2 987
	Total cash expenditure on salaries, wages and employee benefits (current payments excluding any future commitments)	PLN	2 108
	Social security and similar charges	PLN	879
4)	Payments to investors	PLN	6 982
	Dividend paid to all shareholders	PLN	5 668
	Payment of interest to loan providers	PLN	0
	Interest on all forms of loans and borrowings (not only long-term) and overdue dividends due to holders of shares/preferential stocks	PLN	1 314
5)	Payments to the state		
	Taxes	PLN	3 467
	Income tax (excluding deferred tax)	PLN	1 550
	Taxes and charges including excise duty	PLN	1 917
6)	Investments in community		
	Voluntary contributions and investing funds in the broadly understood community (including donations) and sponsoring	PLN	57.5
7)	Retained economic value	PLN	5 159

In the course of defining the new operating structure following the merger, the main business segments were provisionally identified for the purpose of close assessment by the management authorities, including:

- KGHM Polska Miedź S.A.;
- KGHM INTERNATIONAL LTD. Group (KGHM INTERNATIONAL LTD. Group companies);
- Sierra Gorda project (Sierra Gorda S.C.M joint venture);
- Development of the resource base (companies engaged in exploration and evaluation of mineral resources which will ultimately conduct mining operations);
- Support of the core technological processes (companies directly associated with the technological processes of KGHM Polska Miedź S.A. and KGHM Metra-co S.A. which supplies copper scrap to the Company);
- Other segments (other Group companies unrelated to mining industry).

Disputable tax on extraction of certain minerals

In April 2012, the Act on Tax on Extraction of Certain Minerals entered into force, having a major bearing on the Company's profitability. The adopted tax solutions are based on the content of metal in the concentrate and not on the actual production sold, so they do not take into account production losses and maintenance of mandatory stocks. This is a major interference with the business model adopted by KGHM Polska Miedź S.A., with influence on the Company's operational risk. The total value of the tax on extraction of certain minerals paid by the Company in 2012 amounted to PLN 1.596 bn (PLN 6.2m a day on average). According to KGHM Polska Miedź S.A., the amount of the imposed tax is significantly higher than in other countries (where, in the majority of cases, it ranges from a few to less

than twenty percent of net profit). In Poland, based on the results for the previous year, the tax rate reached 25% of profit before tax. Additionally, the tax is in contradiction to the guidelines of the World Bank as it is not income deductible. In view of the numerous ongoing and planned investments, the Company has to manage its market risk effectively and dynamically, hedging the risk of drops in the prices of copper and silver and the volatility of the USD/PLN currency pair. The new tax regulations in force in the current version have triggered an increase in the total unit cost of electrolytic copper production from own concentrate by 42% versus 2011 and in 2013, when the tax covers the entire year, by another 13%. In the Company's opinion, as a result of implementation of the tax KGHM Polska Miedź S.A. belongs now to the group of high-cost copper manufacturer, seriously vulnerable to the risk of copper prices decline.



Company's Business Strategy

KGHM Polska Miedź S.A. has been persistently implementing its development strategy for 2009–2018 approved by the Supervisory Board on 23 February 2009 which is based on five key pillars:

1

Enhancement of effectiveness

All measures and initiatives aimed at stopping the growth of unit production costs, such as investments in new technologies (including mechanical extraction of ores to ensure effective mining of deposits to the depth of 2 m; technological changes in the concentrate smelting process in Głogów I Smelter or automation of the ore enrichment process), modernisation of the existing infrastructure and optimisation of processes and production organisation.

2

Development of the resource base

Activities aimed at increasing the production of copper concentrate to approximately 700 thousand tonnes per year. KGHM Polska Miedź S.A. undertakes numerous initiatives to expand its resource base, such as development of the system of mining deep ores (Głogów Głęboki-Przemysłowy) and designing a system for mining ores which occur more than 1200 below the ground surface, investments in foreign mining assets and exploration of new deposits in the region (investigation of the further operational potential of the Radwanice-Gaworzyce area, exploration and documentation of deposits in the Weisswasser area in Germany and in areas adjacent to the existing deposits of KGHM Polska Miedź S.A.). Another element of this strategy pillar is intensification of scrap processing.

3

Diversification of the sources of income and gradual reduction of reliance on energy prices

The strategy assumes the Company's growing engagement in the energy sector through investments in gas-steam blocks in Głogów and Polkowice (exclusively for own purposes) which are to satisfy 25% of the Company's demand for electric power, planned participation (with an industry partner) in the building of a coal-fired power plant and involvement in the development of renewable energy sources, including wind-power plants and biomass-fired cogeneration plants. Ultimately, KGHM Polska Miedź S.A. wants to generate approximately 30% of its sales on non-core business.

4

Support for the region

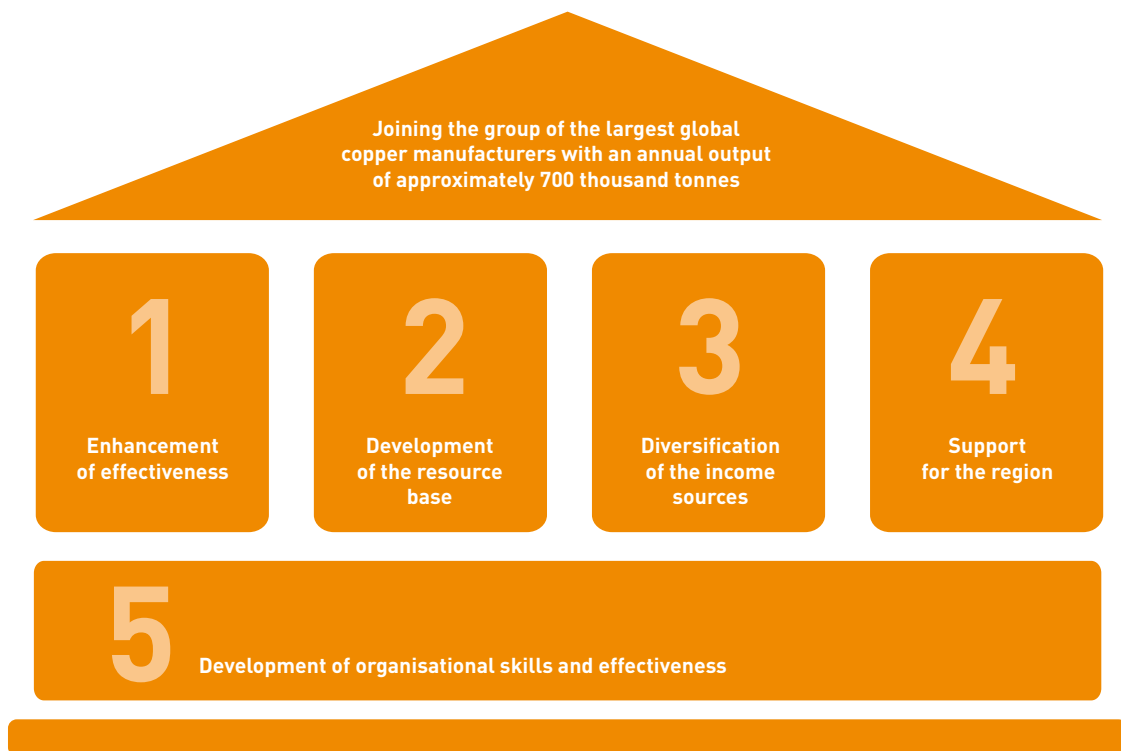
KGHM Polska Miedź S.A. wants to continue its active involvement in the life of the region and its community, both through creating and supporting creation of new jobs (enhancement of regional entrepreneurship) and projects associated with the protection of natural environment, providing healthcare to employees and local people and supporting the promotion of sports, culture and science in the region.

5

Development of organisational skills and effectiveness

Actions aimed at improvement of the Company's efficiency, mainly by implementation of the model of management by objectives, staff development programmes and creating a transparent holding structure to facilitate the management of the Group.

Development of the Company's resource base is an element of KGHM strategy for 2009–2018



Establishment of KGHM INTERNATIONAL LTD.

The critical aspect of the Company's future development is the expansion of its resource base. From that perspective, one of the key events in the history of KGHM Polska Miedź S.A. was the friendly takeover of a 100% stake in the Canadian company Quadra FNX Mining Ltd. based in Vancouver which in 2012 was transformed into KGHM INTERNATIONAL LTD. and delisted from the Toronto Stock Exchange. The transaction finalised on 5 March 2012 contributed to the implementation of the second pillar of the Company's development strategy by increasing its production capacity. The acquisition has been the biggest foreign investment in the history of Poland. The challenge which the Company is facing following the acquisition and transformations is to integrate the two management systems, to implement corporate governance principles meeting the requirements of the two different legal systems and best practices and, ultimately, to turn KGHM into an international corporation.

Figure 2. The assets of KGHM INTERNATIONAL LTD.





The core business of KGHM INTERNATIONAL LTD. Group is the mining production of metals (in particular, copper but also nickel, gold, platinum and palladium) carried out in the mines located in the United States, Chile and Canada. The Group also has a number of pre-operational and

exploration projects in progress at various stages of advancement in Chile, Canada and Greenland.

As a result of acquiring the Canadian company, KGHM Polska Miedź S.A. has become an owner of operating mines situated in three foreign countries (Chile, the United States

Collaboration with KGHM INTERNATIONAL LTD. on the implementation of the development strategy

KGHM INTERNATIONAL LTD.

Business Development Team



KGHM POLSKA MIEDŹ S.A.

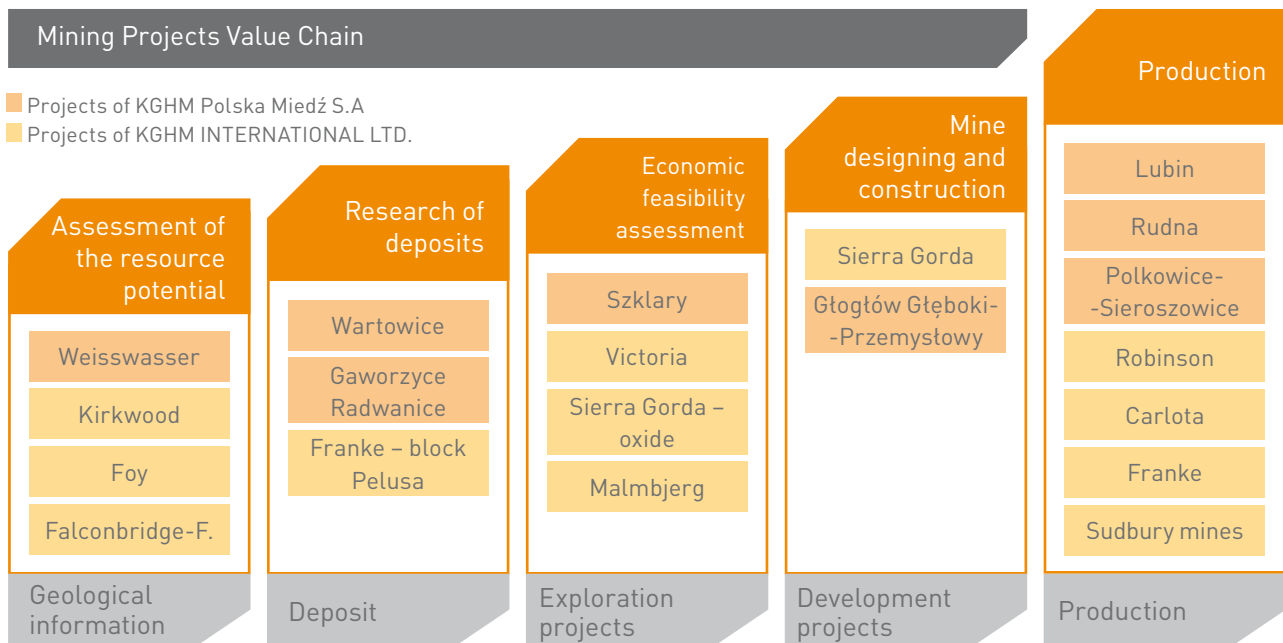
Resource Base Development Department



CLOSE COLLABORATION

Achievement of the strategic objective of manufacturing 700 thousand tonnes of copper and reduction of the average copper production cost through organic growth of the Company and continued acquisition and merger activities.

Portfolio of resource projects following acquisition of Quadra FNX Mining Ltd.



and Canada) and of development projects at various stages of advancement (including Sierra Gorda in Chile and Victoria in the Canadian Sudbury region). Following the takeover, the documented copper resources of the KGHM Group increased by more than 28% to approximately 37.5 million tonnes, making the Company number four in the world. The additional benefits include geographic diversification of the portfolio of projects and the resulting reduction of the business risk and an increase in the copper production output of the entire Group by approximately 100 thousand tonnes per annum. In the long run an equally important benefit will be the reduction of the unit production cost due to the planned opening of new low-cost mines (Sierra Gorda and Victoria). Furthermore, the significance of KGHM Polska Miedź S.A. as a manufacturer of nickel and precious metals has gone up and after the launch of Sierra Gorda mine in 2014, the KGHM Group will become the global leader in the manufacture of molybdenum, a metal used in heavy-duty high-temperature steel in the aviation and arms industry and for the production of incandescent lamps.

The most significant active mines of KGHM INTERNATIONAL LTD. are the Robinson and Morrison mines. The open-pit Robinson mine is situated in Nevada and is one of the oldest copper mines in the United States. The annual copper production exceeds 50 thousand tonnes and gold output approximates 1 tonne. The other mine owned by the company, Carlota, is located in the state of Arizona. Its copper output is slightly above 10 thousand tonnes, however, thanks to the applied solvent extraction and electrowinning (SX-EW) technology, the mine produces cathode copper without the metallurgical process.

The second most important mine operated by KGHM INTERNATIONAL LTD. is the underground Morrison mine

situated in the Sudbury region of the Ontario Province, Canada. The mine has access to one of the largest polymetallic deposits in the region and in addition to approximately 18 thousand tonnes of copper a year, produces nickel, platinum, gold and palladium, significantly reducing the production costs. Two other smaller operations of KGHM INTERNATIONAL LTD. in the Sudbury region are McCreedy and Podolsky mines. An important exploration project of KGHM INTERNATIONAL LTD. called Victoria is also located in Sudbury. It is a very rich polymetallic deposit with a high content of copper (2.5%), nickel (2.5%) and precious metals. Currently, a feasibility study for an underground mine is being prepared.

The most valuable project of KGHM INTERNATIONAL LTD. initiated by Quadra FNX Mining Ltd. is the currently constructed Sierra Gorda open-pit mine in Chile, on the Atacama desert. It is implemented by a joint venture in which KGHM INTERNATIONAL LTD. has a 55% stake and the remaining stake belongs to two Japanese partners, Sumitomo Metal Mining and Sumitomo Corporation. Sierra Gorda is the fifth largest mining project in the world with a budget value of USD 3.9 bn. Since the deposit is located in a desert at 1,700 m above the sea level, the electric power necessary for operating the mine will be generated by an on-site power unit and water will be supplied from the Pacific Ocean via a 140 km long pipeline. The planned annual copper output is 200–220 thousand tonnes and the lifetime of the deposit is estimated at over 20 years. The mine will also produce gold and molybdenum. Thanks to the content of molybdenum in the ore, copper production costs are estimated at only USD 1,500 to 2,200 per tonne while in Poland they oscillate at the level of USD 5,000 tonnes. The large open pit will cover the area of 6.7 square kilometres and its maximum depth will be close to one kilometre.

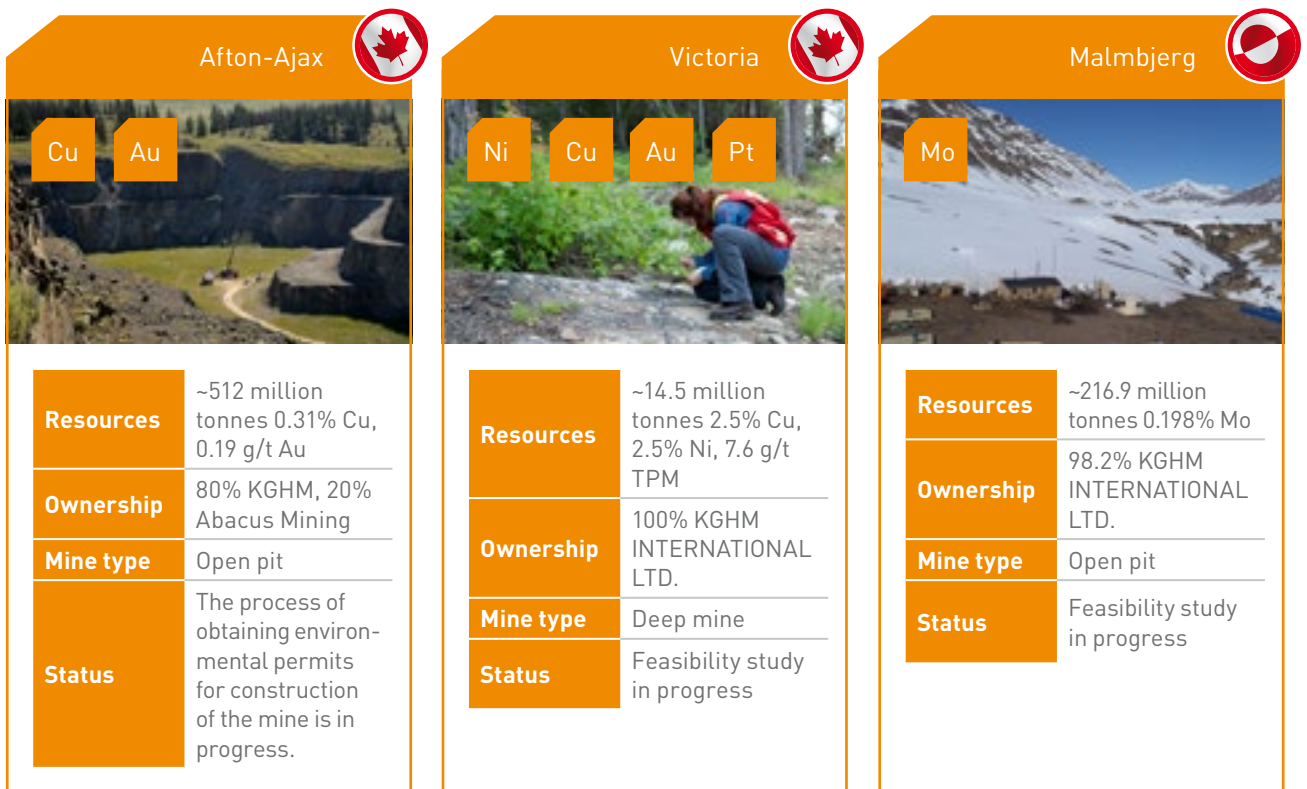
Figure 3. The most advanced mining projects of KGHM Polska Miedź S.A.



In addition to the key Sierra Gorda project, KGHM INTERNATIONAL LTD. owns another mine in Chile, the Franke mine near the city of Tal Tal which produces slightly above 15 thousand tonnes of cathode copper a year using the SX-EW technology.

Before the launch of the Sierra Gorda project in Chile, commencement of mining of Głogów Głęboki-Przemysłowy deposit is planned. The ores found at the depth of 1,100–1,400 m offer an opportunity for extension of the mining operations of KGHM Polska Miedź S.A. by many

Figure 4. Planned projects of KGHM INTERNATIONAL LTD.



years as they account for approximately 26% of all Polish resources currently mined by KGHM Polska Miedź S.A.

Additionally, KGHM Polska Miedź S.A. continues its prospecting activities with an aim to grow the extraction of copper ores, both in Poland and abroad. The main criteria which the future projects must meet are: deposit size of at least 1.5 million tonnes, a minimum lifetime of 10–15 years, low production costs and the annual copper output of not less than 50 thousand tonnes, preferably 100 thousand tonnes. The additional terms include location of the projects in countries with low geopolitical risk, an established legal system and mining traditions. KGHM Polska Miedź S.A. will be interested in projects for which at least a feasibility study has been published and which can be implemented in collaboration with a partner of recognised, high technological, business or purely investment competences.

Under the currently held concessions, the Company has been conducting intensive exploration and evaluation work in the following areas: Gaworzyce, Radwanice, Grodziecka Trough and Szklary in Poland and Weisswasser in Germany. In 2012, the Company applied to the Minister of Environment for new exploration and evaluation concessions for the following areas: Retków-Ścinawa, Głogów, Bytom

Odrzański and Kulów-Luboszyce. The Company also conducts prospecting and research operations in Canada (Kirkwood, Falconbridge and Foy). The ultimate purpose of those activities is to build a pipeline of projects at various stages of advancement to support the continues growth in the production volume and the enterprise value.

The international mining assets will play a major role in the further development of the KGHM Polska Miedź S.A. Group. With access to highly-skilled human resources and a rich portfolio of development projects situated in world-famous metallogenic provinces, in countries with a stable political and economic situation, the assets will become the engine of shareholder value growth in the coming years. Even now, the share of international production assets in the total value of KGHM Group is estimated by the analysts at close to 40%.

To capitalise on the unique experience gained during the acquisition of Quadra FNX Mining Ltd., KGHM Polska Miedź S.A., acting in partnership with Harvard Business Review and the ICAN Institute, launched the "POLAND GO GLOBAL!" Think Tank intended to promote the knowledge and experience in internalisation of Polish companies and to form a platform of cooperation and sharing best practices in the area of globalisation between Polish companies.

KGHM Group projects at an early evaluation stage



A good neighbour not only in Poland

The globalisation of KGHM Polska Miedź S.A. operations is a huge challenge. In order to be able to make investments in different parts of the world (the Company owns deposits in Canada, United States, Chile and Greenland), we need to win the trust of local communities whose culture is sometimes completely different from ours.

One of the places of KGHM INTERNATIONAL LTD. operations where we are engaged in such a dialogue is the region of Sudbury in Canada. The deposit on which the Podolsky, McCreedy West and Craig/Morrison mines, as well as the planned Victoria project, are seated belonged to Quadra FNX Mining Ltd. taken over by KGHM in 2012. Under the treaty of 1850, the Indians who signed it and their descendants may derive profits from the exploitation of the areas where the mines are situated. KGHM INTERNATIONAL LTD. is aware of the arrangements and is committed to fulfilling them. To promote the right image, the Company is also engaged in the charity actions and sponsoring of the local community in collaboration with the authorities of the city of Sudbury. In 2012, the total value of donations to different causes amounted to CAD 128,000 (approximately PLN 400,000).

As part of the Afton-Ajax mining project, KGHM INTERNATIONAL LTD. is engaged in the process of consultations with the First Nations (the native people of British Columbia). In 2012, the Company held consultations with the local community on the preparation of an environmental application required to obtain the building permit for the construction of the open-pit copper mine. Since in this case the negotiation process is more complex than in Sudbury, KGHM INTERNATIONAL LTD. uses the

help of legal advisors. At the same time numerous initiatives are undertaken to convince the local community that the whole investment process and the subsequent operations of the mine will be conducted in conformance with the applicable environmental standards, including an information campaign run in the city of Kamloops and regular meetings with the local authorities and community members at which the Company presents information about the project. Additionally, KGHM INTERNATIONAL LTD. sponsors many sports and cultural events in the area and supports important social initiatives, such as the Information Centre for Senior Citizens.

Also in the United States, the Company maintains good relationships with the residents of the areas of the Robinson open-pit mine in Nevada (where major environmental challenges occur due to large stockpiles) and Carlota mine in Arizona. The latter will be successively closed since 2014 and the site will undergo reclamation. KGHM INTERNATIONAL LTD. has set aside USD 20 million for that purpose and the detailed mine closure plan has been drafted and communicated to the local community.

KGHM INTERNATIONAL LTD. is also developing a relationship with the community of 5,000 people living in the vicinity of the Sierra Gorda project in Chile, one of the largest future open pit copper mines worldwide. Here also negotiations must be held with the owners of land between the mine and the Pacific Ocean, from which water will be supplied to the site. Hence, land use rights must be obtained. The production in Sierra Gorda mine will start in 2014.



KGHM Polska Miedź S.A. – Leader of Corporate Social Responsibility

KGHM Polska Miedź S.A. is intended to be a continuously developing, professional and global leader who takes care of the common good and manages its resources in a sustainable way. In order to achieve that objective, in 2012 the Company adopted the Corporate Social Responsibility (CSR) Strategy of KGHM Polska Miedź S.A. until 2018 drafted on the basis of:

- Results of the analysis of KGHM’s corporate social responsibility processes;
- ISO 26000 Guidance on Social Responsibility and the guidelines of the International Council on Mining and Metals and the Global Reporting Initiative;
- Outcomes of the workshops attended by directors from the Head Office and Divisions of KGHM Polska Miedź S.A.;
- Consultations with the management of KGHM Polska Miedź S.A.; and
- Best market practices.

Strategy area	Strategic vision	Where to find information in the report on the related progress of KGHM Polska Miedź S.A.?
Efficiently managed business partner	To be managed in conformance with the corporate governance and business ethics rules	Please read the section “Efficiently Managed Business Partner” pp. 38–49
Responsible employer	To implement a transparent employment policy based on an open dialogue, in line with the highest work safety standards and the rules of corporate governance and business ethics	Please read the section “Responsible Employer” pp. 52–77
Good neighbour and a trustworthy investor	To be a leader in the development of good neighbour relationships and maintenance of an open dialogue and partnership with its stakeholders, in line with the strategy, scale and quality of its corporate social responsibility actions	Please read the section “Good Neighbour and a Trustworthy Investor” pp. 80–111
Eco-innovator	To set the highest standards of environmental protection and look for innovative, environment-friendly and low-emission solutions	Please read the section “Eco-innovator” pp. 114–128



Piotr Borys
Member of the European Parliament, Civic Platform

“ Nowadays, corporate social responsibility is becoming equally important as the economic performance of a company. It demonstrates the company’s maturity and sensitivity to the affairs of its stakeholders and environment. As a Member of the European Parliament, I actively participated in the drafting of the European Parliament resolution on corporate social responsibility perceived as a way to promote the public interest, social inclusion and economic recovery. The Legal Committee of which I am a member made a number of important recommendations for the resolution, including implementation of tax reliefs for companies

financing charity causes and non-profit activities; emphasis on education in corporate social responsibility initiatives by promoting cooperation with higher education institutions; and encouraging companies to offer good quality internship programmes for young people to facilitate their transition from universities and colleges to employment. For a number of years I have been observing the activities of KGHM Polska Miedź S.A., not only in the world of business but also in the social space, including the Polish Copper Foundation which offers support to numerous welfare, educational and cultural projects and KGHM Polska Miedź S.A. involvement in the “POLAND, GO GLOBAL!” Think Tank aimed at increasing the competitiveness of the Polish economy and promoting progress in such important areas as the development of Polish universities and colleges. KGHM Polska Miedź S.A. as a global copper and silver manufacturer is a model example of a socially responsible corporation.”

The document was prepared in consultation with the Sustainable Development and Corporate Social Responsibility Team of PwC. The CSR strategic objectives have been defined with a view to supporting the directions of the business strategy of KGHM Polska Miedź S.A. The objectives and actions were assigned specific measures (linked to the Global Reporting Initiative indicators) and departments responsible for achievement of

the objectives have been identified. Thanks to linking the CSR strategy with the guidelines of ISO 26000 and the Company's business strategy, KGHM Polska Miedź S.A. will become an eco-innovator with an image of a good-neighbour and a trustworthy investor. The strategy will also contribute to building of a worldwide brand of an efficiently managed business partner and a responsible employer. Detailed information about the effects of the



Krzysztof Kułacz

Manager of CSR Department of KGHM Polska Miedź S.A.



In 2012, we took new important steps towards the building of a socially responsible company. We adopted the Corporate Social Responsibility (CSR) Strategy of KGHM Polska Miedź S.A. until 2018 which combines the 50 years of our experience with the challenges of a modern business organisation.

The Strategy has been drafted on the basis of the results of analysis of KGHM's corporate social responsibility processes, ISO 26000 Guidance on Social Responsibility, the guidelines of the International Council on Mining and Metals and the Global Reporting Initiative and identified best practices. It also makes use of the outcomes of the workshops attended by directors from the Head Office and Divisions of KGHM Polska Miedź S.A.

In July 2012, as the first mining company in Poland, we decided to disclose the information on our sustainable development and corporate social responsibility performance and publish the Corporate Social Responsibility Report 2010–2011. Our first ever report was awarded by the Ministry of Economy of the Republic of Poland as the best CSR publication in the Social Responsibility Reports Competition organised by the Responsible Business Forum, PwC and SGS.

Sustainable development and corporate social responsibility are two aspects of critical importance for KGHM's business strategy adopted for the 2009–2018 period which clearly states that the Company is the most prominent business organisation in the region which, similarly to other mining companies across the world, very seriously treats the subject of corporate social responsibility. In 2012, we continued to be actively committed to supporting our region, in particular by creating new jobs, protecting the natural environment, the health of our employees and local community members and the national cultural heritage, as well as supporting the development of sports and fitness, culture, science and education.



Janiśław Muszyński

President of the Lower Silesian Foundation for Regional Development



KGHM Polska Miedź S.A., acting through its Polish Copper Foundation, for more than 10 years has been engaged in activities driven by their awareness of shared responsibility for the quality of life of people in the Copper

District. On the one hand, it is a reflection of the modern Corporate Social Responsibility model in which companies are expected to take over a certain part of responsibility for the development of their environment. On the other hand, KGHM draws on the 'genetic code', the tradition of sensible, forward-looking mining companies which have always relied on the local natural resources and consciously invested in the long-term relationships with the local communities of which their employees were members. The Company continues this tradition and is continuously intensifying its efforts in this respect.

strategy implementation and its impact on the operations of KGHM Polska Miedź S.A. can be found in the respective sections of the report.

KGHM Polska Miedź S.A. is currently facing the task of redefining the adopted CSR strategy due to the Company's internationalisation and the challenges it has to deal with on different continents. One of the elements of the process will be to follow the best practices of the "Zero Harm" strategy in force in KGHM INTERNATIONAL LTD. which encompasses work safety in the mines, protection of the health of the employees and local communities and minimising the environmental impact of the conducted operations.

KGHM Stakeholders

(4.15) As part of the sustainable development of its business, the Company wants to identify and respond to the needs and expectations of its stakeholders. KGHM Polska Miedź S.A. spares no effort to build good relationships with the key KGHM's stakeholder groups (in particular, the employees, inhabitants of the region, local authorities and non-governmental organisations) and to make use of a social dialogue as a tool to articulate and recognise the needs and expectations of the local communities.

From the business development perspective, the following groups of stakeholders are crucial for KGHM **(4.14)**:

Stakeholder groups
Employees (including the trade unions)
Local authorities
Local community
Regulators (supervision and inspection authorities)
Customers and counterparties
Shareholders and stock exchange community
Research and scientific institutions
Media
Suppliers
National government administration
NGOs
European Union institutions
London Stock Exchange
Competitors
Industry and professional organisations (Polish and international)

The social dialogue initiatives entered into by KGHM in 2012 included **(4.16)**:









- Partnership for the development of the region (collaboration with local authorities and regional organisations to support the further growth of the region e.g. the Copper Basin Forum and stimulating the entrepreneurship of the local business community);
- An opinion poll of the population of the Copper Basin;
- Meetings with the opinion leaders and residents;
- Entry into cooperation with the County of Głogów under the Partnership for Sustainable Development";

Collaboration on Knowledge and Experience Sharing and Setting New Standards

(4.12) The Company has been engaged in numerous joint efforts aimed at development of good market practices and enhancement of self-imposed standards. In 2012, KGHM joined a wide group of stakeholders who participated in the project of Sustainable Development Vision for the Polish Business implemented under the auspices of the Ministry of Economy with the professional support from PwC. In the course of the project, the key challenges and priority areas were defined where an active support of the business community is required to promote social and economic transition in the direction of sustainable development in Poland. (More information about the project can be found at: www.mg.gov.pl/Wspieranie+przedsiębiorczosci/Zrownowazony+rozwoj/Wizja+2050).

The Company has conducted a review of conformance with the sustainable development and corporate social responsibility principles which has shown that the Company obeys the rules of the Code of Responsible Business applicable specifically to Polish market companies. Consequently, KGHM Polska Miedź S.A. has become a member of the Corporate Responsibility Coalition.

Table 5. KGHM's membership of international organisations (4.13)

No.		Organisation	Member since
1		International Precious Metals Institute	1994
2		International Wrought Copper Council	1996
3		London Bullion Market Association	2000
4		Eurometaux	2005
5		Euromines	2005
6		International Copper Association	2007
7		European Precious Metals Federation	2009
8		European Technology Platform on Sustainable Mineral Resources	2010
9		Minor Metals Trade Association	2013
10		FOB Forum Odpowiedzialnego Biznesu (Responsible Business Forum)	2012



Michał Kuszyk
Vice-President of the Polish
Copper Association of
Employers

“ Our Association is a platform for sharing experience in the implementation of new economic, technological and legal solutions. We are trying to reflect the traditions of the Copper Basin and the region of Lower Silesia in all projects in which we participate.

In line with our mission, we promote healthy lifestyle, ecology, culture and sports. Every year, we organise the Tennis Tournament of Employers and

co-organise the traditional Barbórka Run for the Miner's Lamp. We also present the achievements of our members in the area of healthcare and environment.

For many years we have been engaged in the social dialogue through which we try to protect the interest of the local community of the region. The specially appointed Copper Basin Team of the Social Dialogue Committee coordinates the process and promotes the benefits of mutual cooperation.

Additionally, in partnership with the West Chamber of Commerce, we organize the Dolnośląskie Gryfy competition in order to promote successful entrepreneurs.”

Table 6. KGHM's membership of national organisations

No.		Organisation	Member since
1		Stowarzyszenie Księgowych w Polsce (Accountants Association in Poland), Legnica Branch	1975
2		Związek Pracodawców Polska Miedź (Polish Copper Association of Employers)	1996
3		Stowarzyszenie Emitentów Giełdowych (Polish Association of Listed Companies)	1997
4		Polska Izba Ekologii (Polish Environmental Chamber) in Katowice	2002
5		Stowarzyszenie Inżynierów i Techników Metali Nieżelaznych (Association of Non-Ferrous Metals Engineers and Technicians)	2005
6		Izba Energetyki Przemysłowej i Odbiorców Energii (Industrial Energy Sector and Energy Recipients Chamber)	2006
7		Polska Izba Gospodarcza Zaawansowanych Technologii (Polish Chamber of Commerce for High Technology)	2008
8		Izba Gospodarcza Metali Nieżelaznych i Recyklingu (Economic Chamber of Non-Ferrous Metals and Recycling)	2009
9		Zachodnia Izba Gospodarcza (West Chamber of Commerce)	2010
10		Krajowa Izba Sportu (National Sports Chamber)	2010
11		Fundacja Bezpieczne Górnictwo (Safe Mining Foundation)	2010
12		Polskie Forum Akademicko-Gospodarcze (Polish Academic and Business Forum)	2010
13		Stowarzyszenie Polski Komitet Światowego Kongresu Górniczego (Polish Committee of the World Mining Congress)	2011
14		Polska Izba Gospodarcza „Ekorozwój” (Polish Chamber of Commerce for Eco-Development)	2011
15		Polsko-Kanadyjska Izba Gospodarcza (Poland-Canada Chamber of Commerce)	2012
16		Koalicja CR (Corporate Responsibility Coalition)	2012
17		Polski Komitet Narodowy Międzynarodowej Izby Handlowej (Polish National Committee of the International Chamber of Commerce)	2013

(2.10) Awards received by KGHM Polska Miedź S.A. in 2012

- **Leader of the Golden Share TSR 2012 Ranking** – KGHM Polska Miedź S.A. was ranked among the best companies of the Warsaw Stock Exchange which generated the highest value for their shareholders. The Golden Share Ranking is prepared by biznes.pl portal according to the TSR indicator which reflects the market opinion about the company, its activities and plans;
- **Company of the Year** – KGHM Polska Miedź S.A. once again was among the winners of the Bulls and Bears competition organised by Parkiet Stock Exchange Gazette, topping the category 'Company of the Year'. The award was presented in 2012 in recognition of the achievements and excellent financial performance in 2011;
- **A distinction in the ranking of investor relations** of the TREND magazine;
- **Best of the Best** – a special "Best of the Best" award for the best annual report in 2011 and the highest reporting standards and the first award for the online version of the annual report. In 2012, KGHM Polska Miedź S.A. for the first time prepared a fully interactive online version of the annual report which is an exact copy of the hardcopy version of the report;
- **Stock Exchange Company of the Year** – third place in the ranking published by Puls Biznesu. The choice is made by randomly selected brokers, analysts and investment advisors working for brokerage firms, insurance companies, retirement, investment and trust funds, capital market departments of banks and consultancies;
- **Stanisław Staszic Innovation Laurel** – in the second edition of the competition of the Federation of Science and Technology Organisations, KGHM received a Golden Laurel in the 'Mining and Metallurgy' category for the FloVis project (a visual system of optimised control of the flotation processes in the Copper Ore Enrichment Division implemented in partnership with AMEplus Sp. z o.o. from Gliwice) and the second Golden Laurel in the category "Transport and Communication" for the project "Automatically Lifted OKO Ventilation Stopping with a ZET-S OKO Control System" implemented in partnership with z INOVA Centrum Innowacji Technicznych Sp. z o.o. in Lubin;
- **Award of the Minister of Economy for the Corporate Social Responsibility Report** – the competition awards the best reports covering the subjects of social responsibility and sustainable development. KGHM Polska Miedź S.A. received the award funded by the Ministry of Economy;
- **Personality of the Year** – Herbert Wirth, President of KGHM Polska Miedź S.A. was awarded with the title of the Personality of the Year during the award ceremony of 'Gryfy Dolnośląskie' in recognition of his contribution to the development of the Lower Silesia economy;
- **Pearls of the Polish Economy** – KGHM Polska Miedź S.A. once again received the Large Pearl award in the tenth edition of the English-language business magazine Polish Market. The classification criteria were developed by the Institute of Economics of the Polish Academy of Sciences. The Large Pearl was awarded to companies with revenues above PLN 1bn in 2011. The award was presented in recognition of the persistent implementation of the Company's policy and strategy and leadership among the most dynamic and efficient enterprises in Poland. Additionally, the Company received a Polish Economy Pearl in the category of production and service enterprises;
- **Lower Silesian Business Award** – during the 14th Lower Silesian Political and Economic Forum in Krzyżowa KGHM Polska Miedź S.A. received the Lower Silesian Business Award presented to local companies for their contribution to the development and promotion of the region;
- **Best Business Partner** – KGHM Polska Miedź S.A. received a distinction in the category of Corporate Social Responsibility for effective and responsible management of the business. The Company was appreciated for its active engagement in the life of the local communities and taking care of the natural environment. The competition is organised by the "Home&Market" business magazine;
- **New Impulse** – a distinction for the participation in numerous important and revolutionary projects in the energy sector awarded by the editorial board of the New Industry magazine;
- **Visionary 2012** – The Visionaries awards are presented to the outstanding leaders of the Polish business who have managed to implement large, high-value projects despite unfavourable market conditions. The winners were announced during the European Forum of New Ideas in Sopot. Herbert Wirth, President of KGHM was awarded the Visionary title in recognition of the acquisition of the Canadian company Quadra FNX Mining Ltd.;
- **Best Manager in Times of Crisis** – Herbert Wirth, President of KGHM Polska Miedź S.A. qualified for the TOP 20 List of Best Managers in Times of Crisis. The KGHM President was honoured in a special way, receiving the highest number of votes from the survey participants. The ranking was prepared by Bloomberg Businessweek Poland.

Research and Development

A well-managed and forward-looking company should invest in Research and Development (R&D) projects. The expenditures on R&D projects incurred by KGHM Polska Miedź S.A. in recent years have been systematically growing. In 2012, the total spending on research and development projects and scientific and technological analyses and studies amounted to PLN 44.6m, i.e. almost PLN 10m more than a year before.

In 2012, KGHM Polska Miedź S.A. implemented 34 research and development projects and prepared 98 scientific and technological expert analyses in more than 20 thematic areas. The majority of them were financed from the Company's funds. The studies covered both mining and copper smelting operations of KGHM Polska Miedź S.A. and included:

- Research on the development of new systems for mining deep copper ore deposits;
- Research on development of a technology for copper ore mining using mechanical extraction methods in the conditions found in the mines of KGHM Polska Miedź S.A.;
- Work on the automation and visualisation of extraction and processing operations;
- Work on the development of a system of underground equipment monitoring and remote control;
- Analyses and studies on the implementation of technological solutions generating energy savings in the processes implemented in different branches of the Company;
- Searching for new methods and technologies to increase the yield of copper and other metals during the ore enrichment processes;
- Research on technologically and economically viable solutions to reduce the amount of waste products which require hydrotechnical management;
- Research on minimising the impact of mining activities on the environment;
- Studies on the selection of the most advantageous technological solutions for the Pyrometallurgy Modernisation programme in Głogów Smelter and the planned change of the profile in Legnica Smelter;
- Research on the implementation of visualisation systems for the supervision and control of smelting processes;
- Research on the possibility of reducing energy consumption in smelting processes; and
- Studies on minimising the impact of smelting operations on the environment and opportunities for commercial reuse of smelting waste.

The Company takes advantage of the available public funding for its research and development activities. In 2009, KGHM Polska Miedź S.A. signed with the Polish Agency for Enterprise Development an agreement on a subsidy from the European Regional Development Fund for a research and development project entitled: "Development of KGHM extraction technology with the use of the ACT complex". The total amount of the subsidy granted is PLN 38.7 million, which represents 25.3% of the total expenditures planned on this undertaking. The R&D stage of the project is expected to be completed in 2013, and the implementation will take place in 2014–2015.

The employees of the Research and Knowledge Management Department and specialists from the Head Office and other organisational units of KGHM Polska Miedź S.A. take part in the implementation of other projects co-financed from public funds, such as:

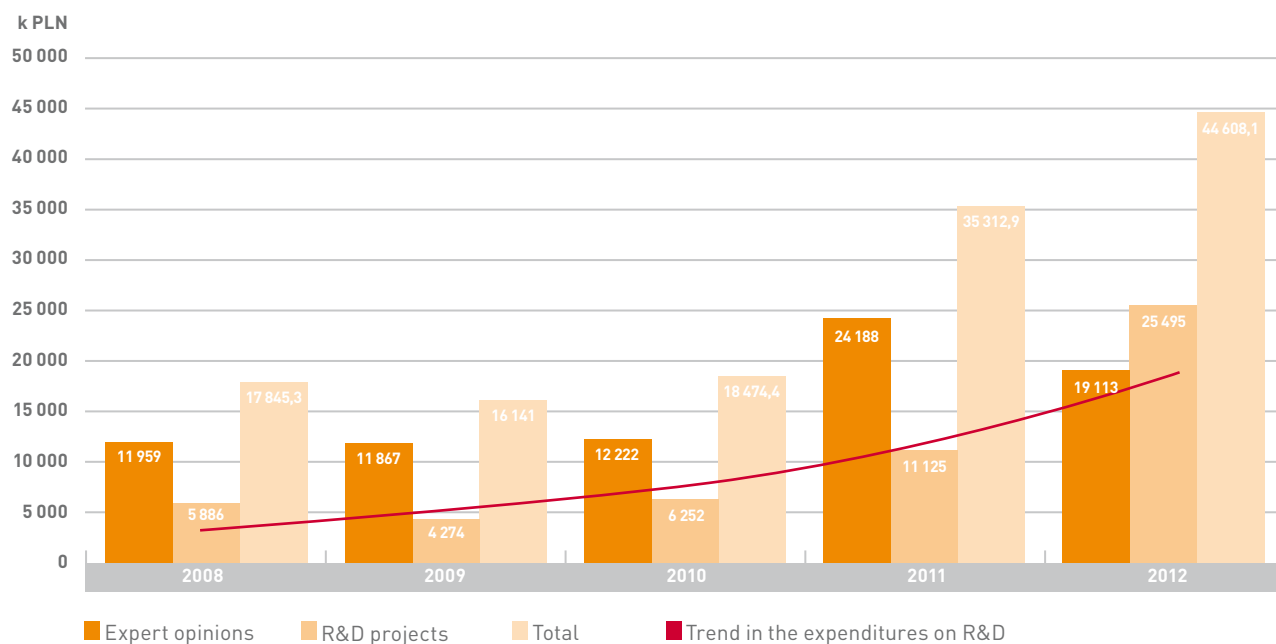
- An agreement on the co-financing of the project implemented under the Initech initiative entitled "Technology of Hydrometallurgic Processing of Copper Concentrate and Semi-Finished Products" signed on 19 July 2010 with the National Centre for Research



- and Development. In the project, the Company is an external partner and recipient of the product and provides expert support to the contractor in the area of processing non-ferrous metal ores;
- An agreement on the execution of a research project entitled "Development of the Coal Gasification Technology for High Performance Production of Fuel and Electricity" signed with the National Centre for Research and Development;

- An agreement on the execution of a research project entitled "Development of a New Classification of Natural Hazards in Underground Mines Including Experimental Verification" signed with the National Centre for Research and Development;
- An agreement on the co-financing of a development project entitled "Adaptation and Implementation of the Lean Methodology in Copper Mines" signed with the National Centre for Research and Development; and

Diagram 6. Expenditures of KGHM Polska Miedź on research and development activities



- An agreement on the co-financing of a development project entitled "Development of High Temperature Reactors for Industrial Applications" signed with the National Centre for Research and Development (more information about the project can be found in the section on natural environment).

In 2012, KGHM Polska Miedź S.A. and the National Centre for Research and Development signed an agreement under the auspices of Ms. Barbara Kudrycka, Minister of Science and Higher Education, on the support of research and development activities for the non-ferrous metals industry. The total budget of the programme scheduled for 10 years amounts to PLN 200 million and will be funded in equal parts by KGHM Polska Miedź S.A. and the National Centre for Research and Development. The agreement will ensure State Budget financing of 50% of the costs of research and development projects important from the perspective of KGHM Polska Miedź S.A. On the other

hand, the National Centre for Research and Development acquired an industrial partner who will participate in the financing of the programme and review the rationale and effectiveness of particular research projects. The CuBR programme is the first initiative where a Polish company with international operations proposes joint financing of research and development projects to a government agency.

The money will be spent on research of interest to KGHM Polska Miedź S.A., concerning new products or technologies which can increase the volume or effectiveness of copper processing in Poland or new materials based on copper, but also on silver and other elements which the Company produces. In the long run, the activities should lead to creation of new jobs in the companies and enhancement of the role of KGHM Polska Miedź S.A. as an innovation leader in Poland.





Professor Tadeusz Więckowski

Rector of the Wrocław
University of Technology

“ The focus on innovation and the common scientific and business objectives of our University and KGHM Polska Miedź S.A. are the foundations of the Smart Power Grids Poland Consortium. The outcomes of our cooperation which deserve special attention include upgrading of the Quality Information System and the Cedynia Wire Rod Plant Quality Expert System.

The partnership of the Wrocław University of Technology and KGHM Polska Miedź S.A. is also reflected

in the numerous research and development and implementation projects jointly carried out. The examples include projects associated with the integration of electric power systems, telecommunication networks and IT systems underlying intelligent power grids, enhancement of power transmission and distribution safety and preventing cascade power failures which may lead to major blackouts. Numerous projects were also implemented in collaboration with the Computer-Aided Design Department of the Institute of Machine Construction and Operation at the Warsaw University of Technology, including studies ordered by the Company on the impact of flow systems on the useful life and performance of fan impellers in the main ventilation system of a mine or determination of the impact of lithology on the consumption of the grinding medium and the wear and tear of mill linings. ”



Professor Tadeusz Słomka

Rector of the Cracow
University of Mining and
Metallurgy

“ The cooperation between Stanisław Staszic University of Mining and Metallurgy (AGH) in Cracow and KGHM Polska Miedź S.A. has had a long history and has been multidimensional. In 2012, however, we entered a new stage of cooperation focusing on the development of innovative solutions in response to challenges which the leading scientific and industrial centres in Poland are facing. AGH and KGHM Polska Miedź S.A. have been continuously implementing the “Critical Elements Centre” project under which the resources in geological and commercial deposits held by the Company are analysed. When the laboratory is opened both parties are planning to extend the scope of cooperation to include geological and mining assets of KGHM INTERNATIONAL LTD.

We also executed a contract for the “Expert Analysis of the Content of Critical Elements in the Assets of KGHM Polska Miedź S.A.” which covered both the copper ores and nickel ores in Szklary.

The next step was initiation of a procedure to set up a commercial law company CPK Solar Sp. z o.o. in order to make use of the critical elements for the purpose of manufacturing photovoltaic panels based on thin film photovoltaic cells. The aim of the project is to support the development of renewable energy industry in Poland and in Europe.

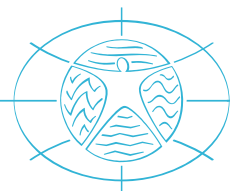
Under the partnership between the Department of Geology, Geophysics and Environmental Protection of AGH and KGHM Polska Miedź S.A., every year students from the department take part in internship programs in the Company’s mines and other industrial sites. In 2012, 16 students participated in the programme.

Additionally, 2012 marked the beginning of a grant programme “Geochemical Characteristics of Silver Minerals Found in Low-Temperature Processes on the Example of Copper Ores in Pre-Sudetic Monocline and a Dump Site of Waste Products from Copper Ore Processing” launched with the permission from KGHM Polska Miedź S.A. by the Department of Deposit and Mining Geology.

We hope that 2012 was a turning point in our cooperation, adding a new dimension to our joint actions and letting us go beyond the problems of the present day. ”



2.





EFFICIENTLY
MANAGED
BUSINESS
PARTNER

Efficiently Managed Business Partner

KGHM Polska Miedź S.A. draws on the best management practices worldwide

90%

of the Customers have been with the Company for more than three years.

87%

of all goods and services ordered by KGHM Polska Miedź S.A. in 2012 were supplied by domestic suppliers.

740%

rise in the value of KGHM Polska Miedź S.A. shares over the period of 15 years of the Company's listing on the Warsaw Stock Exchange.

Drawing on the Best Practices

In response to the expectations of its stakeholders, KGHM Polska Miedź S.A. developed in 2012 the Corporate Social Responsibility Strategy until 2018 which assumes, inter alia, implementation of the corporate responsibility guidelines of ISO 26000 (for more information on ISO 26000 visit www.pkn.pl/iso-26000). One of the Company's four strategic directions i.e. "Efficiently Managed Business Partner" points to the need for management in line with the best corporate governance practices, building an organisational culture based on ethical values, implementation of a Code of Conduct for suppliers and setting the highest standards of product responsibility and customer care.

Transparent management

The year 2012 was a prominent year in the history of KGHM Polska Miedź S.A. July 10th 2012 marked the 15th anniversary of the Company's debut on the Warsaw Stock Exchange. Since then, KGHM has become one of the leaders of the WSE floor and has been awarded many times by the

Strategic objective:

To build the Company's image of a transparent organisation managed in accordance with the best corporate governance principles.

capital markets with the most prestigious distinctions for the management quality and transparency and the communication with the market and the investors. On listing day in 1997, the price of KGHM shares went up to PLN 23.5 and was 24% higher than the price paid by the individual investors and 12% higher than the price paid by institutional investors. During the 15 years of the Company's presence on the stock exchange, the value of the Company's shares has gone up by 740%.

(4.11) Since its IPO, KGHM Polska Miedź S.A. has always complied with the practice of transparent management, in conformance with the Best Practices of WSE Listed Companies, a collection of rules of conduct addressed to the authorities of companies and their members, as well as the majority and minority shareholders. Best Practices ensure high standards of management and communication with investors, put emphasis on the protection of shareholder rights and increase the transparency of organisations (for more information visit www.corp-gov.gpw.pl).

In accordance with the Regulation of the Minister of Finance of 15 March 2009 on the provision of current and periodical information by issuers of securities, every year KGHM Polska Miedź S.A. presents information on conformance with the corporate governance principles in a dedicated section of the Management Board report published in the annual report. In this way, the Company demonstrates to investors its commitment to corporate governance rules. KGHM Polska Miedź S.A. attempts to follow all recommendations formulated as part of the best WSE practices at all stages of operations. In 2012 the Company decided not to implement only one recommendation postulating online broadcasting of General Meetings. Instead, the meetings were recorded and videos were made immediately available on the Company's website in both Polish and English language versions, accessible under the section Investors/Webcasts. The Company is currently in the course of preparations to launch online broadcasts of its General Meetings.

Information available to all interested parties (4.4)

Investor relations is one of the key aspects of the Company's operations. The overall aim is to create shareholder value, present an accurate picture of the Company and build the trust of investors. The Company engages in regular actions targeted at representatives of international investment funds, investment banks, market analysts and individual investors from the Metals and Mining sector and from emerging markets. In 2012, KGHM Polska Miedź S.A. held numerous presentations for investors during road shows and investor conferences. KGHM representatives took part in fourteen conferences organised by international investment banks and brokerage firms in such countries as Austria, Denmark, Canada, the United States and the UK. The Management Board and senior managers attended 150 individual and 25 collective meetings, providing information to representatives of 175 institutional investors.

Each publication of the Company's quarterly reports is accompanied by meetings of KGHM Management Board with analysts, fund managers and business journalists. The meetings are broadcasted live on the Internet and webcasts are available at www.kghm.pl, under Investors





Danuta Tuchorska

**Commercial and Logistics
Director
KGHM Polska Miedź S.A.**



The Company's customers are increasingly interested in the subject of responsible sourcing and control of the supply chain to make sure that the Company does not contribute to financing of military conflicts or support organisations breaking other ethical standards. More and more often our partners ask questions

about the Code of Conduct adopted by KGHM, our corporate social responsibility report and conformance with the practices and standards governing such issues as prohibition of child labour, human rights, employee rights, work safety and impact on the natural environment.

The customers of KGHM Polska Miedź S.A. pay attention to high corporate ethics and responsibility standards. Many of our partners expect from us a declaration of conformance with such standards as a precondition for entering into or continuing business relationship.



tab. The Management Board of KGHM Polska Miedź S.A. also met with analysts and fund managers during the Investor Days. Over the two days, the Company's visitors had a chance to learn more about the conducted technological processes, the Company's strategy for the coming years, the growth of the resource base, cost structure, capital expenditures and risk management.

In 2012, one of the Investor Relations objectives was to upgrade the Company's market communication to the standards maintained by other companies from the Metals and Mining sector listed on different stock exchanges across the world. To this end, in 2012 KGHM Polska Miedź S.A. published new reports on mining assets and production prepared in line with the Canadian standard of disclosure of information about resources. The reports respond to a growing demand from the market for information about the Company's production capacity, the resources evaluated and extracted by KGHM Polska Miedź S.A. and the prospective resource potential of the copper ore deposits located in the Legnica-Głogów Copper District.

A significant channel of communication with the investors is the website maintained by the Company (www.kghm.pl). The Investors tab contains information about the current situation of KGHM Polska Miedź S.A., including financial reports, minutes of General Meetings, corporate governance documents, market forecasts of the Company's performance, the investor calendar, presentations and webcasts. In addition to webcasts of Management Board meetings and performance announcement conferences in 2012, approximately 35 teleconferences and

videoconferences were held. The newsletter with current information about the company had 550 subscribers in 2012. For the first time, the annual report was prepared also in a multimedia version.

Thanks to our focus on the quality of market communication, in 2012 KGHM Polska Miedź S.A. became a partner to the countrywide campaign launched by the Ministry of State Treasury called "Citizen Shareholding – Informed Investments". The aim of the program is to encourage citizens to make informed investments in securities, enhance public trust in the capital market and stimulate the activity of individual investors on the Warsaw Stock Exchange. The Ministry takes advantage of the support of listed companies, capital market institutions and brokerage firms. One of the key initiatives under the program has been a series of workshops on stock market investments. The beginners on the capital market and investors with some experience may take part in free of charge meetings with experts, training programs and hands-on classes during which they will learn about opportunities offered by investments in securities. Between September 2012 and January 2013, thirty six meetings were held in different cities of Poland.

The significance of investor relations in KGHM Polska Miedź S.A. will be growing in view of the Company's globalisation. Following the delisting of Quadra FNX from the Toronto stock exchange, KGHM Polska Miedź will also manage the information policy of KGHM INTERNATIONAL LTD. Such activities enhance the Company's image on the international arena.

Member of the Respect Index

KGHM Polska Miedź S.A. has been included in the Respect Index listing companies guided by the principles of corporate social responsibility since its launch in 2009. The purpose of the index is to distinguish companies managed in a responsible and sustainable way and to emphasize their investment attractiveness through emphasis on the quality of reporting, investor relationships and corporate governance. According to the survey "Investment Decisions and Responsible Business" conducted in 2012 by the Warsaw Stock Exchange, as many as 58% of Polish investors agree that companies which pay attention to environmental and social aspects of business and corporate governance achieve tangible benefits with impact on their financial performance. Additionally, the study shows that during the last year recognition of the Respect Index has

grown significantly among the professional participants of the capital market. Moreover, a growing number of investors understand the relationship between adoption of a corporate responsibility strategy and reduction of business risk. In 2012, 65% of investors recognised such a relationship and appreciated the role of annual reports in which companies share information on their corporate responsibility achievements. KGHM Polska Miedź S.A. responds to such expectations of the market.

Participation in the Respect Index triggers an obligation to effectively counteract corruption and fraud, therefore the Company rigorously supervises conformance with the ethical principles, good practices, applicable laws and internal regulations. Regular audits are conducted in the Company in order to prevent fraud. In 2012, no instances of corruption were detected in the Company (S04).



Transparency and Stable Management Foundations

Management Board and Supervisory Board

The Management Board directs the business of the Company and represents it externally. Their term of office lasts three years. The number of the Management Board members is defined by the Supervisory Board which appoints and recalls the Board President and – at the President's request – other members of the Management Board [4.3]. In conformance with the corporate governance principles, the Supervisory Board creates equal opportunities for men and women to serve on the Management or Supervisory Board. In 2012, both the Management and the Supervisory Board of KGHM Polska Miedź S.A had one female member.

In 2012, the composition of the Management Board was extended from three to five persons. As at 31 December 2012, the breakdown of responsibilities in the Management Board was as follows:

- Management Board President – Herberth Wirth
- First Vice-President of the Management Board (Finance) – Włodzimierz Kiciński
- Vice-President of the Management Board (Production) – Wojciech Kędzia
- Vice-President of the Management Board (Corporate Affairs) – Adam Sawicki
- Vice-President of the Management Board (Development) – Dorota Włoch

[4.2] The Management Board President does not act as an executive director. [4.5] The remuneration of the Management Board members is determined on the basis of quarterly evaluation of their performance. The Supervisory Board evaluates the Management Board's motion for disbursement of an advance against the variable remuneration.

In 2012, changes also occurred in the composition of the Supervisory Board which is the permanent supervisory authority of KGHM Polska Miedź S.A. in all areas of the Company's operations. According to the Statutes, the Supervisory Board consists of 7 to 10 members, appointed by the General Meeting, including members elected by the Company's employees [4.4]. The members of the Supervisory Board are appointed for a joint term of office

Strategic objective:

To develop a culture based on ethical values.

which lasts three years. The Supervisory Board operates on the basis of prevailing laws, the Statutes of the Company and the Regulations of the Supervisory Board.

Following the changes in 2012, the composition of the Supervisory Board as at 31 December 2012 was as follows:

- Aleksandra Magaczewska – Chairperson
 - Krzysztof Kaczmarczyk – Vice-Chairperson
 - Dariusz Krawczyk – Secretary
 - Paweł Biątek
 - Ireneusz Piecuch
 - Krzysztof Opawski
 - Jacek Poświata
- and the elected representative of the Company's employees:
- Bogusław Szarek

[4.1] The Supervisory Board has appointed the following committees: the Audit Committee, the Remuneration Committee and the Strategy Committee. These



committees assist the Supervisory Board in the preparation of evaluations and opinions and undertaking other actions supporting the decision-making process of the Supervisory Board.

The General Meeting of KGHM Polska Miedź S.A. is the Company's highest authority. Annual or extraordinary meetings are held in accordance with the generally applicable laws, the Company's Statutes and the Bylaws of the General Meeting. The Company's corporate documents are available on its website.

The schedule of work on the organisation of the Company's General Meetings is planned in such a way as to ensure fulfilment of all obligations towards the shareholders and to facilitate the exercise of their rights. The Company conforms only with those provisions of the Commercial Partnerships and Companies Code pertaining to the holding of General Meetings and shareholder rights which are obligatory, i.e. those which concern the requirement of publication of announcements and materials for the General Meeting on the Company's website and the use of electronic channels to contact the shareholders. The regulations which provide for the use of electronic communication channels to enable shareholders' real-time participation in General Meetings using electronic means of communication are not applied.

Approach to Risk Management (4.11)

The purpose of the project of implementing a corporate risk management system is to develop an integrated business tool which will allow adoption of a uniform and comprehensive approach to different risk exposures both at the level of individual companies and the entire Group. The system is of strategic importance for the Company and is an element of its corporate governance model.

In 2012, the company developed a concept of integrated corporate risk management in the Group. In the same year, the process of training managers from KGHM and other Group companies in different aspects of corporate risk management began. Their role will be to educate the entire organisation in the scope of conscious risk management and to prepare the employees for the actions planned in 2013. In that year, the Company is planning to carry out risk identification on the basis of the Risk Model which will act as a framework ensuring uniform naming and detailed descriptions of all potential threats and undesirable situations. The initial Risk Model built in 2012 takes into account all major aspects of corporate social responsibility in respect of the Company's external environment, corporate governance, supply chain management, natural environment, safety of the employees and communication with the stakeholders i.e. all areas which may pose high-impact risks for the Company. The risk



Aldona Stajer

Manager of the Integrated Management System Department, Integrated Management System Officer of KGHM Polska Miedź S.A.



Corporate Social Responsibility is becoming an increasingly popular subject among businesses. The range of activities undertaken by our Company for the sake of the employees, the natural environment or the community is very wide, covers different spheres of life and is embedded in our internal regulations, the Company's culture and organisation and the management model.

The corporate social responsibility policy is closely interrelated with the Integrated Management

System because the assessment of conformance with the CSR principles is based on the model of the ISO 9001 and ISO 14001 standards (quality and environment management). The guidelines of the standards promote sustainable development of the organisation and ethical and lawful conduct in relations with all stakeholders, including our employees and customers. The same audit processes are used to identify the required corrective and preventive actions and to improve not only the processes but also the effectiveness of the entire organisation and the efficiency of the finance management system. The outcomes should be of long-term nature to ensure continuous growth and success of the Company in the economic and social dimensions, in the area of employee relations (work safety, workplace conditions, fair employment terms), as well as in the area of natural environment protection and eco-friendly operations.

factors identified in the course of the assessment will be subject to further analyses in subsequent stages of the project implementation. Their purpose will be to develop adequate preventive and corrective measures and to define detailed provisions of the risk management strategy.

Based on the International Standards for the Professional Practice of Internal Auditing of the IIA, the Company conducts audits of control mechanisms in the highest-risk processes and identifies, on an ongoing basis, occurrence of potential risks for which corrective actions are implemented as and when required. The Company also makes use of the experience of KGHM Polska Miedź S.A. to support the development of mining industry standards in Poland by organising conferences on internal audit and control functions in mining companies. The value of the meetings is the opportunity for exchange of the companies' experience on the area of internal control, management of confidential information and protection of personal data.

Integrated Management System on the Horizon

The Integrated Management System is the Company's underlying structure – a single technological platform combining processes, procedures and practices implemented in the organisation to ensure achievement of the objectives in a more efficient way than in the case of separate systems. Therefore, KGHM Polska Miedź S.A. perceives this solution not as a collection of individual documents but as a way of thinking about the Company, its customers, the natural environment and security, which should lead to better organisation of work and a

dynamic growth of the Company. The implementation of the Integrated Management System offers an opportunity for analysing each situation and each event, regardless of where it occurred, from many different business perspectives. The system allows for streamlining of processes and elimination of duplication in all areas of the Company's operations. It also helps to identify and rectify all internal non-conformances, to manage resources in an effective way and to reduce the number of created documents. Organisations which have implemented integrated management systems are more flexible and more open to change.

The key objective of the project launched in March 2012 "Development and Implementation of an Integrated Management System in KGHM Polska Miedź S.A." is to create a reliable, effective model encompassing:

- a quality management system according to ISO 9001;
- an environment management system according to ISO 14001;
- an occupational health and safety management system according to PN-N-18001 and OHSAS 18001;
- an IT service management system according to ISO/IEC 20000-1:2005;
- an information security management system according to ISO 270001; and
- an energy management system according to ISO 50001.

The Integrated Management System built in this way will deliver the expected internal benefits, in particular, by linking the executed business processes with the requirements of quality, natural environment protection, occupational safety and other. It is also intended to improve

and regulate the significant processes, areas and issues which occur in the daily operational activities of KGHM Polska Miedź S.A.

The Integrated Management System is a logical and economic consequence of the earlier implemented quality, environment and work safety management systems in some of the KGHM branches. KGHM Polska Miedź S.A. has strong foundations for the development of a system-based management model, including:

- integrated management systems implemented in the copper smelters, the Ore Enrichment Division and the Tailings Division;
- precisely defined and documented quality, environment and work safety procedures in force;
- information security and energy management initiatives in progress; and
- availability of an extensive database and a range of IT tools supporting management processes.

Customer Focus of KGHM Polska Miedź S.A.

The products of KGHM Polska Miedź S.A. are sold to customers all over the world. The Metals Department and the Semi-Finished Products Department of the Company's Head Office manage the sales of the basic products: copper cathodes, wire rod, CU-OFE wire, CU-Ag wire, round billets, rhenium, refined lead, technical selenium, sulphuric acid, copper sulphate and nickel sulphate. KGHM Ecoren S.A., a subsidiary of KGHM Polska Miedź S.A., manages waste products generated during copper manufacturing and sells road building aggregates, granulated copper slag and other materials.

KGHM Polska Miedź S.A. attaches great importance to development of direct relationships with its customers. As a rule, each stage of the relationship e.g. preparation for negotiations (meetings, exhibitions and conferences), signing contracts and delivery of the contracts, is preceded by an analysis and choice of the appropriate strategy.

Strategic objective:

To set the highest standards of responsibility for the product and customer care.

Upon completion of the contract, a summary of information is prepared and conclusions are formulated. Such an approach offers a possibility of continuous monitoring of the customer satisfaction level. The Company maintains the highest standards of customer service and supplies top quality products in a timely and reliable manner.

The customer is a key value for the Company. Customers expect excellent service and high quality materials meeting the requirements of their market and of the process technologies. Flexibility is the distinctive feature of KGHM Polska Miedź S.A. The top quality brands of cathode copper in the Company's portfolio have been developed in response to the market expectations. Another source of our competitive advantage is the readiness to enter into close cooperation with the customers whenever they expect us to do so. KGHM Polska Miedź S.A. tries to respond immediately to all complaints concerning its products or deliveries. The response time is reduced to a minimum, however, all reported complaints are evaluated with due care.

The quality of metals produced by the Company, particularly of copper and silver, is evidenced by international certificates. The Company's portfolio of copper products includes cathodes, wire rod, round billets and Cu-OFE wire. Our cathodes containing 99.99% of pure copper are classified as the highest 'A' grade on the London and Shanghai Metal Exchanges. Silver with over 99.99% Ag content is produced in the form of bars and granules and,





Copper substitution

One of the challenges which has occurred recently is the increasing substitution of copper by less expensive metals (e.g. aluminium) of inferior quality but available at lower prices.

Copper is replaced by aluminium mainly in applications related to electrical conductivity. The four times higher price of copper remaining at that level for some time now has triggered increased interest in cheaper substitutes of copper and intensification of research on the use of aluminium e.g. in the automotive and energy industries. If the price difference continues to be so big, it may affect the future demand for copper. It is estimated that the overall volume of copper substitution in 2012 approximated 500 kt, i.e. 2% of the global copper consumption.

To facilitate the decision-making processes of customers related to the choice of best solutions for their needs, KGHM Polska Miedź S.A. joined

the International Copper Association (ICA) promoting solutions based on unique properties of copper versus aluminium and other metals or substances. The Company also engages in the activities of the Polish Centre for Copper Promotion (part of the ICA/ECI) which is committed to building a good image of copper as a 100% recyclable metal of superior durability. With a support from companies like KGHM Polska Miedź S.A., the Polish Centre for Copper Promotion conducts promotional activities through its website and numerous publications and organizes seminars and conferences on the use of copper in construction, medicine, electronics, power engineering, machine industry, food industry, architecture and art. Educational activities are also conducted to enhance people's knowledge about the unique properties of copper (for more information on copper applications see the chapter: About KGHM – Challenges and Opportunities of a Local Entrepreneur on Global Markets).

KGHM Polska Miedź S.A. at industry conferences and exhibitions

- 25th International Copper Conference, Metal Bulletin, Hamburg;
- PDAC (Prospectors and Developers Association of Canada) Conference, Toronto;
- 11th World Copper Conference, CRU, Santiago;
- Copper Recycling Conference. Metal Bulletin, Brussels;
- IPMI 36th Annual Conference, Las Vegas;
- 6th World Wire & Cable Conference, CRU, Vienna;
- China International Copper Conference 2012, Antaike, Xiamen;
- Sulphur 2012 International Conference, CRU, Berlin;
- CRU Ryan's Notes Ferroalloys 2012, Miami Beach;
- 8th Asia Copper Conference, Metal Bulletin, Shanghai;
- The LBMA/LPPM Precious Metals Conference 2012, Hong-Kong;
- Wire&Tube 2012, Dusseldorf, 26–30 March 2012 – the largest fair event of the manufacturers of wires, cables and tubes worldwide; 73,500 of visitors from 111 countries of the world in 2012;
- International Fair of Amber, Jewellery and Precious Stones in Gdańsk;
- Jubinale Jewellery and Watches Trade Fair in Cracow;
- Legnica Silver Festival.

attributed with Good Delivery certificates of the bullion markets in London and Dubai and is registered with the New York Mercantile Exchange (Nymex).

Thanks to our focus on quality, in 2012 there were no instances of non-conformance with the applicable regulations and voluntary industry codes in respect of the impact of the products and services of KGHM Polska Miedź S.A. on human health or the environment. [PR2] The Company did not pay any significant fines for the breach of laws or regulations pertaining to the delivery and use of products and services [PR9].

The presentations which are prepared by the trade division of KGHM Polska Miedź S.A. also include CSR aspects to illustrate the Company's approach to social and environmental challenges. At meetings with customers held in 2012 in Prague and in Jawor, the participants received our Annual Report for 2011 together with a copy of our CSR report. Our relationship building efforts bring tangible benefits: approximately 90% of the customers have been with the Company for over three years

[2.7] In 2012, the largest foreign customers for copper produced by KGHM Polska Miedź S.A. included companies from Germany, the United Kingdom, China, the Czech Republic and Italy. Needless to say, the Polish market is also of high importance for the Company.

While focusing on the quality of customer service, the Company monitors the quality and cost related expectations of the customers. Additionally, KGHM Polska Miedź S.A. develops and upgrades its IT systems, in response to received feedback and based on its own observations, to make the processes quicker, less

expensive and more customer-friendly. The changes are implemented continuously, in order to gradually adapt the sales organisation to the requirements of the customers. In 2012, the Company proposed a switch from paper to electronic invoices and implemented an automatic system of invoice emailing. Since the launch of the system, close to 3,000 invoices have been generated in this way. In addition to faster delivery and higher satisfaction, the solution helped to save thousands of sheets of paper and generated cost savings on accounting services for both of the Company and its customers.

KGHM Polska Miedź S.A. Cares For Its Suppliers

The Company has been buying products and services on a number of continents and has been working with a systematically growing number of suppliers, hence, the quality of contacts with the counterparties has an influence on the image of KGHM Polska Miedź S.A. worldwide.

The Company has developed a "Code of Conduct of KGHM Polska Miedź S.A. Group" concerning the procurement processes. According to its provisions, the rules of

Strategic objective:

To enhance the Company's position as a reliable and ethical business partner.



Marek Bednarz

General Manager of the
Central Procurement Office
KGHM Polska Miedź S.A.



In order to carry out its responsibilities in relation to the projects implemented in KGHM Polska Miedź S.A. and the Group companies, the Central Procurement Office has to pay a lot of attention to managing the relationships with the suppliers, both domestic and, increasingly often, foreign. As a buyer, we fully comply with all the procedures set forth in the Procurement Policy of KGHM Polska Miedź S.A. Group, in particular by ensuring transparency and equal treatment of all our

counterparties. In view of the high requirements and standards of goods and services delivered to our Company, we have been actively engaged in the key CSR areas. Our relationships with contractors have a major bearing on the market which has recently been quite challenging, especially for the construction sector. Execution of contracts with KGHM Group is, to a certain extent, a guarantee of stability for many suppliers and contractors. Therefore, it is of crucial importance for the market that we behave responsibly and apply clear and transparent procurement procedures. According to our surveys, the predictability of actions on the part of KGHM Polska Miedź S.A. and our procurement policy are highly regarded by the Company's business partners, as evident in the growing number of active suppliers every year.



selecting suppliers must be absolutely clear. Accepting any benefits in relation to the conducted tendering procedures is strictly prohibited. One of the elements of building good relationships with the suppliers is the questions we ask them about their approach to corporate social responsibility subjects, including protection of the natural environment, occupational health and safety, etc. Until 2018, the Code of Conduct will cover all business processes conducted in the Company. The core values identified in the document include loyalty, professionalism, honesty and conformance with the law.

In accordance with the implemented procedure (the "Rules of Selecting Contractors, Service Providers and Suppliers of Goods and the Contracting Procedure of KGHM Polska Miedź S.A.", the Procurement Policy), KGHM accepts the best tender offer according to the criteria of tender evaluation detailed in the terms of reference for a particular tender. The evaluation criteria must be stated in a clear and unambiguous manner and may include the price or a combination of the price and other functionalities applicable to the object of the tender, such as quality, functionality, technical parameters, use of Best Available Technology in terms of the environmental impact, operating costs, after-sales service, period of warranty, order lead time or the certificates

held. To rule out any doubts, the criteria of evaluation must be defined in mathematically measurable way. In respect of advisory, educational, legal, hotel or catering services, use of other criteria (such as the contractor's experience) is acceptable.

An important aspect included in all Terms of Reference is the clause authorising appointed employees of the Procurement Department of KGHM Polska Miedź S.A. to carry out an audit of the supplier in the scope of the tender object. In 2012, five audits of domestic suppliers were conducted, covering the entire scope of collaboration with the counterparty, not only the currently executed contracts. Audits of foreign suppliers, particularly those from Asian markets, are conducted under the partnership between the Central Procurement Office of KGHM Polska Miedź S.A. and KGHM Shanghai Copper Trading Co. Ltd., one of the Group companies. The audits may also include a review of the supplier's conformance with the human rights policies or restrictions on the employment of minor persons. Experience shows that our pre-contract inspections are sufficiently effective. To date, no instances of forced or compulsory labour, abuse of children or exposure of juvenile workers to hazardous work conditions have been identified [HR6, HR7]. KGHM Polska Miedź S.A. is planning publication

Table 7. KGHM vendors recorded in the SAP system

SAP vendors	2009	2010	2011	2012
Total	2 537	2 722	3 010	3 101
of which foreign vendors	82	91	145	178

Conflict minerals – territories at increased risk of armed conflicts

In accordance with its strategy, KGHM Polska Miedź S.A. carries out exploration and mining operations only in the countries which are friendly to the mining industry and which have a stable political situation. The Company does not invest in areas at increased risk of armed conflicts or human rights abuse or countries which may participate in the procedure of financing military activities with proceeds from the sale of minerals. Copper and silver are generally not among the metals used for such purposes. The current list of conflict minerals includes tin, tantalum, tungsten and gold. The major risk area at present is the Democratic Republic of Congo and the neighbouring territories through which minerals are exported from the region. The list of high risk countries includes ten African states. Illegal extraction of minerals sold

to finance continued fighting takes place mostly in the eastern province of the Democratic Republic of Congo. The Dodd Frank Act passed in 2010 is one example of legislation intended to counteract purchasing raw materials of such origin. Section 1502 of the Act sets forth restrictions concerning conflict minerals extracted in high risk areas and their trading. OECD has also published guidance to help businesses avoid collaboration with suppliers who can be engaged in the illegal practices, with advice on how to analyse the supply chain of minerals sourced from high risk countries. The European Union has not passed its own legislation on the issue to date, however, it supports the OECD guidelines and encourages industries to implement voluntary systems to manage the risk of illegal origin of minerals.

of a dedicated code of conduct for suppliers which would regulate important aspects of cooperation, including the CSR requirements.

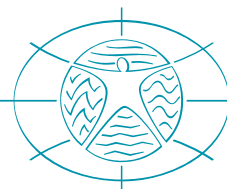
In relation to the conducted investments, the number of the Company's foreign suppliers (also from non-EU states) is growing, giving rise to new CSR challenges for

KGHM Polska Miedź S.A. In 2012, the share of foreign suppliers amounted to 6% and their number reached 178. [EC6] In value terms, however, the share of local vendors is predominating and amounts to 87% of the total value of goods delivered to KGHM Polska Miedź S.A. The term 'local' shall be understood in this context as operating on the territory of Poland.





3.





RESPONSIBLE EMPLOYER

Responsible Employer

The new business perspective gives rise to new challenges in terms of care for our employees and the jobs we create.

Key figures:

PLN **11.5** m

was spent on training in KGHM in 2012.

100%

increase was observed in 2012 in the number of employees interested in learning English.

1 486

employees participated in the TENSTEP educational program on project management.

6%

was the rate of contribution to the employee pension plan of KGHM in 2012 versus 5% in the previous years.

408

applications were filed by students interested in the Young Talent programme.

103

fewer accidents were recorded in KGHM in 2012 versus 2011.

New Perspectives, New Challenges

The employees of KGHM are most important for us – they generate the Company's profit, develop the organisational culture and build the market position. Copper and silver deposits are useless until explored by people, in a professional way and with due respect for the nature. The Company remembers about it at every step, creating good conditions for work. This approach has become even more important in light of the Company's internationalisation, when following the acquisition of Quadra FNX Mining Ltd., KGHM Polska Miedź S.A. joined the group of global mining industry leaders.

KGHM Group currently employs close to 34,000 people, of whom more than 18,000 work for KGHM Polska Miedź S.A. Employee relationships have always been a priority for KGHM but the international expansion forced us to think in an even broader and more forward-looking way.

Employment in KGHM Group worldwide

After over 50 years on the market, the Company has a strong reputation as an employer in Poland, although competition for the most talented employees has recently been increasing. The internalisation of KGHM, however, gives rise to new challenges, such as- for instance – retention and motivation of employees not only in Poland but also on other continents, since only in this way global synergy can be achieved. The Company has been working on implementing a global recruitment system in order to attract the best candidates on different markets (particularly strong competition for employees is observed in both Americas). New subjects also emerge, which have not been important to date. KGHM operates on a number of continents, hence, it has to set up programmes facilitating employee mobility. The culture and way of work





in the subsidiaries located in different countries and different cultural settings vary significantly, therefore, we need to effectively manage our diversity and take advantage of it. Our international expansion also opens up fascinating career opportunities, but in order to meet the demand we have to develop suitable programmes and offer support to the most talented employees. Another challenge is related to competence building and development of the global collaboration culture for the managerial staff. In view of the growing number of new projects and expansion of the Company's operations into new sectors, a need occurs for new, more complex competences of employees.

Opportunities and challenges

Internalisation of the business operations changes our way of thinking about human resources management.

<p>Management of diversity and knowledge</p>	<p>We want to build diverse teams in order to facilitate exchange of knowledge and develop talented employees in all countries in which we operate.</p>
<p>Effective development programmes</p>	<p>We want to support employees to help them realise their potential on the global market, make contributions to the achievement of our business strategy and act effectively in different locations.</p>
<p>Opportunities for development and talent management</p>	<p>We want to give our employees new opportunities for international exchanges and experience sharing to facilitate development of new competences and a satisfactory career.</p>

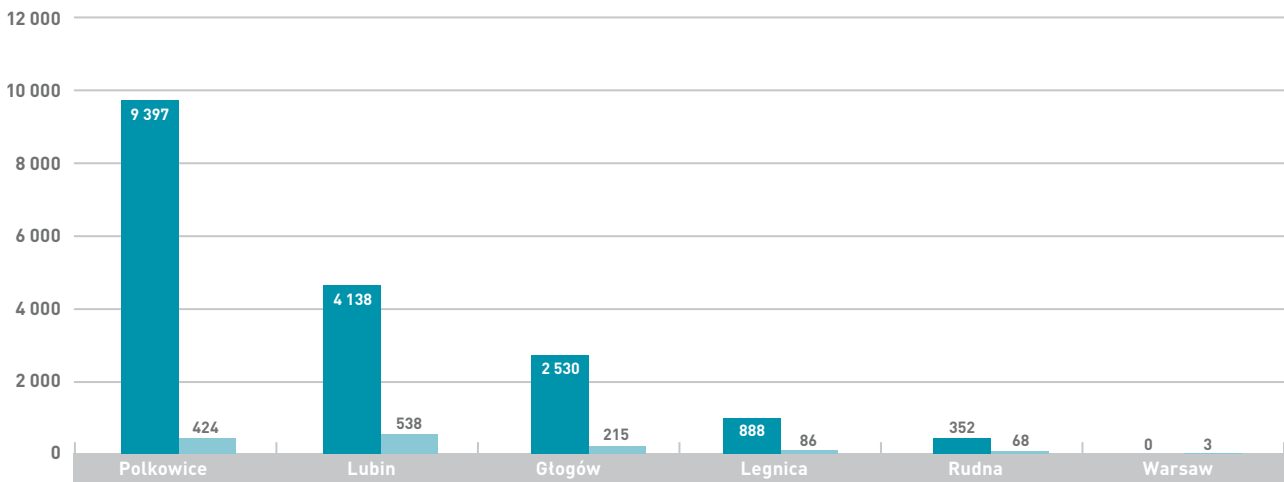
Table 8. Employment in KGHM Polska Miedź S.A.

LA1	Total workforce by employment type, employment contract, and region, broken down by gender	Unit	2010	2011	2012
1)	Total workforce, of whom:	persons	18 639	18 615	18 629
			(excluding task and assignment contracts)		
	Male	persons	17 305	17 283	17 275
	Female	persons	1 334	1 332	1 354
2)	Permanent employees with employment contracts, including:	persons	18 639	18 615	18 629
	Full-time employees, of whom:	persons	18 624	18 600	18 618
	Male	persons	17 296	17 275	17 269
	Female	persons	1 328	1 325	1 349
	Part-time employees, of whom:	persons	15	15	11
	Male	persons	9	8	6
	Female	persons	6	7	5
	Employees hired for an undefined period of time, of whom:	persons	17 352	17 535	17 421
	Male	persons	16 083	16 269	16 138
	Female	persons	1 269	1 266	1 283
	Employees hired for a defined period of time, of whom:	persons	1 287	1 080	1 208
	Male	persons	1 222	1 084	1 137
	Female	persons	65	66	71
3)	Employees working under task and assignment contracts, of whom:	persons	72	94	58
	Male	persons	57	80	49
	Female	persons	15	14	9

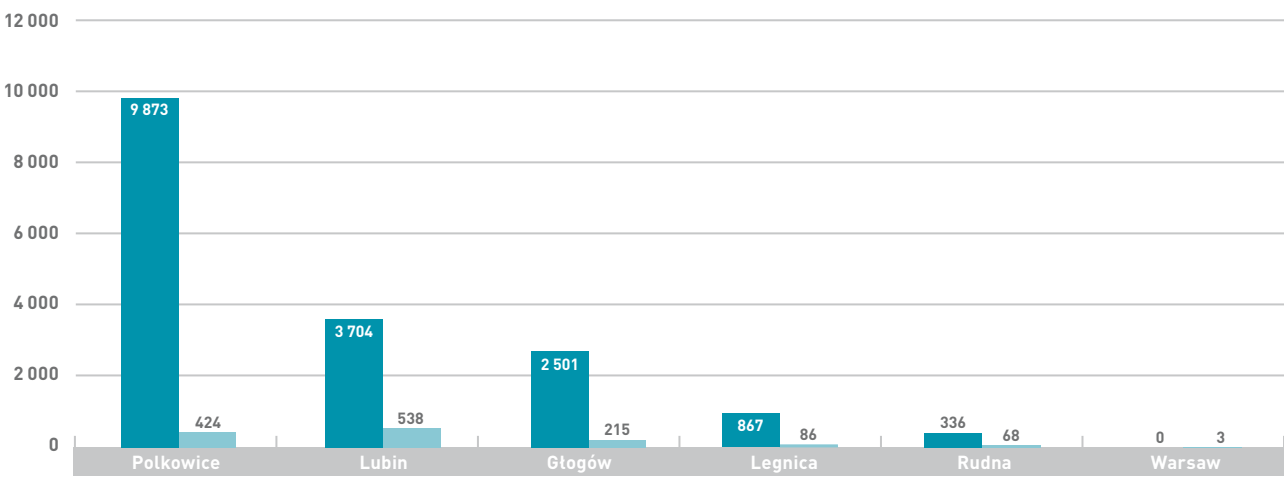


Diagram 7. Workforce by main locations

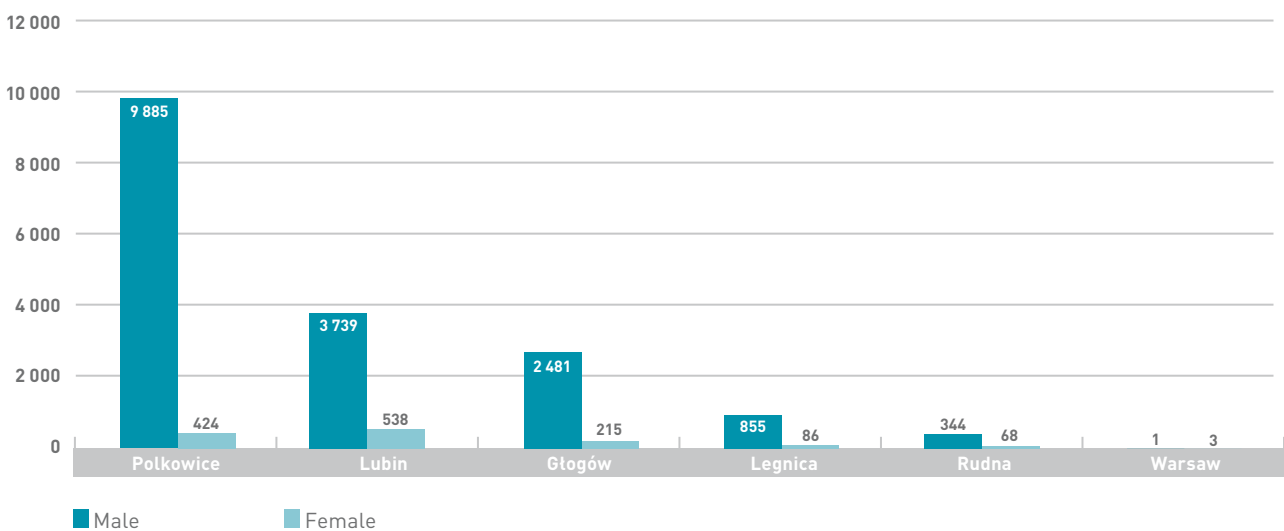
2010



2011



2012



■ Male ■ Female

Table 9. Turnover of workforce in KGHM Polska Miedź S.A.

LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	Unit	2010	2011	2012
1)	Total number of employees who left the Company in the period under review, of whom:	persons	652	628	791
	Female	persons	45	43	44
	Male	persons	607	585	747
2)	Percentage of employees who left the Company in the period under review, of whom:	%	3.5	3.4	4.3
	Female	%	6.9	6.8	5.6
	Male	%	93.1	93.2	94.4
3)	Total number of employees hired by the Company in the period under review, of whom:	persons	874	602	807
	Female	persons	53	39	66
	Male	persons	821	563	741
4)	Percentage of employees hired by the Company in the period under review, of whom:	%	4.8	3.2	4.3
	Female	%	6.1	6.5	8.2
	Male	%	93.9	93.5	91.8

First-class employer in Poland

The HR policy of KGHM Polska Miedź S.A. has two major objectives: to secure the required number of employees with competences necessary to achieve the defined business objectives and to help people realise their full potential and aspirations and work to the benefit of the Company with satisfaction and pride. The Company's activity on the labour market is appreciated, as evidenced by the first place of KGHM Polska Miedź S.A. in the third edition of the ranking of most attractive employers and the Randstad Award in 2013 (the survey was conducted in 2012). The Company received the highest score in such categories as security of employment, stable financial situation and high wages. In the two previous editions, the Company ranked fifth. The distinction is highly prestigious since the winners are selected on the basis of opinions of potential employees. The survey covers such aspects of employment as innovativeness, friendly atmosphere at work, training support and favourable terms of remuneration. It shows which aspects are most important for employees when choosing their future employer. The award is presented on the basis of results of a survey of 150 largest employers participating in Randstad Award in every country so it is very important for building the image of the surveyed companies. In 2012, KGHM Polska Miedź S.A. also received a diploma for the fourth place in the UNIVERSUM TOP 100 competition for

Strategic objective:

To achieve excellence in the development of employees to their full potential.

an Ideal Employer according to university students, in the "Engineers" category. We are also facing a challenge of gaining global recognition and raising the prestige of the employer brand of KGHM Polska Miedź S.A. outside the territory of Poland. To that end, the Company continues improving the implemented Social Potential Management System which supports the implementation of the business strategy by managing the process of recruitment and professional adaptation, education and development, career planning and competence enhancement. The year 2012 saw the commencement of work on the HR strategy. The new strategy will include a system of indicators and benchmarks to measure the effectiveness of the activities carried out under the HR strategy for KGHM Polska Miedź S.A. and KGHM Group.

Table 10. Above-average remuneration – we are trying to maintain our wages at a stable, competitive level

EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	2010	2011	2012
1)	Ratio of entry level wage compared to local minimum wage on the market, at significant locations of operation, of which:	3.62:1	3.33:1	3.07:1
	Female employees	3.78:1	3.33:1	3.07:1
	Male employees	3.62:1	3.44:1	3.40:1
2)	Definition of significant locations	Poland	Poland	Poland
	Is there a defined minimum wage for entry level employees?	1 669.00	1 746.00	1 889.00
3)	Is the minimum wage different depending on the employee gender?	no	no	no

Dialogue with the trade unions

The Company attaches great importance to the dialogue and relationships with the trade unions. In KGHM Polska Miedź S.A., there are over 15 trade union organisations which as at 31 December 2012 had 16 447 members (88% of the workforce). It is worth emphasising that no attempts at restricting the freedom of association and collective bargaining were recorded [HR5].

Discussions held with the social partners cover subjects important both for the employer and for the employees. In 2012, the Company initiated talks on the implementation of a new compensation system aimed at increasing the motivation of the employees. Six meetings of the Management Board with the trade unions were held, of which three concerned payroll issues or a periodical review of the Collective Bargaining Agreement in force between the Company and the employees of KGHM Polska

Miedź S.A. The other meetings tackled the subject of occupational health and safety, acquisition of Quadra FNX Mining Ltd. and the business situation of the Company and the Group.

On 21 March 2012, the Management Board of KGHM Polska Miedź S.A. and trade union organisations being party to the Collective Bargaining Agreement signed a memorandum sanctioning an increase in the basic salaries and wages as of 1 January 2012. Collective Bargaining Agreements cover 99.7% of employees of KGHM Polska Miedź S.A. [LA4]. The wages in KGHM significantly exceed the level of the national average wage. [EC5] The rate of the average salary of 10% of lowest paid employees of the Company to the minimum national salary in 2012 was 3.07:1.

Another outcome of the dialogue is the annexes to the agreements on the Employee Pension Plan signed by the employer and the trade unions in September 2012, by force





Anna Trusiak

Training Management
Director, KGHM Polska
Miedź S.A.



The strategy adopted by KGHM Polska Miedź S.A. for the years 2009–2018 is based on five key areas: improvement of efficiency, development of the resource base, diversification of the sources of income, support for the region and enhancement of the organisational skills and efficiency. During the Final Conference summing up the “Leadership Study” project held on 14 October 2011, Herbert Wirth, President of KGHM, pointed out that the last area, i.e. development of organisational skills and efficiency, was actually the most important one, since it lay foundations for the other four pillars. For many years we have been implementing the idea of employee development, not only in terms of job qualifications but also competences. The training policy based on competence development is a fact in our Company.

In accordance with the basics of the HR management theory, we rely on the concept of the competence triangle consisting of knowledge, skills and attitudes. Each training programme is developed in three dimensions:

- **Content** – knowledge and skills which must be acquired to achieve the training objectives;

- **Methodology** – solutions concerning the ways of conveying knowledge, the techniques and methods used to make the process effective. For a number of years, we have been offering training in the most effective formula i.e. workshops. Workshops offer opportunities for individual practice, simulations, case studies, experiments, competitions and games. The quality of training to a high extent depends on the methodology;
- **Organisation** – this aspect is not related to the content of training but has a major impact on training effectiveness. Based on our training, we have learned how to organise intensive, interactive training for large groups of participants. We have also developed a logistic model covering the transport, accommodation and catering for our employees. We also conform with the principles of mental hygiene when determining the duration of the training modules and the number and length of breaks between classes.

KGHM Polska Miedź S.A. supports the development and commitment of the existing and future employees. The Company implements numerous investments in people, emphasizes the development of competences, defines career development paths and identifies talents. Thanks to such initiatives, students gain access to practical knowledge, particularly useful at the start of their professional careers. Our educational projects are very popular among students looking for their first jobs.

of which the basic contribution financed by KGHM went up from 5 to 6% of the employee’s remuneration (find more information about the Employee Pension Plan in the section “Employee Bonuses” below).

Development At Full Throttle

KGHM Polska Miedź S.A. is trying to align its actions aimed at the development of people to the needs of both the organisation and the employees. In 2012, the total spending on training amounted to PLN 11.5m, and the number of training participants approximated 30,000 i.e. was 2,000 higher than a year before. The development of employees is a necessary precondition for the development of the Company, therefore investments in people are equally important to us as investments in the infrastructure.

The employee development policy is strictly associated with the development strategy of KGHM Polska Miedź S.A. and the strategy of the Social Capital Management

System. Its overall objective is to invest in the development of human capital, with emphasis on adequate return on investments and development of an efficiency culture and knowledge-sharing. The key to success is to improve the qualifications of employees in the context of anticipated organisational and technological changes which occur as a result of the Company’s globalisation. Development is achieved thanks to participation in training courses and conferences, higher education and postgraduate programmes and through project work. The educational projects implemented in 2012 focused on the development of employees and students – as the potential human resources for the Company – as well as on upgrading professional skills of secondary school students. Additionally, the tools used for the purpose of development management in KGHM Polska Miedź S.A. have been unified, in order to allow for better identification of educational needs and effective planning of the development programmes. The average cost of training per one employee in 2012 amounted to PLN 378.

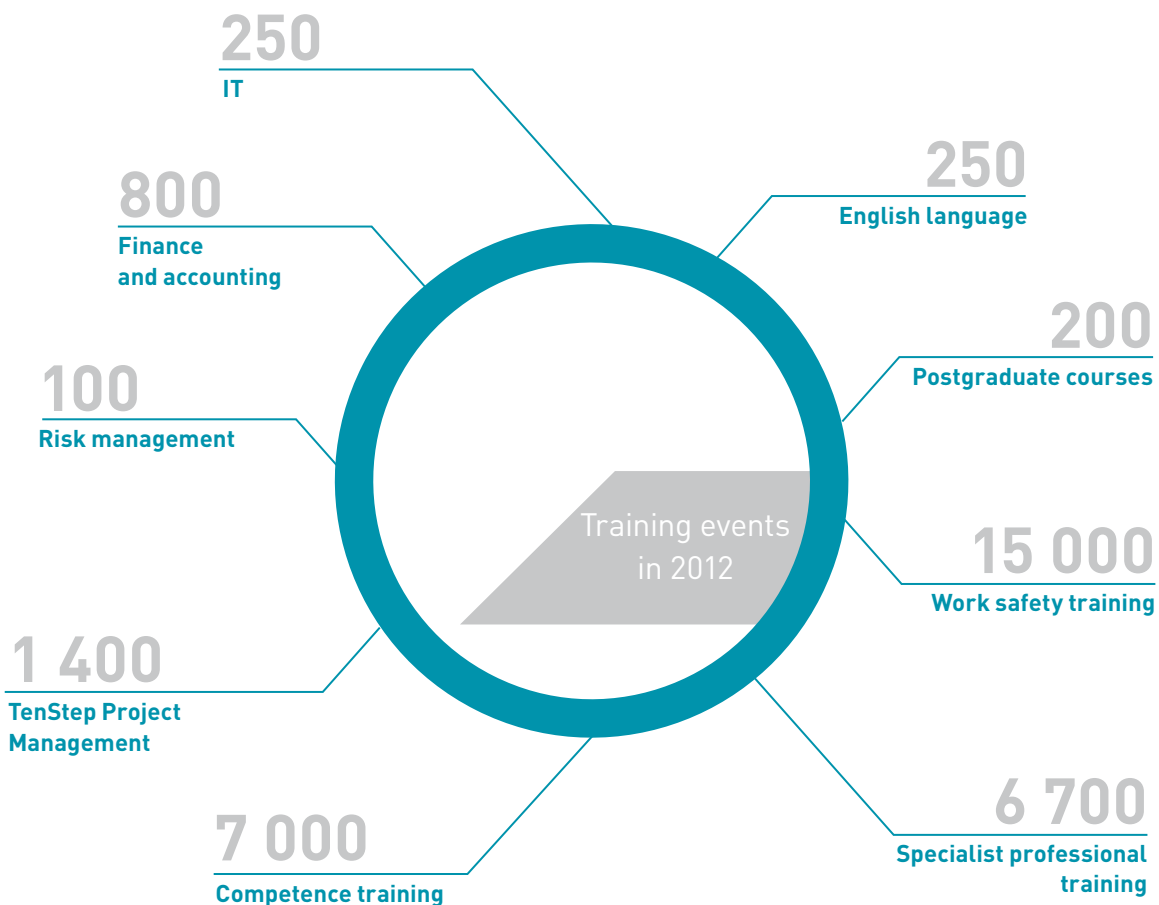
The development offer of KGHM Polska Miedź S.A. is aligned with the type of performed work and the advancement of the employee's development, in order to enhance competences consistent with the business strategy and

organisational culture. It is possible thanks to the use of training planning tools and a system approach to assessment of their effectiveness.

Indicators	2008	2009	2010	2011	2012
Number of training participants	27 432	25 597	28 704	28 198	30 326

LA10	Average hours of training per year per employee hours by gender and by employee category	Unit	2010	2011	2012
1)	Average hours of training per year per employee:				
	Female	hours	17.40	24.23	28.68
	Male	hours	34.61	31.84	32.01
	Blue-collar jobs	hours	33.81	28.85	28.55
	White-collar jobs	hours	33.31	39.05	41.89

In 2012, 30,000 participants attended training events in Poland, including:



For managers and employees

The development of the potential of KGHM Polska Miedź S.A.'s employees takes place within a framework of a system which assumes active collaboration of persons in charge of training in particular divisions, the management and the employees in non-managerial positions. They jointly design development programmes which respond to the Company's demand, individual needs of each employee and the preferences of the Company's employees. Based on such assumptions, KGHM Polska Miedź S.A. implements a number of development programmes and, at the same time, continues to look for new solutions to upgrade the skills and qualifications of the employees at all levels of the organisation.

Since 2010, the Leadership Study programme based on the standard model of managerial competences development invented by KGHM Polska Miedź S.A. has been implemented. Its purpose is to enhance the leadership and organisational skills of line managers, middle management and senior executives, change attitudes, improve production performance and increase the organisational efficiency of the mines. Until 2012, approximately 344 managers from different divisions of KGHM Polska Miedź S.A. participated in the programme. The Leadership Study allows for standardisation of managerial skills and sharing good practices across the Company. A similar project will be implemented in KGHM International where another programme for managerial staff called Leadership Development and Coaching is also in progress.

One of the biggest training projects implemented is the "TENSTEP Project Management Implementation

Methodology" scheduled to take place between 2011 and 2014. Its purpose is to implement a uniform standard of project management, prepare the persons implementing projects to use the standard in practice and, consequently, to apply a new approach to projects launched in KGHM. In 2012, close to 1 500 persons employed in KGHM Polska Miedź S.A. and the Group participated in the programme.

The Company also co-finances higher education of its employees when the field of study is consistent with the job responsibilities and the Company's strategy. In 2012, 279 employees received such support, of whom 72% (195 persons) chose post-graduate courses. Decisions about the award of financial assistance are made by the Employee Education Committee. The Training Management Department also organised two tenders, the purpose of which was to select a contractor offering postgraduate courses in such subjects as the "Quality of Electric Energy" and "Management of the Company's Value". The former course attended by 20 employees of KGHM Polska Miedź S.A. was organised by the AGH University of Science and Technology in Cracow and the latter, with 73 participants, by the Warsaw School of Economics.

The biggest number of employees took part in the mandatory occupational health and safety training. In 2012, the number of participants totalled 14,995.

The employees of KGHM Polska Miedź S.A. also take part in various conferences and symposiums which offer opportunities for learning about the cutting-edge solutions and current business and industry trends. In 2012, 1,008 employees attended such events.

Objectives of KGHM's training policy:

- Increase in the Company's value thanks to the development of its human capital;
- Good preparation for work in particular jobs;
- Ensuring a sufficient number of persons qualified to carry out the key tasks of the Company;
- Enhancement of qualifications in view of the anticipated organisational and technological changes;
- Increase in the flexibility and adaptability of employees;
- Investment in the development potential of employees to create "educational surplus"
- Development of a culture of work focused on efficiency and knowledge sharing;
- Ensuring high cost-effectiveness of training activities;
- Continuous monitoring of training needs;
- Coordinated planning of training, including unification of tools used in the training management process.

Diagram 8. Structure of training in KGHM Polska Miedź S.A. (according to number of participants)

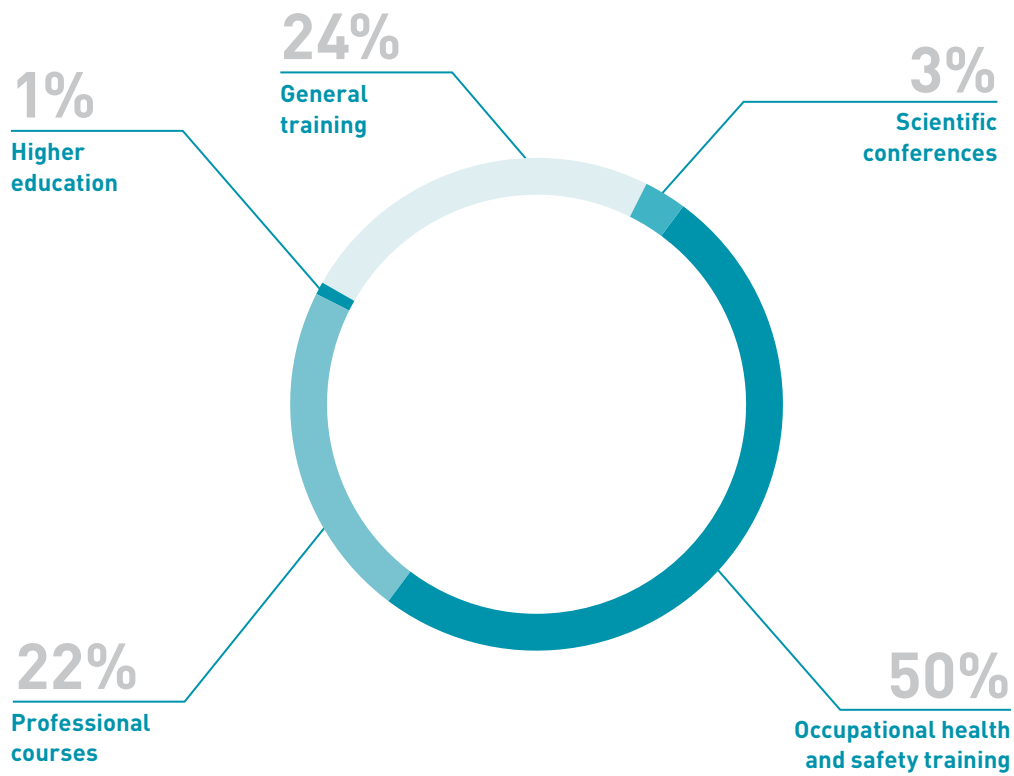
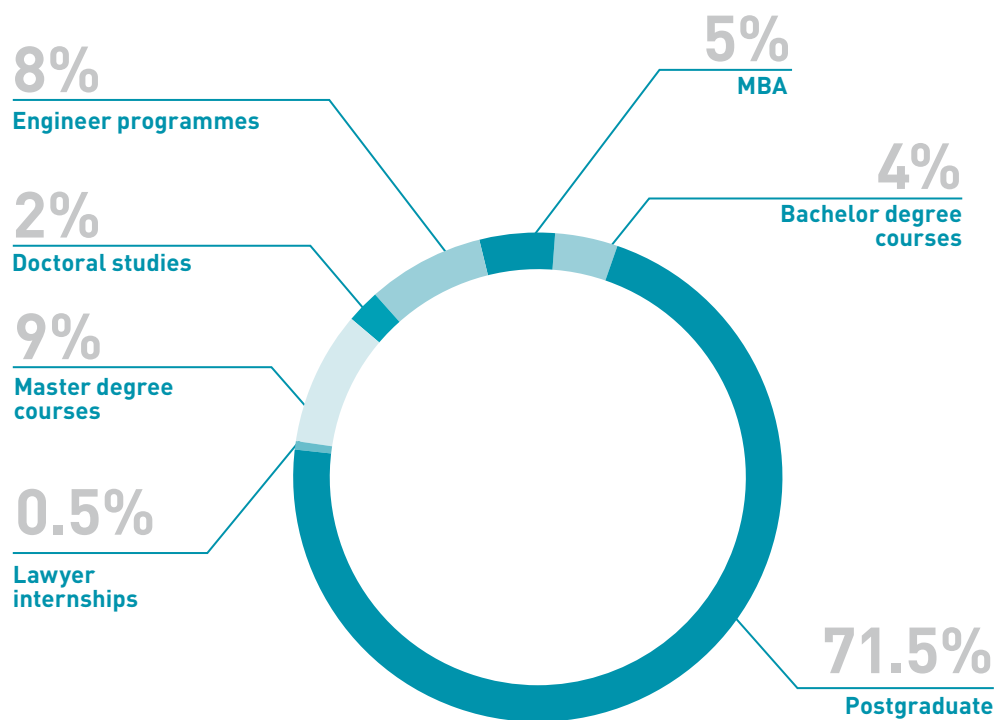


Diagram 9. Structure of higher education studies in KGHM Polska Miedź S.A. (according to number of students)



For schools and universities

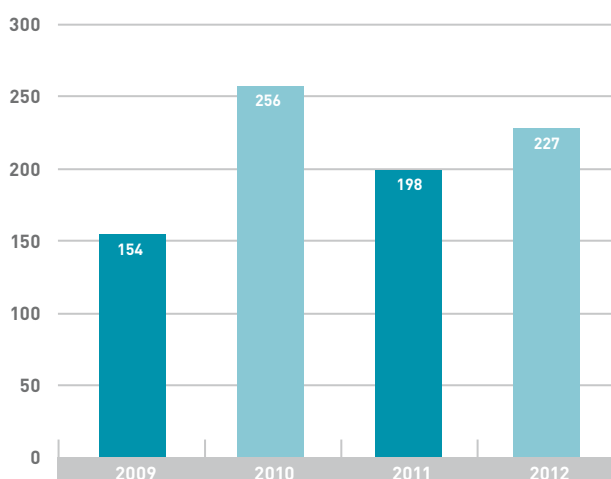
KGHM Polska Miedź S.A. has been working closely with secondary schools and universities. The purpose of the activities is to develop competent human resources for the organisation. An example of long-term collaboration includes the Professional Adaptation Programme offered to graduates of B. Krupiński Vocational School Complex in Lubin educating young people in such vocations as mechanical technician, underground mining technician, electrical technician and electronic technician and to graduates of Jan Wyżykowski Vocational School Complex in Głogów where students are trained as smelting technicians, mining technicians, automation technicians and electronic technicians. The programme includes participation in internship programmes financed by the County Labour Offices in the Copper Basin region and in

specialised courses preparing job candidates for work. The best participants of the programme are employed as operators in the mines. Under the first three editions of the program, 38 graduates were offered jobs in KGHM Polska Miedź S.A. Another 24 persons have qualified for the fourth edition of the programme which will take place in 2013. We are hoping for even more participants in the coming years, as the Company signed a Letter of Intent with the county authorities in Bolesławiec on the launch of an Professional Adaptation Programme for graduates of the Mechanics School Complex.

In collaboration with the Wrocław University of Economics, KGHM has been implementing a project called "Kuznia Kadr IV" which encompasses a series of actions aimed at developing highly skilled staff for the regional economy, providing support to the students and growing the potential of the University by adjusting its educational offer to the needs of the labour market, enhancing cooperation with the employers and making education fully accessible to disabled persons. The project will be implemented from January 2011 to December 2015. As part of the project activities, experts from KGHM Polska Miedź S.A. take part in discussion panels and open lectures organised by the University. The Company also invites students and graduates to participate in paid internship programmes in the Head Office and different divisions of KGHM Polska Miedź S.A. But the scope of the project is much bigger. One of the Company's tasks was to develop key assumptions for the new master's degree course 'Project Manager' to be offered by the Engineering and Economics Department.

Under the ongoing collaboration projects with universities and colleges, the Company organised 227 student internships and provided source materials for the writing of 201 master's theses.

Diagram 10. Internship and training in KGHM Polska Miedź S.A.



The Young Talent Programme

Young Talent is an innovative proposal for the development of young people launched in 2012. It is addressed to a selected group of fifth-year students and recent graduates of economics and technological departments of universities and colleges.

The programme is based on a creative idea for the development of young talents, under which selected students and graduates participate in a training programme in three areas of the organisation. The Company offers them an individual career path and a system of periodical evaluation. Young people can also participate in training abroad. The 2012 edition currently in progress has 12 participants and in subsequent years admission of 20–30 participants is planned.

www.kopalniatalentow.pl



GOOD PRACTICE



Artur Forościej

Participant of the Professional Adaptation Programme of KGHM Polska Miedź S.A.



I have joined KGHM through a Professional Adaptation Programme for which I earlier applied. I succeeded at the consecutive stages of the recruitment process and for the last two years I have been an employee of KGHM Polska Miedź S.A. When I was making my decision, the most important aspect for me was the interesting profile of the Company's operations which I had a chance to get to know in practice during my training in the secondary school.

Currently, I am employed in the Rudna Mine, in the GC-4 department which operates in a four-shift system. I start work every day from changing into working clothes and picking up the necessary equipment i.e. the personal lamp and the escape respirator. Subsequently, together with my team, we are going underground to the depth of 1100 m, where transport cars pick us up and drive us to the site of work. My job involves mostly face drilling and rock bolting of the mining openings.

What am I most proud of? Doing my job in an accurate and reliable way and, last but not least, in a safe way. I take care of my personal health and safety but also feel successful in my job. A lot of interesting things happen at work every day, but my best memory is associated with a day when my

manager and my colleagues showed their trust in me and let me operate a very demanding machine, despite the fact that even the slightest slip could stop the entire technological process.

Although my work is not easy, I feel great satisfaction. Of course there are also difficult moments but I can always count on the help of my more experienced colleagues.

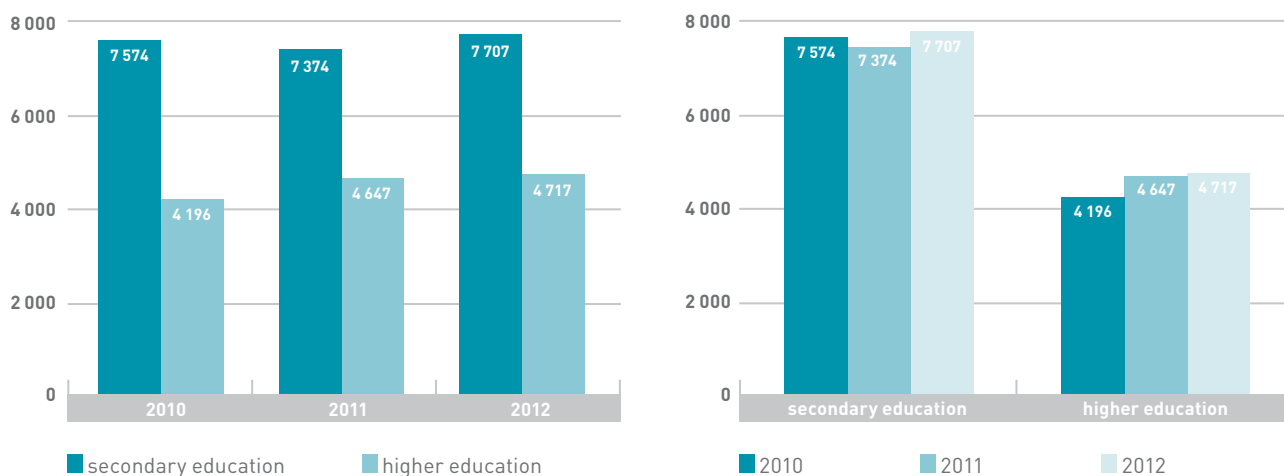
KGHM Polska Miedź S.A. takes care of professional development of its young employees. I have taken part in numerous training events and courses which helped me upgrade my knowledge and skills. One of the most important training events for me was the course for the license of an Operator of Self-Propelled Mining Machinery. My managers played a significant role in my professional development, sending me on a training in power hydraulic solutions and Atlas Copco. I am sure that I will still have numerous opportunities to enhance my skills in the future, since the Company attaches great importance to the development of its people.

Looking back at my participation in the Professional Adaptation Programme, I really appreciate the opportunity. If I had a second chance to decide about joining the Company I would do exactly the same. What's more, I would recommend my job to all friends since the employer offers stable and secure employment, an attractive package of social benefits and opportunities for development. I definitely associate my future with KGHM Polska Miedź S.A.



Diagram 11. Increase in the level of education

In 2012, the number of employees with higher and secondary education increased.



In 2012, no instances of discrimination were recorded in the Company (HR4).

Broad Benefits Package

The employees of KGHM Polska Miedź S.A. can count not only on satisfactory remuneration and training to upgrade their competences, but also on a broad package of additional benefits. The Company offers annual bonus for the achievement of the profit targets and the Employee Pension Plan which at 31 December 2012 covered 89.5 of the workforce. The share of employees interested in the Employee Pension Plan has been continuously growing. In December 2010 only 85% of employees saved money under the Pension Plan. The benefits are offered not only to full-time employees, but also to part-time staff and employees hired for a defined period of time [LA3].

In 2007, as a result of negotiations between the parties to the Company's Collective Bargaining Agreement, the rules of the annual bonus payment to employees of KGHM

Polska Miedź S.A. changed. The amount of the annual bonus is now conditional on the value of the net profit for the respective year. The bonus value may range from 0 to 24% of the annual remuneration, as shown in the table below:

Net profit	Bonus value expressed as % of remuneration
up to PLN 100m	3.0
more than PLN 100m up to PLN 200m	6.0
more than PLN 200m up to PLN 500m	8.5
more than PLN 500m up to PLN 1bn	10.0
more than PLN 1bn, for each additional PLN 100m	0.5 extra

Between 2010 and 2012, the additional annual bonus was at the maximum level of 24% of the total annual remuneration. In 2013, the bonus rate planned in the Company's budget amounts to 20%.

Few companies in Poland offer Employee Pension Plans (EPP). The pension plan of KGHM Polska Miedź S.A. was launched in 2005 and has been managed by PZU TFI. For each employee who decides to join the plan, the Company

Table 11. (EC3) Coverage of the organisation's defined benefit plan obligations

EC3	Coverage of the organisation's defined benefit plan obligations	Unit	2010	2011	2012
1)	Estimated pension plan obligations of the Company	k PLN	84 524.40	86 438.60	96 882.10

pays the basic contribution, which since October 2012 has gone up to 6% of the remuneration (previously 5%). The EPP also provides for the possibility of paying additional contributions by the participants who want to increase the value of their future benefits. Under the agreement between KGHM and TFI PZU S.A., the employees can choose between three investment sub-funds, depending on their investment strategy preferences and risk appetite. In 2010, the total amount of money contributed to the EPP was PLN 84.52m, a year later PLN 86.44m and in 2012 as much as PLN 96.88m [EC3]. Since the launch of the pension plan, its assets have grown considerably and as at 31 December 2012 totalled PLN 537.63m.

Since September 2009, the employees of KGHM Polska Miedź S.A. have had the option to take advantage of pre-paid healthcare services provided by Miedziowe Centrum Zdrowia S.A. (a company from the KGHM Group). The monthly cost of the package is PLN 35 per employee and this amount is covered by the employer. Employees can make appointments with specialists and do all kinds of laboratory tests. At 31 December 2012, 52% of employees had opted for the prepaid medical packet. The popularity of the medical package has been growing steadily. In 2011, only 47% of the workforce were interested in the healthcare plan.

In KGHM Polska Miedź S.A., separate Social Benefit Funds are established for employees in each division of the Company. In 2012, the total value of average contributions to the Social Fund (including both the basic contribution pursuant to the Act on Social Benefit Funds and the additional contribution negotiated with the trade unions and documented in the Collective Bargaining Agreement) amounted to PLN 5 687 per one employee (versus PLN 5,271 in 2010). This amount is almost five times higher than the statutory requirement in 2012. The total amount of money posted on the accounts of the Company Social Benefit Funds in 2012 amounted to PLN 108.8 million (versus PLN 98.8m in 2010 and PLN 101.4m in 2011).

The beneficiaries of the Social Fund include 18.6 thousand employees and over 17.5 thousand retirees and former employees receiving disability benefits.

The Social Fund is used to finance holiday benefits, housing loans for the construction, purchase or modernisation of flats and homes, school-related expenses of the employees' children until graduation from gymnasiums and a so-called "coal-equivalent benefit" for retirees. KGHM Polska Miedź S.A. also organised or co-financed under the Company Social Benefit Fund holidays for 6,600 children and teenagers and funded 21-day health prevention and recuperation holidays for 440 employees. The Social Fund is managed on the basis of the annual financial and operational plan approved by the trade unions.

Strategic objective:

To minimise employees' exposure to health and safety hazards.

Safety of employees – safe mines

The objective of KGHM Polska Miedź S.A. in respect of the employee safety is to effectively implement by 2018 the 'Zero Loss – Zero Harm' recommendation. A major achievement in 2012 was a reduction in the number of recorded accidents from 462 a year before to 362.

Work safety and hygiene are of critical importance in a company like KGHM Polska Miedź S.A. Therefore, all divisions of the Company have certified work safety management systems which are regularly audited by independent auditors. In 2012, a safety audit was conducted in Głogów Smelter and ended in recertification of the system of work safety and hygiene based on BS OHSAS 18001:2007. Following the internalisation of the Company's operations, in addition to the enhancement of the already implemented national safety solutions, the Company is also making use of the best practices of KGHM International. One of the inspirations is the "Zero Harm and Safety" approach aimed at minimising the Company's negative impact both on the external environment and on the internal resources, which also requires improvement of the work safety standards.

The regulations pertaining to the safety obligations of the employer and of the employees of KGHM Polska Miedź S.A. have been documented in the Company's Collective Bargaining Agreement, in Chapter VII "Protection of Health and Work Hygiene". In accordance with the relevant Agreement provisions, the employer, acting in consultation with the trade unions, is obliged to carry out, at least once a year, a review of the working conditions of the employees. The Company has to consult with the employees or their representatives all work safety and hygiene related activities. The Work Safety and Hygiene Committee has been appointed. All the obligations imposed both by force of the Labour Code and the Collective Bargaining Agreement are fulfilled by KGHM [LA9]. Safety issues are analysed and reported on an ongoing basis. Periodical information about accidents is provided to the Controlling area while the occupational health statistics are presented in reports submitted every six months. Annual reports are also prepared for internal purposes and for the District Mining Authorities, the State Mining Authority and the Central Statistics Office ("Report on the Conditions of Work").



Safe mines

The objective of KGHM Polska Miedź S.A. is to implement the plan assuming "zero accidents and injuries due to technical and human-related causes and zero incidence of occupational diseases among our employees and contractors". In order to realise its vision of the 'Safe Mine' the Company implements:

- Innovative work organisation under which hazards relevant for all jobs will be identified and the workstations will be adequately prepared and equipped in the required technical safety measures; the Company is also planning to implement an early warning system to be able to react proactively to the potential failures and monitor continuously the parameters of the work environment (including periodical assessment of the hazard levels);
- Educational and training programs – KGHM Polska Miedź S.A. is planning to implement a knowledge management project the purpose of which will be to utilise the potential and experience of employees to enhance the safety standards, develop training events under the programme called "Knowledge and Skills Mine", conduct ongoing reviews of the level of safety knowledge in collaboration with the supervisory functions from areas other than Work Safety and Hygiene (in 2012 the total number of work safety training hours was 127 896) and promote the right maintenance

culture i.e. servicing the machines and equipment in accordance with the instructions and taking care of their good working order;

- Health programmes – activities aimed at enhancement of the employees' physical fitness and compliance with recommendations and psychological workshops for employees involved in dangerous situations;
- Initiatives facilitating the sharing of best work safety practices, promoting the right responses, not only in emergency conditions but also whenever work safety breaches are observed; and
- Programmes aimed at improvement of communication effectiveness.

In 2012, a considerable decline in the number of accidents in KGHM Group was observed, however the accidents which occurred were more serious than a year before. In 362 accidents, four persons were killed (versus two in the previous year, although the total number of accidents was higher by 100) and four other accidents involved severe injuries. The important thing is that the system of monitoring safety at work covers also the subcontractors working on the grounds of the Company's divisions. Our efforts bring tangible outcomes – the total number of lost days due to accidents went down from 25,667 in 2011 to 21,164 in 2012. 302 accidents occurred in mines and the other ones in divisions conducting aboveground operations.

[LA8] KGHM Polska Miedź S.A. has adopted a responsible approach to its employees and already in 2009 entered into a long-term agreement with Miedziowe Centrum Zdrowia S.A. in Lubin for the provision of first psychological and psychiatric aid to persons who were involved in work accidents or near accidents in the divisions of KGHM Polska Miedź S.A. Under the concluded agreement, MCZ

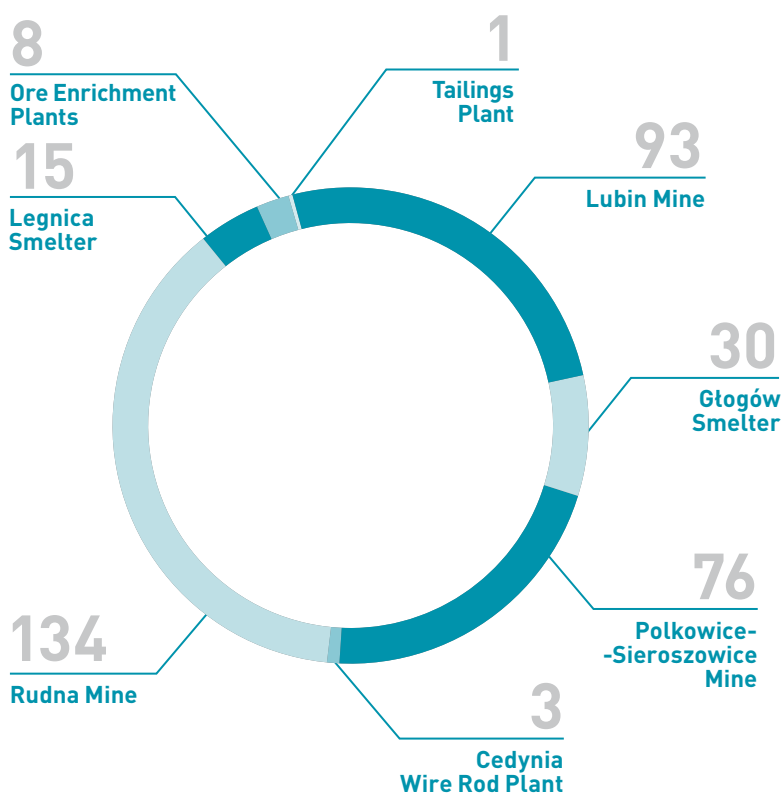
S.A. runs a psychological and psychiatric consultation helpline and provides psychological support on the site of the accident, in the period following the accident and during hospitalisation. Psychological assistance is also available to rescue personnel members and families of the accident victims.

LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by gender	Unit	2012
1)	Injuries, occupational diseases, lost days and absenteeism of the employees during the period under review by gender:		
	Total number of accidents, of which involving:	Number	362.00
	Female		1.00
	Male		361.00
	a) Number of fatalities, mass accidents and serious accidents	Number	f. -2. m. 2. s. - 4
	Female		
	Male		f. -2. m. 2. s. - 4
	b) Total number of days lost due to work accidents	Number	21 164
	Female		
	Male		
	c) Accident frequency	Number	19.06
	Female		
	Male		
	d) Seriousness of accidents	Number	60.04
	Female		
	Male		
	e) Occupational disease cases	Number	11
	Female		
	Male		
2)	Number of accidents involving subcontractors working for the Company	Number	135
	Female		
	Male		
	a) Number of fatalities, mass accidents, serious accidents and minor accidents	Number	f. -0. s.-1. m. - o. min. -134
	Female		
	Male		

Table 12. Accidents in KGHM Polska Miedź S.A.

	2010	2011	2012
Total	556	467	361
of which:			
fatalities	8	4	2
serious accidents	2	4	4
Number of lost days	28 834	25 662	21 164
Number of accidents involving subcontractors	116	92	135
of which:			
fatalities	1	0	0
serious accidents	0	0	0

Numbers of accidents in the Divisions by degree of severity



Minor accidents	
Lubin Mine	91
Polkowice-Sieroszowice Mine	72
Rudna Mine	132
Legnica Smelter	15
Głogów Smelter	30
Cedynia Wire Rod Plant	3
Ore Enrichment Plants	8
Tailings Plant	1
Serious accidents	
Lubin Mine	2
Polkowice-Sieroszowice Mine	1
Rudna Mine	1
Fatalities	
Polkowice-Sieroszowice Mine	3
Rudna Mine	1

Table 13. Main reasons of accidents

	Number	%
A. Rock fall from undisturbed soil	56	15%
B. Falling objects	34	9%
D. Loss of balance (tripping, sliding)	108	30%
J. Contact, bumping into moving or still objects:	76	21%
Other causes	88	24%
Total:	362	

Table 14. Employees exposed to hazardous work conditions in 2012

	Dust	Noise	Vibration	Hot microclimate	Total workforce
Total number	3 525	5 525	402	3 999	17 996
Percentage share	19.6%	30.7%	2.2%	22.2%	100.0%

In order to enhance the safety of its employees, the Company has also undertaken numerous research and development projects, the aim of which is to reduce the exposure of the workforce to hazardous or strenuous work conditions, for instance, projects on mechanisation of mining operations, monitoring of mining machinery or remote control of equipment. Investments in higher safety standards are regularly made, e.g. installation of air conditioning in mines or in underground machinery.

As a result of such actions, more and more machines are equipped with additional safety measures, such as life-saving capsule cabins protecting the operator during collapses, rock bursts and roof slides, air conditioning, cameras facilitating driving etc. The Company also invests money in personal protection equipment. The total cost of working and protective equipment in the mines in 2012 amounted to PLN 18.84m (versus PLN 14.2m).

Table 15. Machines in KGHM Polska Miedź S.A. (pcs)

	2012	2011
Number of mining machines at the disposal of the divisions:	1 261	1 289
machines with capsule cabins	123	154
machines equipped with cabin hatches	346	320
air-conditioned machines	346	320
machines with air blown into cabins	104	100
machines with automatic fire extinguishing systems	867	862
machines with a secondary system for extinguishing residual fire	80	55

Who can work in difficult environment conditions

KGHM Cuprum Sp. z o.o., the Research and Development Centre in Wrocław, in partnership with the Wrocław University of Technology, conduct joint research on the impact of difficult work environment conditions on the health of mine employees. In 2012, the research team was extended to include specialists from the Central Mining Institute and initiated a programme aimed at development of the rules of employing people in the climatic hazard conditions in underground mines. The purpose is to enhance the work safety by implementing the rules of climatic hazard identification and classification and defining the methods of employee qualification and work organisation in difficult climatic environment. The subject has been gaining on importance since the temperature of the rocks which increases with the depth of the deposit extraction operations and the growing capacity of the mining equipment contribute to rising of the air temperature in underground mines.



GOOD PRACTICE



Piotr Walczak

Director of the Mine-Smelter
Emergency Rescue Division,
KGHM Polska Miedź S.A.



The Mine-Smelter Emergency Rescue Division has at its disposal over 400 mine rescue staff, 80 fire fighters and eleven healthcare professionals who, being constantly on duty, secure the health and life of the employees of KGHM Polska Miedź S.A. Our great aspiration is to have as little opportunity for action in real-life emergency conditions as possible. Due to excellent competences and high quality

equipment, the members of the Mine-Smelter Emergency Rescue Unit often take part in rescue operations conducted by the fire service, police, military forces and the mountain rescue service. I hope that the Company employees and the local community members perceive our work as valuable, not only when we are engaged in spectacular emergency operations ending in success, but also when we carry out our daily work. One of the signs of appreciation of our role by the community is the exceptionally high number of candidates for mine rescue or fire fighting section of the Mine-Smelter Emergency Rescue Unit. I hope that we will manage to maintain our good reputation for a long time and that we will never fail the people who need our help.

Education is the key (LA8)

Teaching the rules of safe conduct requires much more than standard work safety training. The opinions and feedback of the employees on the subject are gathered during surveys of the safety culture in KGHM Polska Miedź S.A. The most recent of those surveys was conducted in 2012. The results will be known in mid-2013.

As part of the good practice implemented in 2012, a Catalogue of High-Risk Behaviours was prepared and published in January 2013 which should be treated as a Decalogue by each employee of the Company. It contains a description of nine most dangerous behaviours observed during mining operations which cannot be tolerated because the very occurrence of such situations poses a threat to the health and life of the employees (Section 10). The publishing of the Catalogue was accompanied by a social campaign in the Company and the identified hazards were incorporated into the curriculum of the mandatory work safety training. In 2012, Rudna Mine also issued its own Code of Best Safety Practices for the Workplace.

Following the serious accidents which occurred in 2012, local campaigns were carried out in the mines to promote the rules of safe conduct. The Rudna Mine (the largest underground mine in Europe) launched a campaign "Where There Is a Will There Is a Way: Stop Accidents At Work", while in Polkowice-Sieroszowice Mine the campaign slogan was "Your Actions Matter: Don't Take Shortcuts". Both projects were of interactive nature and feedback was collected from the employees. In addition to brochures and posters, the employees watched on KGHM TV computer-aided reconstructions of the accidents which occurred in 2012. The campaign was combined with training in work safety rules. The anticipated outcome of the

activities is reduction of the number of accidents caused by humans by 50% until 2018.

February 2013 saw a launch of another work safety campaign in the Lubin mine called "Let's Get Home Safely". The idea of the campaign is to attract the employees attention to the fact that neglecting the safety regulations and procedures may have tragic consequences.

KGHM Polska Miedź S.A. valued and recognised

The importance attached by KGHM to safety standards is reflected by the awards it receives in recognition of the implemented solutions and undertaken initiatives. Since 2002, every two years KGHM Polska Miedź S.A. has been awarded with the Golden Card of Work Safety Leader by the Safe Work Leaders Forum. In 2012, during the 40th edition of the National Competition for the Improvement of Work Conditions organised by the Ministry of Labour and Social Welfare, Ministry of Economy and the Polish Federation of Engineering Associations, the STAR-DOTRA communication system used in the Company's mines was awarded with a diploma in the category of "Technical and Organisational Solutions". The system integrates wired and wireless communication solutions used in mines and has been developed taking into account the results of hazard analyses conducted by the State Mining Authority and the District Mining Authority in Wrocław.

In 2012, Professor Wacław Cybulski Safe Mining Foundation of the State Mining Authority awarded a distinction to the Polkowice-Sieroszowice Mine for effective work safety management. Every year the Foundation awards sites where mining operations are conducted in the safest way. The G-41 Division did not have a slightest problem to meet

the requirements of the District Mining Authority inspection which confirmed that despite very difficult geological and mining conditions, the operations were conducted in conformance with the good mining practices. The high quality of work processes and rigorous safety standards were also recognised by the auditors from the Central Mining Institute.

Our pride – Mine-Smelter Emergency Rescue Division of KGHM Polska Miedź S.A.

The safety of the employees of KGHM Polska Miedź S.A. is monitored on an ongoing basis by the employees of the Mine-Smelter Emergency Rescue Unit who are ready to set off on a rescue mission at any time, both underground, on the surface, in the air and under water. The team includes height rescue specialists and divers. The responsibilities of the unit include disaster management and rescue operations in all divisions of KGHM Polska Miedź S.A. during emergency situations, such as fires, rock bursts, wall slides, floods, power and mechanical failures and engineering, chemical and environmental disasters, as well as carrying out numerous preventive duties to ensure reliable, trouble free execution of the technological processes.

The Mine-Smelter Emergency Rescue Division employs 114 persons, including 79 fire fighters and 14 professional

mine rescue staff who are supported by approximately 400 perfectly trained mine rescue volunteers who on a daily basis work underground and have very good knowledge of the conditions which are found there. Candidates for the rescue service must have appropriate psychological and physical characteristics: perfect physical fitness, capability of quick decision making, leadership and organisation skills, high psychological resistance, particularly under stress conditions, ability to quickly analyse many different external factors and respond to them properly and – last but not least – excellent collaboration skills to ensure smooth interaction with other team members. The minimum age is 21 and at least one year of mining work experience in one of the Company’s divisions is required.

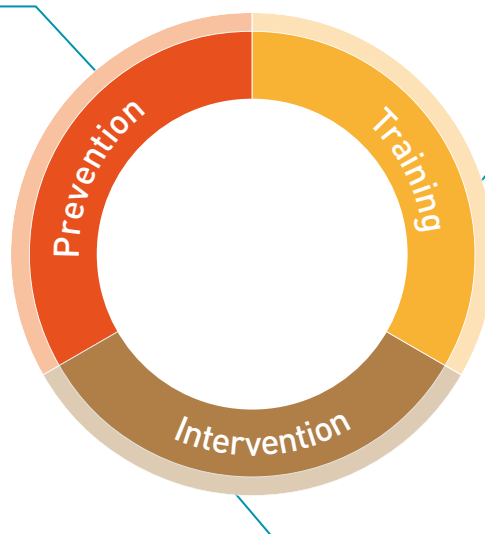
The Mine-Smelter Emergency Rescue Unit is on duty for 24 hours seven days a week. The basic team on duty includes:

- At least 13 fire fighters in the Fire Service section;
- 15 rescuers in the Mine Rescue Unit divided into three teams, the shift manager, the rescue equipment mechanic and a rescue physician. The Division has signed agreements with 11 physicians of different specialties including a surgeon, psychiatrist, cardiologist, occupational health specialist and general practitioners. The rescue physician with paramedics and any of the three mine rescue teams can get to the most distant shaft on the surface within 10–15 minutes and, subsequently,

Figure 5. Responsibilities of the Mine-Smelter Emergency Rescue Unit

Prevention

Identification and prevention of all potential threats and hazards, participation of the Rescue Unit Specialists in preventive maintenance activities carried out in KGHM Divisions. Technical and logistic preparations for rescue operations (communication, gas hazard, etc.).



Training

Training activities, exchange of experience with other professional rescue services and organisations, including international teams, due to the global reach of KGHM operations.

Intervention

Ensuring effective mine, fire, chemical, engineering and environmental rescue operations to save human health and life and participation in the restoration of the affected areas and protection of property.

within 20–30 minutes reach the most distant site of work underground. The time needed to gather specialist rescue teams is below 60 minutes.

The Mine-Smelter Emergency Rescue Unit has two specialist sections. One of them is the height rescue section which employs people trained by the rescuers from the Mountain Volunteer Search and Rescue Service (GOPR) and the Tatra Mountain Volunteer Rescue Service (TOPR). The team conducts rescue operations in vertical shafts and shafts with steep incline. The other group are divers prepared to operate in the most difficult conditions under water. In addition to the rescue and prevention operations (including chemical, environmental and technological disasters, fire fighting and restoration of areas affected by fires, rock bursts, wall slides, floods and all kinds of power and mechanical failures), the rescuers are also responsible for a range of preventive maintenance duties to ensure uninterrupted, trouble free execution of the production processes. In 2012, the divers took part in the repair of breakdowns in the Ore Enrichment Division and Polkowice-Sieroszowice Mine and in replacement of the screens on water intakes from the Odra River in Głogów Smelter. Height rescuers are involved in preventive maintenance of holding tanks and shafts and inspection of casing.

Success of the KGHM Polska Miedź S.A. Team at an international mine rescuers competition:

2012 – Donets Basin, Ukraine – 3rd place in the competition of mechanics.

In order to be capable of the most effective performance in the most difficult conditions, the Mine-Smelter Emergency Rescue Unit regularly replaces and upgrades the equipment used. In 2012, tests were carried out in the Rescue Division and in the underground mines of a new wireless communication system called RATRA, used to coordinate the activities of all rescue forces on the site of a disaster, mainly underground. The system can also be used on the surface, particularly when other means of communication fail or are unavailable.



"Iron Bridge" Exercise

The Mine-Smelter Emergency Rescue Unit recognises the value of regular training and exercise which is needed to test the performance of the unit in the most challenging circumstances. On 17 April 2012, a regional tactical and combat training exercise called the "Iron Bridge" took place on the grounds of the former floatation tailings disposal area. The scope of the exercise covered three counties. The scenario assumed leakage of this huge reservoir. The tasks included aid to the victims on site of the disaster and to people at risk of being affected by the sludge released from the tank. Additionally, some of the rescuers were instructed to provide first aid to victims of road accidents and a construction disaster. The rescue operations were highly regarded by the delegate of the Lower-Silesia Marshal Office, the Chief Fire Officer in Wrocław and other organisers and participants of the exercise.



GOOD PRACTICE





Voluntary initiatives – employees of KGHM donate blood and bone marrow

Every year 10,000 people in Poland are diagnosed with haemolytic cancers. Half of them die because they can't find the right bone marrow donor, although some of those deaths could have been avoided. Leukaemia patients are supported by the Anna Wierska Foundation in Poznań called the "Bone Marrow Gift". KGHM Polska Miedź S.A. and its employees joined the Bone Marrow Team i.e. a steadily growing group of several hundred people who participate in different sports events wearing characteristic red T-shirts. The red T-shirt is a symbolic response to the "Share Life" call. The Team members disseminate information and encourage the potential donors to register in the database in order to be able to save somebody's life in the future.

The members of the KGHM Bone Marrow Team include runners, cyclists, volleyball players, rugby players and even a diver. Their presence on the Team is a token of readiness to help people. The amateur competitors often take part in prestigious sports events, such as the largest marathons in Poland, Hamburg or Prague. The cyclists regularly take part in prominent MTB competitions and the prestigious Tour de Pologne race.

Since the emergence of the KGHM Bone Marrow Donors Team, employees have organised a few dozens of voluntary campaigns encouraging people to register in the donor database. As a result, five hundred new names appeared on the database and close to 1,000 people joined the team.

The employees of KGHM Polska Miedź S.A. are also honorary blood donors and have founded five Honorary Blood Donor Clubs: Honorary Blood Donors Club of the Głogów Smelter, Honorary Blood Donors Club 'Drop of Life' of the Polkowice-Sieroszowice Mine, Honorary Blood Donors Club of the Legnica Smelter, Honorary Blood Donors Club 'Copper Drop of Blood' of the Rudna Mine and the Honorary Blood Donors Club 'Miner's Heart' of the Lubin Mine. KGHM employees have donated hundreds of litres of blood saving many human lives. Blood donation is a source of great satisfaction to our people and for those in need, a priceless gift of life. Our miners and smelters also donate blood to children who are patients of the Bone Marrow Transplant and Haematology Clinic in Wrocław. In this way, employees of KGHM Polska Miedź S.A. help to save the lives of children who suffer from cancer or are victims of accidents. A few hundred people have been voluntarily donating blood in the Company, some of them for more than twenty years.



Tomasz Chmielowiec

President of the Copper Sports Society



The Copper Sports Society – KGHM Bone Marrow Team members are volunteers who, through their sports activities, promote the idea of bone marrow transplantation. The membership of the Company employees in the

society is a token of their readiness to help other people. Amateur competitors often take part in prominent sports events and regularly register new potential bone marrow donors. Thanks to the involvement of KGHM Polska Miedź S.A., their number has increased by almost 1,000. With the help of the Company and the Polish Copper Foundation, the Team received uniform attire and advertising materials supporting their activities. The volunteers take part not only in local events, but also in the most prestigious sports competitions across Poland.





4.





GOOD
NEIGHBOUR
AND
TRUSTWORTHY
INVESTOR

Good Neighbour and Trustworthy Investor

KGHM Polska Miedź S.A. is an integral part of the Lower Silesia local community

400%

is the rate of the income per capita versus the national average of Polkowice, the richest municipality in the Copper Basin.

PLN 140 m

is the amount of money paid by KGHM Polska Miedź S.A. to local authorities due to taxes and local charges.

PLN 25 m

is the amount of money KGHM Polska Miedź S.A. spent on sponsoring KGHM Zagłębie Lubin football club.

PLN 22.04 m

is how much KGHM Polska Miedź S.A. contributed in 2012 to the statutory activities of the Polish Copper Foundation.

85%

of approximately 4,000 inhabitants of Gaworzyce, a municipality where KGHM Polska Miedź S.A. conducts its operations, have a positive opinion about the Company.

KGHM Polska Miedź S.A. believes that the basis for sustainable development, long-term business relationships and the Company's success is creating value for all groups of stakeholders. Therefore, the Company wants to be a partner for the local communities, local authorities, inhabitants of the region and the business community.

For KGHM Polska Miedź S.A., being a good neighbour means striving to secure predictable development of the company and create favourable conditions for the social development of the region, while protecting and enhancing

the quality of the natural environment. Such an approach is one of the Company's strategic objectives. KGHM wants to have influence over the local business and economic situation of the region and act in such a way as to preserve the balance between the needs of the Company and of the natural environment, build good relationship with the key stakeholders, in particular with the inhabitants of the Copper Basin, the local authorities, employees and non-governmental organisations, and use the social dialogue as a tool to identify and articulate the wishes and expectations of the people living in the region.



Marek Bestrzyński

Chairman of the Supervisory Board of Zagłębie Lubin S.A.
Executive Director, Head Office of KGHM Polska Miedź S.A.

“ The KGHM Zagłębie Football Academy is much more than investment in the training of the most talented young footballers. The new training centre was established not only for the benefit of the Zagłębie Lubin Football Club but, primarily, for the people living in the region who will be the main beneficiaries of the investment.

At different stages of training in the Academy, the talents of young players from the Copper Basin will be developed. Children and youth will have much better conditions for practising football than in the majority of countries with the strongest football traditions. In this way, the Academy contributes to the achievement of the social objectives of KGHM which the Company communicates both in its business strategy and CSR strategy.

The idea of the Academy has assumed, from the very beginning, promotion of a healthy and active lifestyle among the youngest inhabitants of the Copper Basin. It is of particular importance due to specificity of the industry KGHM is in and has a priority status among the initiatives undertaken by the Company for the local community. Sport is the best way to promote good health and physical exercise and, at the same time, is an excellent educational tool. For the trainers and instructors employed in the Academy, personal development of the young people will be equally important as teaching them football skills.

The originators and founders of the Academy wanted to create an entirely new quality in training young footballers. It is a large project and its success depends on determination in implementing changes. A comprehensive strategy has been prepared which assumes persistent achievement of the set objectives. The Academy is now at the stage of preparations and has already employed a professional team, including a Dutch coach Richard Grootsholten as the Technical Director. Cooperation with an experienced foreign expert will help us take a broader perspective on training. During the work with children and teenagers, their upbringing is a real challenge. In addition to the teaching of football skills, the characters of the young players must be shaped. Such an approach is still a new concept in Poland, therefore the founders of the Academy have an ambition to learn from the best professionals from abroad.

Training of young people requires access to professional sports facilities. Hence, the project encompasses construction of the training infrastructure, including full-size football fields with artificial and natural surface and the related amenities. The Academy facilities will be located next to the stadium of the premier league club so that the young players can be close to their grown-up colleagues and feel the atmosphere of professional football. The fields are currently being modernised and in subsequent years other investments are planned, thanks to the support of KGHM Polska Miedź S.A.

It is worth pointing out that the academy activities are not restricted to Lubin and the project partners include clubs and teams from the entire region. The purpose of the collaboration is to exchange knowledge and give the young players best opportunities for gaining valuable field experience ”



Rafał Jurkowlaniec

Marshal of the Lower Silesia Region

KGHM Polska Miedź S.A is one of the most prominent business enterprises in Lower Silesia. Thanks to excellent financial performance and the large scale of its operations, the Company has a significant impact on the economic situation of the region. Of special significance are the key points of the Corporate Social Responsibility Strategy of KGHM Polska Miedź S.A. Until 2018 which, in addition to the business objectives, clearly set the Company's mission to improve the quality of life of its employees and all inhabitants of Lower Silesia and to protect the natural environment.

Those ambitious goals have been pursued for many years, one of the examples being the Polish Copper Foundation which sponsors renovation of historical monuments, cultural events, health prevention and protection programmes and holiday breaks for

children and youth. Every year, hundreds of projects are implemented in Lower Silesia, thanks to which the dreams of the people from our region come true. It is worth emphasising that the money donated by the Foundation is not spent on consumption purposes, but wisely invested in human capital to obtain return in the future.

Moreover, KGHM Polska Miedź S.A. is an active participant in the social dialogue in the region. At the Company's initiative, a Copper Basin Team of the Regional Social Dialogue Committee has been set up. The Team analyses future impact of KGHM's current operations, reviews its long-term plans and other aspects of relevance to the social partners. The open and honest approach to the debate, shows that the Company is genuinely interested in working out a compromise which is an important element of the sustainable development strategy.

The activities undertaken by KGHM Polska Miedź S.A. make the Company a stable and responsible partner to the Regional Authorities of Lower Silesia in the development of the scientific, social and cultural potential of the region.

Dialogue on Mining Concessions

The idea of good neighbourhood has become very important in the context of the procedure initiated in 2010, the aim of which is to renew the Company's mining concessions. The validity period of the copper ore extraction concessions currently held by KGHM Polska Miedź S.A. covering 87% of the areas mined at present ends on 31 December 2013. At the same time, the concluded agreements on the use of the deposits for mining purposes will expire. Yet according to the current estimations, despite 50 years of continuous exploration, the Polish copper ore resources found in the area of Legnica-Głogów Copper

Strategic objective:

To achieve the status of a first-choice investor recognised for observance of the human rights and responding to the expectations of the local communities.

District can be profitably mined for at least another 50 years.

The issue of new concessions to KGHM Polska Miedź S.A. for the extraction of copper from Lubin-Matowice, Polkowice, Rudna, Sieroszowice and Radwanice-Wschód deposits is equally important to the Company, as it is to the whole region. The Company is the biggest employer and taxpayer in the Lower Silesian province and its continued operations are a precondition for the maintenance of the budgets of the Copper District municipalities at the current level i.e. significantly above the national average. Only in 2012, the municipal authorities in the Copper District area received from KGHM Polska Miedź S.A. more



than PLN 140m in consideration of the real estate tax, mineral extraction tax and other similar charges.

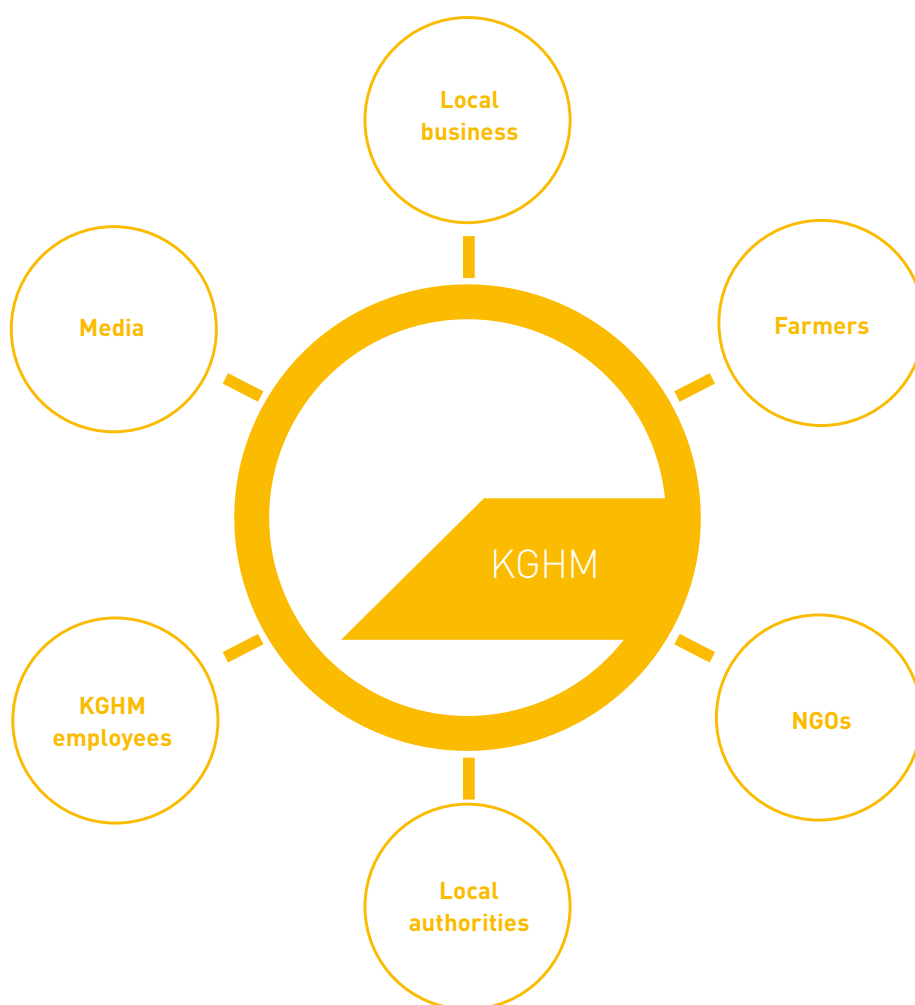
The procedure of preparing application documents required for the renewal of the concessions is coordinated by the KGHM Polska Miedź S.A. Project Team led by Cezary Bachowski, Geological Concessions Officer appointed by the Management Board. During the process of drafting the necessary documents and compiling the application file, the Company's employees met with the representatives of the local authorities to discuss the content of the documents.

At the seminars organised by the Company which were attended by the authors of the documents, industry experts and scientists from the leading research centres in Poland, drafts of the documents were reviewed and discussed in detail. The whole process was conducted in consultation with the local authorities of nine mining municipalities on whose territories the deposits mined by KGHM Polska Miedź S.A. are located [more information about the concession process can be found in Chapter VI of the Report].

In November 2012, the Company received the first document of crucial importance for the concession renewal process. On the basis of the submitted reports and the consultations held with the local authorities, the Regional Environmental Protection Director in Wrocław issued an environmental decision for the copper ore mining operations. The favourable opinion of the local communities has been one of the key factors in the concession renewal process since conformance with the local plans of the municipalities is a requirement. The local authorities approved the concession applications filed with the Ministry of Environment. Without their support, obtaining concessions for the further exploration of copper ore deposits in the Copper Basin would be very difficult.

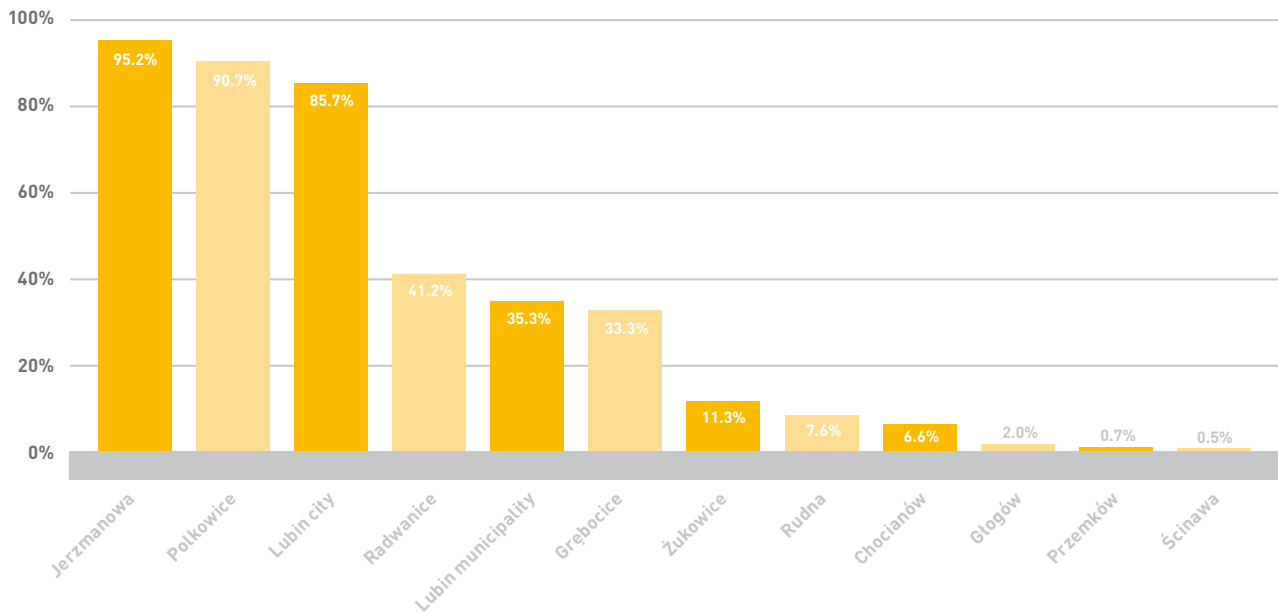
KGHM Polska Miedź S.A. has applied for the maximum concession validity period currently provided for by the law, which is 50 years. Additionally, as part of the efforts to expand its resource base, KGHM Polska Miedź S.A. also applied for evaluation of copper ore deposits in new concession areas totalling 1,589 square kilometres, including Bytom Odrzański, Głogów, Retków-Ścinawa and Kulów-Luboszyce.

Figure 6. Key stakeholders of KGHM Polska Miedź S.A. in the Copper Basin



Impact of KGHM mining operations on municipalities

Eight Mining Areas set up for the purpose of copper ore extraction cover the territories of twelve municipalities



Wealthy municipalities

The benefits of being the Company's neighbour are evident when you look at the budgets of the municipalities making up the Legnica-Głogów Copper District. According to the data published by the Ministry of Finance on the tax income per capita of local government units, the municipalities where KGHM Polska Miedź S.A. conducts its mining or smelting operations or where the Company's employees live, such as Radwanice, cities of Lubin, Głogów and Legnica, Głogów municipality, Krotoszyce, Kunice and Grębobice fall in a range of

100% to 150% national average. In the areas where intensive mining operations are conducted or where mining waste products are deposited, such as Jerzmanowa, Lubin and Rudna, the tax income accounts for 200% to 300% of the national average while in Polkowice, one of the richest municipalities in Poland, total income is four times higher than the national average. The situation is similar in the case of counties situated in the Copper District which belong to the 100%-180% band of the national average.

Partnership with Local Authorities

A very important instrument for working out a joint regional development strategy in partnership with the local authorities is the Copper Basin Forum, a meeting held annually in Brunowo. In 2012, the second meeting took place. The originator of the Forum is the Lower Silesia Regional Development Foundation which set itself an objective of forming a Coalition for the Development of the Copper Basin bringing together all key stakeholders in the region. The initiative is based on the idea of making use of the synergies between the local communities and KGHM Polska Miedź S.A. to realise the vision of a dynamically growing industrial district which, thanks to its resources of copper and other critical minerals, as well as the knowledge and technological know-how, makes

valuable contribution to the economic development of Lower Silesia, Poland and even Europe. One of the Forum's objectives is to proceed with the discussion of the identified areas for collaboration between KGHM Polska Miedź S.A. and the local authorities, including construction of the investment zone and a cluster of copper-related businesses, establishment of the International Science and Technology Park, a joint waste management system, joint energy projects, reorganisation of the system of specialist hospital care, development of the vocational education system aligned with the market needs, restoration of the Głogów-Polkowice-Lubin-Legnica railway line, implementation of the recreational venture project called "Obora" (more information about the project in the Good Practice section of this chapter) and development of a sectoral sports and recreation strategy for the Copper

Basin. KGHM Polska Miedź S.A., acting in partnership with the local authorities, has been deeply engaged in the implementation of the concept of the European Copper Region which would combine all capabilities related to extraction and processing of copper and associated minerals.

In 2012, KGHM Polska Miedź S.A. also entered into an Agreement on the Sustainable Development of the Głogów County aimed at ensuring a stable, harmonious growth of the region to improve the quality of life of the current population and future generations. Under the agreement, the Company has committed itself to:

- Finance medical examinations of children and preventive and educational measures related to lead content in the blood;
- Offer free of charge medical consultations in the Health Promotion Clinic in Głogów;
- Support the development of the hospital in Głogów;
- Promote environment-friendly projects, including the launch of a long-term programme of soil liming in areas used for agricultural purposes;
- Provide financial assistance to projects involving protection of the cultural heritage and local traditions;
- Engage in educational projects promoting vocational education and personal development, by creating opportunities for adapting the occupational skills and qualifications of the students during internships and training programmes offered;
- Facilitate the economic and social development of the region by promoting Głogów county as an investor-friendly area; and
- Install new seismic activity sensors triggered by the mining operations.

The Company is an active participant in the Regional Social Dialogue Committee. Since March 2013, the Head of the Copper Basin Team formed as part of the Regional Social

Strategic objective:

To build a stable framework for dialogue and collaboration with local governments and other partners in the Copper Basin.

Dialogue Committee has been Dorota Włoch, Vice-President of the Management Board of KGHM Polska Miedź S.A. The team will focus on sustainable development of the region. The subjects discussed at the first meeting of the team included the tax on the extraction of certain minerals and the rules of design and construction of buildings in the areas threatened by rock bursts (more information on the subject in the following sections below). The themes planned to be discussed at the following meetings include exploration of brown coal deposits in the vicinity of Legnica, establishment of the Copper Agglomeration in order to qualify for more EU funding for the Copper Basin and development of a long-term strategy of KGHM Polska Miedź S.A. addressing the issue of the anticipated exhaustion of copper ore resources. The other Team members include the representatives of the regional authorities and of the Association of Lower Silesian Employers.

Furthermore, in 2012 the Company initiated a dialogue with the local authorities on the expansion of the tailings treatment facility ("Iron Bridge") planned in the near future. Opening a new, southern cell of the reservoir is necessary for the continued operations of KGHM Polska Miedź S.A. (For more information see Chapter VI on the environmental impact).



Feeling responsible for the development of the region, KGHM Polska Miedź S.A. participates in local and regional initiatives aimed at stimulating the economic activity of the population. To this end, the Company has launched the KGHM Letia S.A. Legnica Technology Park intended to promote the growth of entrepreneurship and creation of new jobs. The Park offers companies land under construction with all utility hook-ups, office space for rent, as well as, the services of the Technology Transfer Centre set up in 2009. In 2012, KGHM Letia S.A. opened the Letia Business Centre in Legnica, intended as a seat for innovative businesses. The building encompasses an exhibition area in the lobby, a computer room and a hotel with a restaurant.

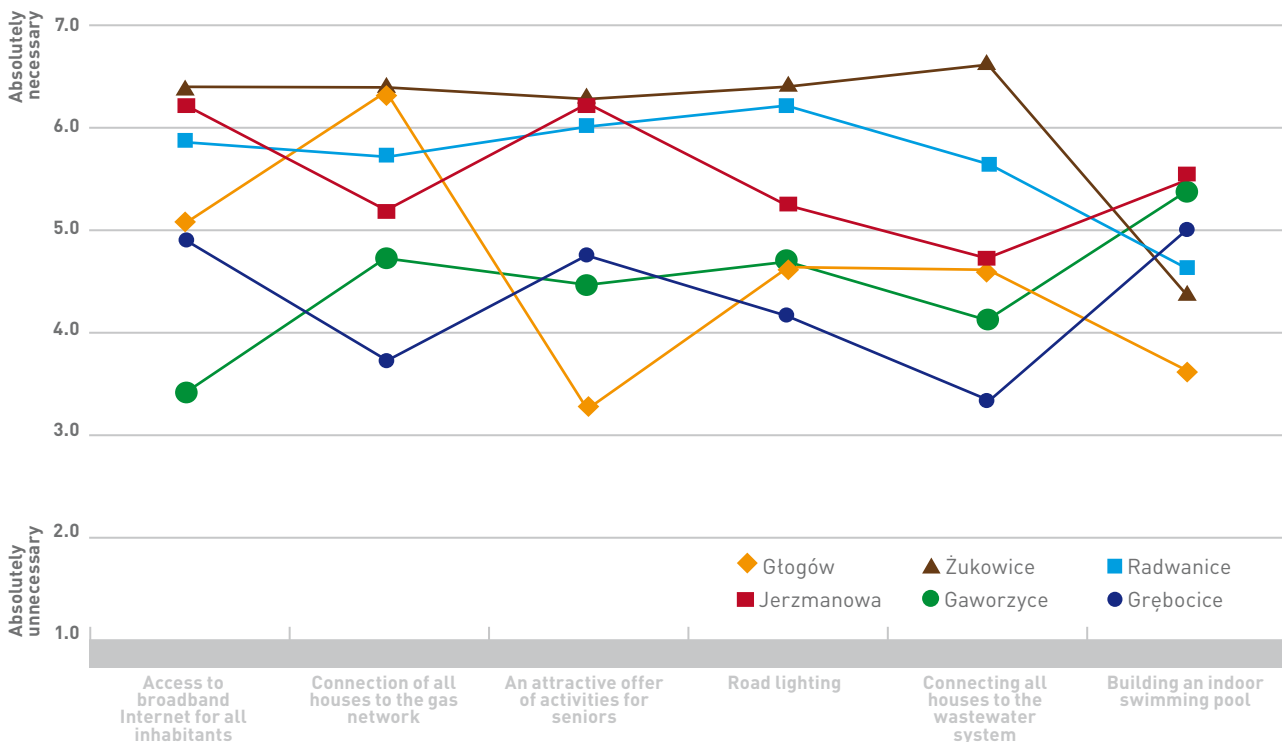
KGHM Polska Miedź S.A. Listens to the Needs of the People in the Copper Basin (4.17)

The mining operations conducted by KGHM Polska Miedź S.A. involve transformation of the natural environment which has both positive and negative impact on the quality of the local population.

The Company's ambition documented in the long-term plans is to identify the needs of the members and leaders of local communities in the Copper Basin to which it could effectively respond. Therefore, in 2012 KGHM Polska Miedź S.A. conducted a series of interviews in six selected municipalities during which the Company's representatives met with 46 opinion leaders (heads of county

Figure 7. Key needs and expectations according to the inhabitants of the Legnica-Głogów Copper District

	dissatisfied (all three answers combined)	neither satisfied nor dissatisfied	quite satisfied	satisfied/highly satisfied	average
Głogów	2%	11%	64%	23%	5.07
Jerzmanowa	4%	4%	22%	70%	5.74
Żukowice	1%	8%	40%	51%	5.42
Gaworzyce	7%	26%	63%	4%	4.63
Radwanice	3%	11%	77%	10%	4.92
Grębcovice	2%	2%	19%	77%	6.10



and village authorities, social activists, priests etc.). The other part of the study was a survey in which 618 inhabitants of the municipalities took part. The purpose of the survey was to:

- Assess the advantages and disadvantages of living in the municipality;
- Identify the most important current deficits and development needs for the future;
- Evaluate the social perception and image of KGHM Polska Miedź S.A. and its positive and negative impact on the life of the people and quality of the natural environment;
- Identify expectations towards the Company.

The results of the study will be used by both KGHM Polska Miedź S.A. and the local authorities to develop action plans and improve the relationships based on a dialogue. The level of satisfaction of the local population related to living in the surveyed municipalities was assessed and the most important needs and expected investments have been identified. Additionally, the image of KGHM Polska Miedź S.A. among the local community members was evaluated.

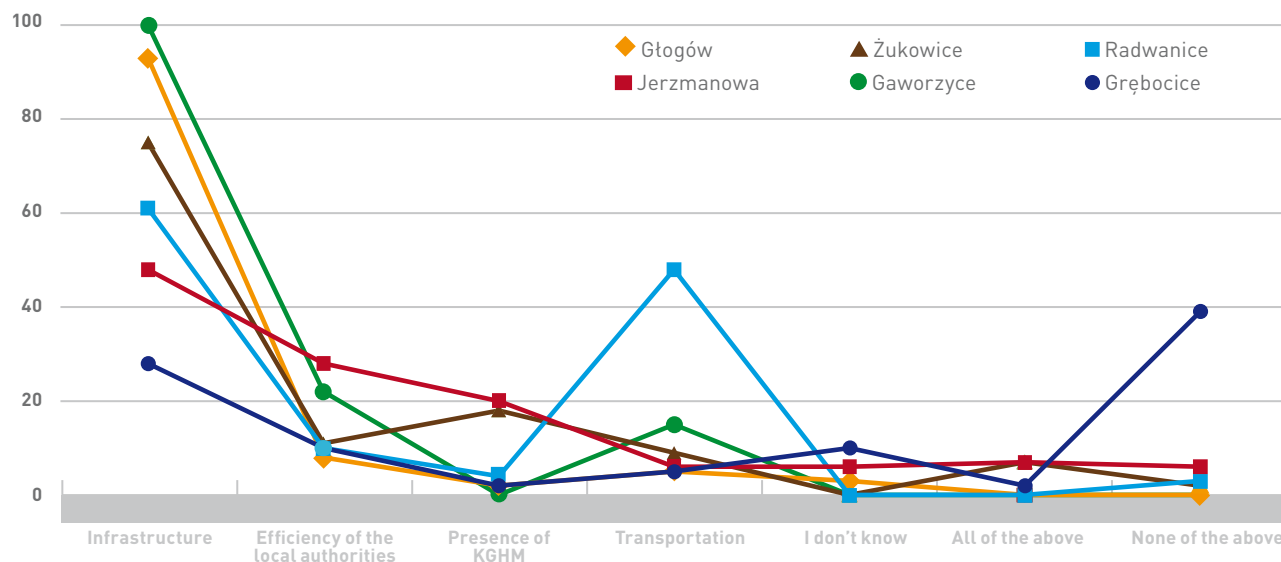
The highest satisfaction level is observed in Grębocice, followed by Jerzmanowa. Less satisfied, but still quite content, are the inhabitants of Gaworzyce and Radwanice. The research shows clearly that the most urgent needs are associated with the general infrastructure. 100% of the inhabitants of Gaworzyce mentioned poor infrastructure as the key disadvantage of their municipality (over 90% in Głogów and 75% in Żukowice). Therefore, the respondents indicated improvement of roads and pavements and development of gas, water and wastewater networks as the most pressing investment needs.

On the whole, the inhabitants have a positive perception of the quality of life in their municipalities and consider KGHM Polska Miedź S.A. as a good neighbour. A positive opinion was expressed by 85% of the residents of Gaworzyce and in all other municipalities with the exception of Jerzmanowa the rate was above 70%. The less favourable perception of the inhabitants of Jerzmanowa is attributed to the problems with exhausts from the mine ventilation shafts (for more information see the chapter on the environmental impact).

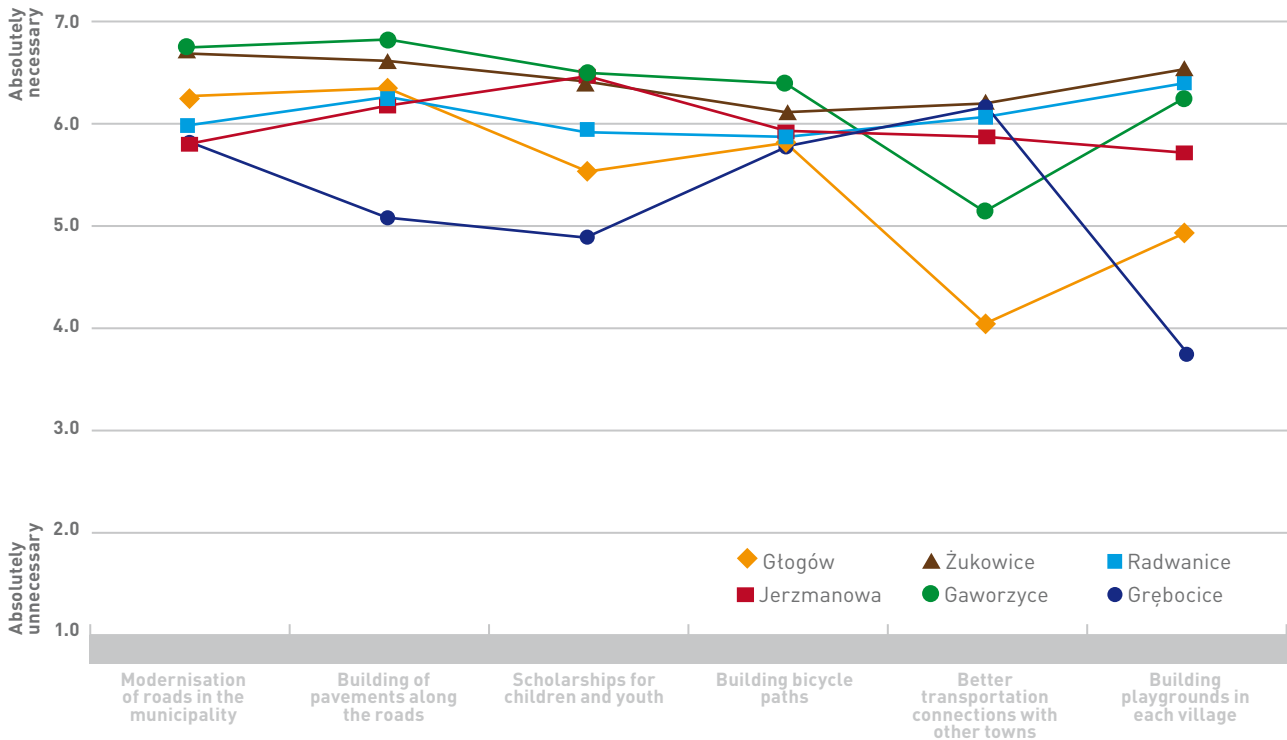
Please tell us whether your general opinion about KGHM is rather positive or rather negative

	negative (all three answers combined)	neither positive nor negative	quite positive	positive/strongly positive	average
Głogów	0%	11%	19%	70%	5.66
Jerzmanowa	17%	19%	14%	49%	4.98
Żukowice	1%	3%	23%	74%	5.97
Gaworzyce	0%	3%	12%	85%	6.18
Radwanice	2%	3%	23%	72%	5.71
Grębocice	3%	10%	16%	72%	5.78

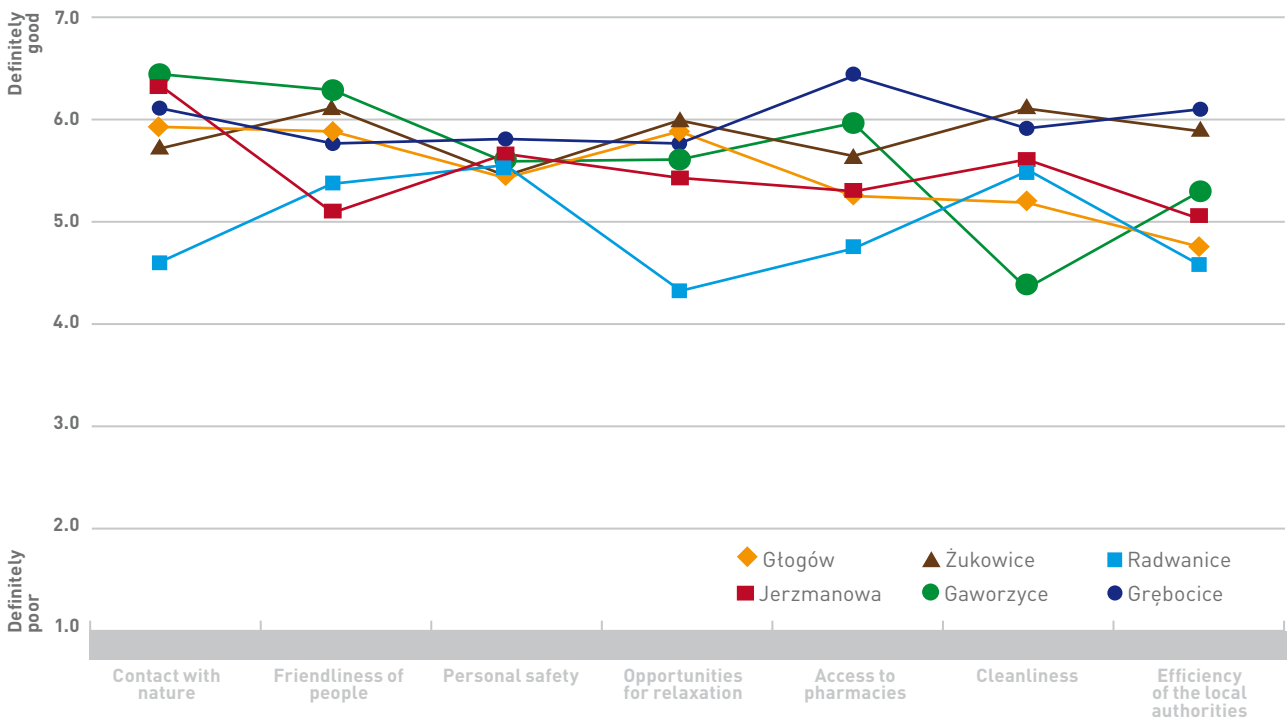
The biggest disadvantage spontaneously mentioned by the inhabitants of the majority of municipalities is the poor quality of infrastructure – mainly roads and pavements



Modernisation of roads, construction of pavements and availability of scholarships for children and young people are the most pressing needs in the majority of the surveyed municipalities (except for Grębocice)



Contact with nature, friendliness of people and personal safety are the three highest rated qualities of the municipalities surveyed which the respondents have chosen from a list of proposed characteristics





Sorting out the networks

Following entry into force on 8 August 2008 of a new legal concept of utility easement, KGHM Polska Miedź S.A., without waiting for petitions from the land owners, proactively initiated the process of regulating the legal titles to third-party land sites on which the networks owned by KGHM are situated. On the same occasion, a decision was made to resolve the issue of unregulated use of third-party land to date, which for the land owners means additional compensation for a maximum period of 10 years of using land property without a legal title. After the stage of preparations, KGHM addressed all land owners requesting them to regulate the legal status of their land and providing them with detailed information about their rights.

Since issue of the utility easement title requires the form of a notarial act, following the signature of an agreement in which, the value of compensation and other terms are defined, KGHM Polska Miedź S.A. covers all expenses related to the formal procedure and arranges appointments in the notary's office on a date and time convenient to the property owner. As the first step, the Company has contacted individual owners of land about the establishment of the utility easement rights. Negotiations with the Municipalities, the Agricultural Property Agency and Forest Authorities are in progress. The first notarial acts were signed directly after the end of the preparatory stage, in February 2012. To date, the legal status of 457 land lots has been regulated.





The Obora Project

KGHM Polska Miedź S.A. not only minimises its impact on the environment but also conducts reclamation of the formerly mined areas and adapts them to new functions. In 2011, KGHM Cuprum Sp. z o.o. Research and Development Centre, in collaboration with the Institute for Mineral Resources and Energy Management, developed a Study for Redevelopment of the Obora Brown Field for Recreational and Healthcare Purposes Using Renewable Energy and Geothermal Saline Water from the Mines of KGHM Polska Miedź S.A.” The project assumes conversion of the former mining grounds into a recreation and therapy centre for the local population and tourists. The complex will encompass water reservoir with guarded beaches and jetties, a reservoir for practising water sports, rowing courses, fishery site, recreational and therapy facilities, a balneotherapy centre, geothermal pools, a camping and caravanning site, a golf course, soccer fields, a winter ski slope, a summer sledge track and other attractions. The key component of the project is the development of a recreational water reservoir of an area of 120 ha (there are no water reservoirs of this size in the vicinity of Lubin) and a possibility of using geothermal energy and saline water for therapeutic purposes. It is assumed that the project will be implemented together with the county and municipality authorities from the region and will be financed from different sources.

According to the initial proposals, the conversion of the sand pit into recreational areas will begin after its closing in 2025. Currently, the Company is considering opening of a part of the planned complex around 2017. Therefore, in 2013 -2014 KGHM Polska Miedź S.A. will continue research activities and begin gradual reclamation of the area with a view to the planned regeneration project. In order to implement the Obora project, the local land use plan of Lubin municipality must be changed to accommodate the innovative project of reclamation of the former sand pit and post-mining areas in the direct vicinity of Lubin.

Towards More Robust Buildings

One of the possible consequence of copper ore extraction operations conducted in the mines of KGHM Polska Miedź S.A. are mining-induced earthquakes which can affect people and buildings. They are not dangerous to the environment. In the area of the operations conducted by the Company there are no zones which, due to the potential impact of mining processes, should be excluded from development in the local land use plans. The overall degree of mining impact in the Legnica-Głogów Copper District is generally low. Over the period of 50 years the ground level has sunk by only 3.5 metres. The large area pits have gentle profiles, hence the surface deformation is insignificant. The most severe impact, and most complex from the point of view of its prevention, is the occurrence of mining-induced earthquakes. In 2012, 525 of such earthquakes were recorded versus 581 in 2010 and the same number in 2011.

In 2006, KGHM Polska Miedź S.A. started looking for the right solutions to protect the buildings located in the areas exposed to the risk of mining-induced earthquakes. The purpose of the work was to develop industry guidelines for designing buildings in the area of the Legnica-Głogów Copper District. Between 2006 and 2008 research was conducted by KGHM Cuprum Research and Development Centre and between 2010 and 2011 experts from the Opole University of Technology and Eurocentre Pavia University worked on adapting Eurocode 8 (a European norm in force since 2004 implementing standards of designing structures for earthquake resistance) to the specificity of Legnica-Głogów Copper District. The process was required due to unavailability of the Polish annex to the norm. The task of the project team was to propose detailed supplementary rules to Eurocode 8 including, inter alia, the most important calculation formulas to be applied when designing structures resistant to seismic effects.

Strategic objectives:

To develop a long-term corporate social responsibility strategy in order to support the region and enhance the Company's image.

After many years of work, the successful completion of the project is drawing near. In 2012, a review of the guidelines by the Land Surface Protection Committee at the State Mining Authority began. KGHM Polska Miedź S.A. also initiated a public consultation procedure. In March and June 2012 meetings with the local authorities of Lubin were held and two seminars on the subject were organised in the Company's head office. Their purpose was to disseminate knowledge, enhance the skills of urban planners and designers and set up a platform for discussing the impacts of mining operations. Over 60% of the event participants considered the discussions relevant for their jobs.

Formulation of the guidelines is another step towards safer investments in the areas affected by mining operations of KGHM. In 2004, the Company developed a Mining Induced Seismicity Scale, revised in 2011 in accordance with the suggestions of the social partners. Since 2012, a new 2004/11 Scale has been used to objectively assess the impact of seismic events on buildings and people. The Company has also appointed Coordination Teams for the Protection of Land Surface in Lubin and Polkowice whose members include representatives of local authorities, mining supervision administration, the Company's mining plants and KGHM Polska Miedź S.A.

Every year, the Company's divisions receive more than 500 requests from the Legnica-Głogów Copper District for the repair of mining damage and protection of new buildings and structures. In order to facilitate communication with the inhabitants of the area, all mining plants have mining damage departments which efficiently process all such claims. Between 2010 and 2011, the Company spent PLN 13m on repairs and prevention of damage (reinforcement of foundations of the buildings located in the area of negative environmental impact of the mines), while in 2012 the spending amounted to PLN 14m.

Expenditures incurred by the divisions of KGHM Polska Miedź S.A. on prevention and repairs of mining damage (PLN)

	2010	2011	2012
Lubin Mine	1 039 500	1 932 200	3 630 600
Polkowice-Sieroszowice Mine	2 471 000	3 511 000	1 258 000
Rudna Mine	2 149 600	1 965 500	2 309 300
Total	5 660 100	7 408 700	7 197 900

Number of reported mining damages and requests for preventive reinforcement received by the divisions of KGHM Polska Miedź S.A.

	2010	2011	2012
Lubin Mine	188	234	180
Polkowice-Sieroszowice Mine	187	195	165
Rudna Mine	168	135	182
Total	543	564	527

Number of settlement agreements on mining damages and preventive reinforcement entered into by the divisions of KGHM Polska Miedź S.A.

	2010	2011	2012
Lubin Mine	83	162	137
Polkowice-Sieroszowice Mine	174	180	159
Rudna Mine	33	82	50
Total	290	424	346

Polish Copper Foundation for the People and the Region

From the very beginning of its operations, KGHM Polska Miedź S.A. has been conducting a pro-social policy through the Polish Copper Foundation established in 2003. Its creation was a natural consequence of the corporate social responsibility approach adopted by the Company. Since the emergence of the copper industry in the Lower Silesia region, part of the profits from the business operations have always been reinvested to support various regional, national and international projects. The Polish Copper Foundation continues the tradition and develops its charity operations in conformance with the Act on Public Benefit and Voluntary Organisations.

The Polish Copper Foundation wants to maintain and enhance its position of the regional leader in corporate social responsibility. Its advantage is possession of transparent, structured principles of operation, covering both the process of review prior to the grant decision and the process of grant settlement and documentation. The

lists of institutional beneficiaries, the grant award principles and regulations are published on the Foundation's website, together with other documents important for the potential applicants and interested parties.

KGHM Polska Miedź S.A. systematically increases the amount of money contributed to the Foundation for the performance of its tasks: in 2010, the Value of the Foundation's support was PLN 12.5m, PLN 15m in 2011 and over PLN 19m in 2012 (support to institutions and individuals). Between 2003 and 2012, the Foundation, being the unquestionable leader in social responsibility activities in the region of Lower Silesia and in Poland, supported 1,719 institutional projects with a total amount of PLN 65,741,769.53 and the value of donations to individual beneficiaries totalled PLN 13,936,513.43. In 2012, in accordance with its statutory objectives and within its means, the Polish Copper Foundation tried to respond to various social needs and provided financial assistance to 199 local projects, 98 regional projects and 37 national and international projects.





Ewa Drozd

**Member of the Parliament
of the Republic of Poland,
Civic Platform**

“ The industrial operations conducted by KGHM POLSKA MIEDŹ S.A. are much more than a development opportunity for our country and a source of stable contribution to our national budget. The generated turnover is also the basic income for all people employed by the company and for numerous suppliers and contractors working with KGHM. The quality of life of all those people and their families depends on the management skills and professionalism of the individuals managing this huge organisation, one of the largest enterprises in Europe. But KGHM's profit is spent not only on the employees' remuneration. The Company undertakes numerous activities aimed at satisfying the 'higher' needs of tens or even hundreds of thousands of people. The employees of KGHM Polska Miedź S.A., their families, inhabitants of the region where KGHM conducts its operations and, in the case of major projects, all Poles can take advantage of a very wide offer of cultural, sports, educational or healthcare initiatives supported or initiated by the Company.

The activities of the Polish Copper Foundation offer a chance for implementation of many exciting projects.

KGHM's sponsorship supports the development of various branches of science and arts. Engagement in sports is understood by the Company, on the one hand, as a need to support a great deal of amateur events, lots of events addressed to children, young people and seniors and, on the other hand, to offer support and financial assistance to professional athletes. People who want to improve the quality of healthcare services or promote a healthy life style can count on the support of the Polish Copper Foundation. The mission which underlies all social projects implemented by the Company contributes to raising the civic awareness of young Poles and promoting respect for nature and protection of the environment.

The term 'corporate social responsibility' gaining on popularity in recent years is sometimes misunderstood by entrepreneurs, disregarded or treated in a superficial way, however, in the case of KGHM Polska Miedź S.A., it is translated into a consistent strategy implemented for the benefit of the entire society. The Company shows real care for its employees and spends the hard-earned money to make the dreams of many children and adults come true. It would be difficult to find a better example of sensible and honest social responsibility actions of an industrial company. As a resident of Głogów, speaking on behalf of all the inhabitants of the Copper Basin who are beneficiaries of the countless valuable projects, I would like to express my deepest gratitude to KGHM – a socially responsible corporation. ”

Foundation activities – areas	Statutory areas of operation	Financed projects
HEALTH CARE	<ul style="list-style-type: none"> health care and promotion 	<ul style="list-style-type: none"> Research and diagnostic programmes Blood donation and haemotherapy Upgrading specialist laboratories and expanding hospital wards Purchasing equipment and specialist medical devices Supporting medical institutions and establishments Academic conferences and medical symposia
SCIENCE AND EDUCATION	<ul style="list-style-type: none"> science and education tourism and recreation for children and young people 	<ul style="list-style-type: none"> Equipment for educational laboratories, kindergartens, primary schools, middle schools, secondary schools, and universities Scholarships and maintenance grants, prizes Establishing new educational laboratories and upgrading the educational base Educational programmes Scout camps, summer camps, sleep-away schools Academic symposia and conferences Academic publications, popular science and educational and training publications
REGIONAL HERITAGE	<ul style="list-style-type: none"> local history preserving national traditions, promoting all things Polish and developing national, civil and cultural awareness supporting ethnic minorities supporting European integration and contacts and collaboration between societies 	<ul style="list-style-type: none"> Promoting of mining and smelting traditions in the Copper Belt Organising community-building meetings in order to preserve mining and smelting traditions Organising St. Barbara's Day celebrations Celebrations to commemorate anniversaries of the discovery of copper ore deposits by J Wyżykowski, DSc Mining conferences and congresses Documenting the history of the copper industry Promoting Lower Silesian regional identity Supporting institutions which promote mining and smelting traditions Tourism and recreation for children and young people from the former Eastern Borderlands of the Second Polish Republic Ethnic minority festivals
SPORTS AND PHYSICAL CULTURE	<ul style="list-style-type: none"> promoting physical culture and sports 	<ul style="list-style-type: none"> Supporting selected sports and sports clubs and associations: <ul style="list-style-type: none"> Interschool and student sports clubs Sports associations and societies Country and village sports clubs Sports unions and federations, sports clubs Karate clubs and centres Educational aspect of sports and physical culture (for children and young people) Promoting sports and physical culture among children and young people Additions to sports and sports and recreation facilities (construction of playing fields, gyms, playgrounds, skate parks etc.) Upgrading sports and sports and recreational facilities

Foundation activities – areas	Statutory areas of operation	Financed projects
PROTECTING THE NATIONAL HERITAGE	<ul style="list-style-type: none"> protecting cultural heritage and tradition protecting environmental heritage 	<ul style="list-style-type: none"> Long-term and comprehensive revitalisation of religious and non-religious sites Conservation, revitalisation and rebuilding of historic buildings Conservation of movable items in buildings Purchases of valuable items for museums Protecting historic buildings, etc. against their destruction
ART AND CULTURE	<ul style="list-style-type: none"> culture art 	<ul style="list-style-type: none"> Art and cultural events, including art exhibitions, theatrical plays, music and film festivals Music and video recordings, staging theatre plays and making selected exhibitions Supporting film productions, art workshops Purchasing equipment for cultural institutions
ENVIRONMENTAL PROTECTION AND PUBLIC SAFETY	<ul style="list-style-type: none"> environmental and animal protection rescue and protection of people public order and safety and counteracting social pathologies 	<ul style="list-style-type: none"> Fulfilling the tasks specified in the Health Promotion and Environmental Hazard Prevention Programme of KGHM Polska Miedź S.A. <ul style="list-style-type: none"> organising prophylaxis and therapy holidays for children and young people swimming pool rehabilitation and sport sessions monitoring tests – risks Environmental education for children and young people Rescue and protection of people <ul style="list-style-type: none"> purchasing equipment for volunteer fire-fighters, the Police Training and preventive activities
OTHER SOCIAL ACTIVITIES	<ul style="list-style-type: none"> social service, including assisting families and individuals in need, and creating equal opportunities for such families and individuals supporting the disabled charitable activities 	<ul style="list-style-type: none"> Purchasing fuel, clothes, food for orphanages, institutions assisting the homeless or addicts, charity canteens, and providing food to underprivileged children Subsidised rehabilitation holidays, supporting physical activity of the disabled, supporting occupational therapy workshops Financial and technical support for organising charitable campaigns aimed at obtaining funds for those in need of medical treatment
INDIVIDUALS	<ul style="list-style-type: none"> health care social service, including assisting families and individuals in need, and creating equal opportunities for such families and individuals 	<ul style="list-style-type: none"> Purchasing medicines, treatment and rehabilitation for the disabled Assisting with the purchase of rehabilitation and orthopaedic equipment (e.g. hearing aids, insulin pumps, wheelchairs, prosthetic limbs) Rehabilitation holidays, medical treatment abroad Eliminating architectural barriers in the apartments of disabled people Assisting those leaving orphanages for them to become independent Purchasing school accessories and schoolbooks

Donations to institutions in 2012

No.	Field	Donations	
		Amount granted PLN	%
1.	Healthcare	1 638 385.00	10.82
2.	Protection of national heritage	3 172 000.00	20.95
3.	Science, education and upbringing	1 602 117.70	10.58
4.	Sport and physical culture	1 688 300.00	11.15
5.	Culture and art	1 615 000.00	10.67
6.	Environment and public security	1 028 730.00	21.37
7.	Regional development	3 236 000.00	6.79
8.	Other social causes	1 160 787.55	7.67
Total		15 141 320.25	100

No.	Donation cause	Donation value PLN	No. of projects	Location of projects		
				Copper Basin	Rest of the Lower Silesia Province	Other provinces / countries
1.	Healthcare	1 638 385.00	22	3	14	5
2.	Protection of national heritage	3 172 000.00	32	16	14	2
3.	Science, education And upbringing	1 602 117.70	83	46	23	14
4.	Sport and physical culture	1 688 300.00	55	45	8	2
5.	Culture and art	1 615 000.00	35	16	14	5
6.	Environment And public security	1 028 730.00	22	17	4	1
7.	Regional development	3 236 000.00	44	32	7	5
8.	Other social causes	1 160 787.55	41	24	14	3
Total		15 141 320.25	334	199	98	37

Donations to individuals in 2012

Donation cause	Donations		No. Of donations	Location of projects		
	Donation value PLN	%		Copper basin	Lower silesian province	Other provinces
Healthcare	3 854 240.00	97.5	1513	1149	252	112
Social welfare	98 500.00	2.5	47	46	1	-
Total	3 952 740.00	100	1560	1195	253	112



Cecylia Stankiewicz

President of the Polish Copper Foundation

“ The activities of the Polish Copper Foundation in 2012, similarly to previous years, focused on the promotion and protection of health. Donations helped to finance purchases of state-of-the-art medical equipment and apparatus for hospitals and rehabilitation centres. In addition to institutions, the Foundation also supports individual beneficiaries, particularly people who are in a difficult financial situation as a result of long-term treatment and rehabilitation. Grants are offered for the purchase of wheelchairs, rehabilitation equipment, hearing aids, insulin pumps, respirators or prostheses. In 2012, the Foundation funded close to 250 rehabilitation camps and removal of architectural barriers in 22 apartments of disabled persons to facilitate their daily mobility.

The focus of the Foundation's statutory objectives is the support offered to children and youth. Therefore, the Foundation buys equipment for classrooms, organises scientific conferences and finances holiday camps and school trips. Other causes include funding of projects propagating sports and physical exercise and expansion and modernisation of sports and recreation facilities.

The Polish Copper Foundation has been continuing and developing its charity and voluntary operations in conformance with the Act on Foundations and the Act on Public Benefit and Voluntary Organisations.

Adopting such a solution allowed for even more effective allocation of the Company's budget resources. One of the Foundation's strengths is a structured system of spending the funds, a transparent procedure of grants award and settlement and a detailed analysis of beneficiaries and their applications in order to ensure effective implementation of “ KGHM's corporate social responsibility policy.



Bogdan Zdrojewski

Minister of Culture and National Heritage

“ It is always a great satisfaction for me to observe how the business community contributes to funding culture. And that satisfaction has been growing in recent years since the positive changes in the mutual perception and understanding of the culture and business worlds have become more and more evident.

One of the leaders in the area of funding cultural projects and events is KGHM Polska Miedź S.A. which – through its Polish Copper Foundation – supports various social and cultural initiatives and projects. The department which I am in charge of acts as an intermediary in the implementation of investment projects co-funded by the European Union and supervises the measures implemented under the Infrastructure and Environment Operational Programme. During the selection of potential beneficiaries we always analyse whether the operator of a new or a

modernised institution will be able to meet the challenge and ensure sustainable financing of future operations. Usually, it is the local authorities who have to take over the financial burden, but more and more often business offers a helping hand. A positive example of this trend is the strategic partnership agreement signed between KGHM and the National Music Forum in Wrocław. I believe the partnership will be very fruitful and will demonstrate that stable, structured financing of culture is the most beneficial arrangement for both parties.

Another, invaluable example of support offered by the Polish Copper Foundation is the donation to finance the impressive copper dome for the Providence Church of God which will house the Museum of the Pope John Paul II and Stefan Wyszyński, Primate and Cardinal of Poland. Its construction under a commitment made in the 18th century would not be possible without private sponsors and generosity of the business partners.

I am positive that in the coming years KGHM Polska Miedź S.A. will continue to support the Polish culture and will set model standards of effective “ partnership for other companies.

Healthcare

The key objective of the Polish Copper Foundation is to support healthcare and health promotion. Between 2003 and 2012, the Foundation supported numerous healthcare institutions from the entire Lower Silesia region. In 2012, the total spending on that cause exceeded PLN 1.5m. The funds were spent on the purchase of state-of-the-art equipment and medical apparatus for hospitals, rehabilitation centres and other healthcare facilities. As a result, the quality and effectiveness of the health prevention activities have improved considerably.

One of the beneficiaries of the Polish Copper Foundation is the Lower Silesian Healthcare Development Foundation in

Wroctaw which in 2012 received PLN 300,000 for the implementation of a prostate cancer screening programme for the male inhabitants of the Copper Basin area over the age of 45.

The Foundation also donated PLN 400,000 to the projects of the Wroctaw Medical University and the Research and Development Centre of the Regional Specialist Hospital in Wroctaw. The Medical University spent the donation on the purchase of laparoscopy equipment for diagnostics and surgical treatment of alimentary tract diseases, while the Research and Development Centre of the Regional Hospital carried out a series of surgeries using the Da Vinci surgical robot purchased with the Foundation's assistance in 2011.



Professor Alicja Chibicka

Ph.D., Paediatric Haematology, Oncology and Bone Marrow Transplantation Clinic of the Medical University in Wroctaw

“ The Paediatric Haematology, Oncology and Bone Marrow Transplantation Clinic in Wroctaw has been working in partnership with KGHM Polska Miedz S.A. and the Polish Copper Foundation for many years. The Company supports regular meetings of cancer survivors, prepares gifts for our paediatric patients on special

occasions like the Children's Day or St. Nicolas' Day. When the bank account of the Clinical Hospital in Wroctaw was unjustly attached by a debt collection officer, KGHM Polska Miedz S.A. immediately transferred to us an amount of PLN 500,000 to ensure the security of our young patients.

The clinic is the only healthcare facility of this kind in Lower Silesia. We can always count on the support of KGHM when organising conferences and meetings promoting healthy life style, training programmes or lectures. Blood donated by the miners for the children treated in our clinic is the most valuable gift saving the lives of the patients. ”



Edward Schmidt

Board President, Miedzowe Centrum Zdrowia

“ In 2012, thanks to a cash contribution to the Company's share capital made by KGHM Polska Miedz S.A., the Electrophysiology and Hemodynamics Centre of Miedzowe Centrum Zdrowia S.A. was opened in the Regional Hospital in Legnica and the construction of a modern, multispecialty clinic of MCZ S.A. in Legnica was continued. KGHM Polska Miedz S.A. also financed purchases of advanced medical equipment and diagnostic apparatus. New health prevention

programmes were launched both for the employees of KGHM divisions and for the inhabitants of our region, particularly those living in the vicinity of our mines and smelters.

The Company's relationship with the Polish Copper Foundation deserves special attention. For many years we have been one of the main beneficiaries of the money donated by the Polish Copper Foundation to health prevention and promotion causes. In 2012, the Company received subsidies for the purchase of an ultrasound scanner to be used in the Intensive Care and Anaesthesiology ward of the MCZ S.A. hospital, restoration of the green areas around the new building of the MCZ Clinic in Legnica and execution of a health prevention and promotion programme "Together We Will Beat Cancer!" ”

A number of donations were made to various healthcare facilities to buy new medical equipment and upgrade the existing equipment. The beneficiaries of the Foundation include:

- the Healthcare Centre in Złotoryja – a donation of PLN 60,000 was spent on the purchase of specialist medical equipment for intensive care rooms of the Surgical, Gynaecological and Otolaryngological wards;
- Clinical University Hospital in Wrocław – a donation of PLN 70,000 was used to finance renovation of the Anaesthesiology and Intensive Care ward;
- Association for the Advancement of Cardiac and Vascular Surgery in Wrocław – a donation of PLN 120,000 funded the purchase of a respirator for new born children with low weight at birth in order to enhance the perioperative safety of the patients.

The Foundation also supported the Public Healthcare Centre in Oława with an amount of PLN 110,000 for the purchase of an ultrasound scanner to be used by the Paediatric Ward of the Hospital in Oława.

The health related activities of the Foundation also include promotion of blood donation, haemotherapy, bone marrow transplantation and voluntary work. Additionally, the Polish Copper Foundation supports a number of conventions, congresses and scientific conferences which thanks to the received financial aid have better opportunities for promotion and can attract more attendees. For instance, a grant was offered to support the organisation of the 7th Conference of the Audiology and Phoniatrics Section of the Association of Otolaryngologists and Head and Neck Surgeons in Wrocław. An amount of PLN 40,000 was donated to the publication of a handbook of endocrinology and metabolic diseases for physicians and medicine students entitled "Clinical Endocrinology" by the Endocrinology Society in



Warsaw. The Foundation also co-financed publication of four guidebooks addressed to cancer patients and their families as part of the "Together We'll Beat Cancer!" campaign. The value of subsidy awarded for that purpose to the Warsaw Foundation "Back and Forth" approximated PLN 95,000.

Since 2008, the Polish Copper Foundation has also been donating money to individuals with an aim to save human health and life, finance treatment and rehabilitation programmes and purchase rehabilitation and orthopaedic equipment. In 2012, the total spending on financial aid to individual beneficiaries approximated PLN 4m.



Tadeusz Zielniewicz

Director of the Royal Łazienki Museum in Warsaw

“ Thanks to financial support of KGHM Polska Miedź S.A. and its business partner China Minmetals Corporation, in 2012 we carried out a major redevelopment of the historical Chinese Alley crossing the central area of the Łazienki park. The old asphalt was removed and replaced with new surface over the entire length of 1,200 m. On 1 June 2012, following completion of the works, we were able to open the first Festival of

Chinese Lanterns which has become a great attraction for the inhabitants of Warsaw and tourists from all over the world. The renovated alley was also visited by the Prime Ministers of Poland and China during a meeting in Łazienki Royal Residence attended also by Mr. Herbert Wirth, President of the Management Board of KGHM Polska Miedź S.A. The Company's membership in the Łazienki Sponsors Club is a clear token of responsibility for the preservation of the Polish cultural heritage and a great help to the Museum in the renovation of the residence of Stanisław II August, the last king of Poland. The Royal Łazienki complex in Warsaw is becoming more and more beautiful thanks to the generosity of KGHM Polska Miedź S.A. ”



**Professor
Monika
Hardygóra**

**Ph.D. Chair of the Polish
Copper Foundation Council**



Having worked for many years at the Wrocław University of Technology and, at the same, time serving as a member and recently as the Chair of the Council of the Polish Copper Foundation, I always emphasize the significance of the contribution made by KGHM Polska Miedź S.A. and the Foundation to the academic and scientific community of Wrocław. Especially valuable is the support provided to areas

which, due to limited budget funds, remain under-invested. As a sponsor of unique research equipment, money awards granted to young scientists and the most talented students of the Wrocław University of Technology and of conferences and other scientific events, the Foundation stimulates growth of the social potential of the Lower Silesia region and supports the development of the higher education institutions in Wrocław. It is also the only Company engaged in international studies offered under the Federation of European Mineral Programmes (FEMP) in which a number of students, researchers and scientists from all over the world take part every year. As a result, Wrocław remains one of the most powerful academic centres in Poland.



National Heritage

A very important aspect of the Foundation’s operation is the support provided to conservation of the cultural heritage and preservation of traditions. In 2012, the Foundation donated over PLN 3m to renovation of numerous historical monuments.

Last year, the Foundation donated PLN 1m to the Royal Łazienki Museum in Warsaw for revitalisation of the Chinese Alley and construction of the Chinese Pavilion in the historical garden. The amount of PLN 600,000 was spent on conservation and maintenance of the Krzeszów Cistercian Abbey and its surrounding. Financial assistance was offered mainly to projects aimed at renovation of sacral

buildings, for instance, PLN 300,000 was donated to the reconstruction of Collegiate in Głogów, in particular for reinstatement of a groined vault in the side aisle of the St. Mary’s of the Assumption Roma Catholic Parish Church.

Education and Sports

In 2012, the Polish Copper Foundation spent over PLN 15.m on supporting 83 educational and research projects.

The Foundation offers financial assistance to the most talented students of sciences by sponsoring numerous competitions and awards. A good example is funding money awards for the best theses on underground mining written by the graduates of the Mining Engineering



Marian Łata

**Chief of the Lower Silesian
Division, ZHP**



The Polish Copper Foundation is the most active supporter of the Lower Silesian Division of the Polish Scouting and Guiding Association (ZHP). We have been working together continuously for 10 years. Thanks to financial assistance from the Foundation we can organise different events from our programme of activities such as the Summer Scouting Project or

scouts rallies and buy the necessary camping equipment. It needs to be strongly emphasized here that the Foundation never expected special recognition or honours in return for its valuable help and contribution.

The scope of the Foundation’s sponsoring activity is very wide. The beneficiaries include the scouts teams in Lubin, Legnica, Lubań, Głogów, Złotoryja, Bierutów, Polkowice and many other units of the Lower Silesian division of the ZHP. Without the assistance and support of the Polish Copper Foundation we would not be able to deliver all our plans or the objectives set by the National Scouting and Guiding Association.



and Geology Department in the academic year 2011/2012. The donations awarded by the Foundation in 2012 helped to organise a number of valuable conferences, workshops and training events and publish scientific books and manuals.

A significant part of the donated money was used to finance holiday for children and youth. Unforgettable summer and winter camps and daily activities are organised by the local branches of the Children's Friends Society and the Polish Scouting and Guiding Association, youth centres, NGOs, children's homes and church parishes. In 2012, the Foundation donated over PLN 200,000 for the organised holidays for children and youth from the entire country and, in particular, from the Copper Basin (Legnica, Lubin, Głogów, Złotoryja, Ścinawa).

As part of its statutory activities, the Foundation co-sponsored a TV quiz called 'Motoklasa' for gymnasium students from Lower Silesia. Other educational initiatives in 2012 included co-financing (PLN 100,000) of a post-graduate course "Cultural Heritage Management" offered by the Wrocław University and donations of the total value of PLN 500,000 for the purpose of buying teaching aids and educational equipment for schools and other educational institutions from all over Poland.

The Polish Copper Foundation is also engaged in promotion of physical activity and sports among children and young people. The Foundation supports various initiatives in the field of sports and physical fitness undertaken by the local and regional institutions and organisations. In 2012, the donation of over PLN 1.6m helped to finance numerous sports training events, tournaments and competitions and modernise sports facilities. In 2012, Zagłębie Lubin S.A. soccer club, Zagłębie Municipal Sports Club in Lubin, the Chrobry Handball Association in Głogów and Siódemka Junior Handball Association in Legnica each received a donation of PLN 100,000. The money was intended to support the training of children and young players and organisation of competitions and sports camps for junior teams. The Foundation also co-financed upgrading of the sports field in Obora (PLN 200,000) and the project of building a skate park in Legnica (PLN 250,000).

Art and Culture

In 2012, the Polish Copper Foundation donated over PLN 1.6m to art and culture, participating in the financing of 35 major projects organised by both local institutions, cultural centres, museums, theatres and foundations. The most spectacular events sponsored by the Foundation last year included the 35th edition of the SATYRYKON International Exhibition – Legnica 2012, the International Chopin Festival in Duszniki Zdrój and the SILVER 2012 Festival in Legnica.

Thanks to financial assistance from the Polish Copper Foundation, another edition of the music festival "Jawor Concerts for Peace" highly appreciated by the inhabitants of the Copper Basin was organised. The Foundation also supported Polish cinema by sponsoring the production of the "Battle of Vienna" and the "Photographer" movies and a documentary entitled "Riese. Secrets Carved in Stone" produced under the educational project "Lower Silesia Rich in History". The Polish Copper Foundation made a financial contribution to the organisation of the Polish and Russian Film Festivals: the 5th Vistula Festival of Polish Films in Russia and the 6th Festival of Russian Films in Poland "Sputnik Over Poland".

Environment and Public Safety

Taking care of the wellbeing and safety of the inhabitants of the Copper Basin and the Lower Silesia, the Polish Copper Foundation engages in numerous projects and local activities concerning the environment and public safety. In 2012, the Foundation supported 22 projects in those fields with a total donation value exceeding PLN 1m. The majority of the donated funds were used to purchase specialist equipment for the local safety and rescue forces, such as the fire service and the police, and to finance outdoor learning for children. The Foundation also sponsors local prevention and training programmes addressed to children and youth. Thanks to the grant of close to PLN 420,000 the Foundation organised a number of outdoor learning events for students of elementary schools from Krotoszyce, Kotla, Żukowice and Jerzmanowa. Under the project of promoting healthy lifestyle, children were offered an opportunity to attend swimming classes.



In 2012, the Polish Copper Foundation co-financed purchase of rescue and fire fighting equipment and specialist clothing for the Voluntary Fire Service in Piersna and purchase of specialist clothing for three units of the Voluntary Fire Service in Kotla.

The Foundation also participates in humanitarian aid campaigns for the victims of accidents and natural disasters. One of the examples is the purchase of construction materials for families whose houses suffered most severe damage during the flooding of Maciejowa district of Jelenia Góra.

Regional Tradition

Cultivating the Polish tradition and raising the national, civic and cultural awareness are among the statutory objectives of the Polish Copper Foundation. In 2012, the Foundation provided support to 44 projects in that category with a total value of more than PLN 3m. The Polish Copper Foundation made a significant contribution to the organisation of the 15th International Folk Festival "Kyczera World", a regular item in the calendar of cultural events in the Copper Basin.

Of very high significance for the regional identity is the cultivation of the mining and smelting traditions in the Copper Basin. Therefore, the Polish Copper Foundation contributes to the promotion of copper industry and in 2012 spent over PLN 500,000 on that cause. Thanks to the donation of the Foundation, celebrations of the annual Barbórka Holiday and the anniversary of copper ore deposits discovery by Dr. Jan Wyżykowski were held. The events were organised by the social and cultural organisations of the inhabitants of the Copper Basin, including the Jan Wyżykowski Friends Society in Sieroszowice and



the Society of Lubin Area Enthusiasts. Another beneficiary is the Złotoryja Society of Mining Traditions which received a high value donation for the construction of a Mining and Smelting Theme Park in Leszczyna near Złotoryja.

Other Social Causes

In order to prevent social exclusion of disabled people and people in a difficult life situation, the Foundation supported the implementation of 41 social welfare projects in 2012 with a total donation value exceeding PLN 1.1m. Support is also available to individual beneficiaries – the total value of individual donations in 2012 approximated PLN 4m. Two prominent projects in this category which are worth mentioning include a donation of PLN 200,000 for the rebuilding of the home of the Nowak family damaged during an aircraft disaster in Cracow and another PLN 200,000 donated to finance the expansion of a cutting-edge rehabilitation centre at the John Paul II Paediatric Welfare and Treatment Facility in Jasz kotla.



Wanda Wdowiak

Jan Wyżykowski Friends Society in Sieroszowice

“ It is an honour to us to see KGHM Polska Miedź S.A. so deeply involved in the social life of our region. As an NGO, we are also pleasantly surprised by the excellent communication and quality of mutual contacts. The commitment of KGHM and the Polish Copper Foundation to the development of the region, cultivation of tradition and

introduction of innovation in the contacts and relationships is a great value.

The Polish Copper Foundation, with very little focus on publicity, offers favourable conditions for creative action, professional support and financial assistance. Such a model of cooperation leaves no room for egoism and engagement in social affairs brings measurable benefits changing the reality around us. The Jan Wyżykowski Friends Society in Sieroszowice highly appreciates collaboration with the Foundation to date and hopes for continuation of this fruitful relationship in the future, to the benefit of the entire region. ”

The Polish Copper Foundation supports initiatives aimed at counteracting social exclusion of the disabled. The donations are spent on financing rehabilitation programmes, therapeutic workshops, promotion of physical activity and integration of the disabled but also on conversion projects to remove architectural barriers which isolate disabled people.

The Foundation recognises growing social disparities and provides aid to the most disadvantaged social groups, by subsidising the purchase of heating fuel, clothes and food for children's homes, shelters for the homeless, therapy centres for people with addictions and canteens serving free meals to children. At the beginning of the school year, the Foundation also buys school starter kits for children from low-income families.



Sister Małgorzata Malska

Silent Workers of the
Cross, Głogów

““ The Silent Workers of the Cross whose mission is to help suffering people have been working together with the Polish Copper Foundation since 2005. Over the period of eight years, the Foundation has supported our John Paul II Home for the Sick financing equipment for the audio-visual room, purchase of a van for transporting disabled persons, adaptation of the gym and purchase of rehabilitation equipment, including the new generation 'shock wave' system used in the treatment of many different conditions. The Foundation also

helped us organise numerous integration, cultural and sports events.

The beneficiaries of the investments are both the inhabitants of Głogów and surrounding areas who use the services of our rehabilitation centre and people from all over Poland who take part in residential rehabilitation programmes, symposiums or religious retreats.

We are aware of the fact that without the Foundation's support we wouldn't be able to carry out many of our activities addressed to disabled and sick people, aimed at helping them overcome the barriers and limitations associated with their diseases. We appreciate the Foundation's sensitivity, kind-heartedness and valuable contribution to the propagation of the civilisation of love and mercy. ””



Sister Zofia Zajac

Director of the Nursing
Home of the Sisters of
St. Elisabeth in Chetmsk

““ Our collaboration with the Polish Copper Foundation began in 2009 and has been going on continuously until today. Over the years, the living standards of our patients have improved considerably. Thanks to the donation we

were able to replace the old roofing and fit thermal insulation, our patients received new rehabilitation beds with side tables and we managed to renovate patients' rooms, corridors and bathrooms. An access ramp for wheelchairs and an emergency exit have been built. The building walls have been insulated and the facade has been redecorated. On behalf of our patients I would like to express my deepest gratitude for the generosity shown to date and hope for further fruitful collaboration in the future. ””

The Foundation in the Eyes of the Municipalities



Beata Castañeda Trujillo

Head of Krotoszyce Municipality

“ Krotoszyce is a small, modest rural commune situated in direct vicinity of the Legnica Copper Smelter. For a number of years we have been working with the Polish Copper Foundation, in particular in the field of health prevention with a focus on children. Every year, the Foundation pays for outdoor learning camps on the Baltic Sea for children from our schools and for regular swimming classes for the kids. The schools

have received modern multimedia equipment and teaching aids and an excellent sports and recreation area next to the school. The social benefits of the implemented projects are huge. The Foundation helps us take care of the health of our children and provide equal educational opportunities to students from rural areas.

The financial support offered by the Polish Copper Foundation to projects implemented in Krotoszyce is an excellent example of corporate social responsibility of KGHM Polska Miedź S.A., in this case responsibility for children and teenagers born and living in the area exposed to the impact of the Copper Smelter in Legnica. ”



Krzysztof Wołoszyn

Head of Żukowice Municipality

“ The collaboration between Żukowice Municipality and KGHM Polska Miedź S.A. has been very fruitful. Our neighbour not only extracts and processes minerals but also supports

healthcare services for the local community (hospitals and clinics), cultural events and recreational activities. Thanks to the Polish Copper Foundation, children from Żukowice Municipality participate in swimming classes and outdoor learning programmes. The Polish Copper Foundation tries to ensure equal opportunities to all children and young people by creating high-quality sports and recreation infrastructure and buying equipment for the schools and books for libraries. ”





Łukasz Horbatowski

Head of Kotla Municipality



Thanks to cooperation with KGHM Polska Miedź S.A. in 2012 we held the 18th edition of "Stachuriada" Festival which every year attracts numerous fans of poetry and music from all over Poland. Also last year, the Polish Copper Foundation purchased new specialist boots and clothing for the members of our voluntary Fire Service and sports equipment for our

soccer team. We also started the building of a sports field in Grochowice. A new playground for children from Kotla was also built with the support of KGHM Polska Miedź S.A. The Foundation supports health prevention programmes for children from our Municipality and sponsors outdoor learning events and swimming classes for children.

All the initiatives implemented in partnership with the Polish Copper Foundation are highly appreciated by our community. The collaboration between KGHM Polska Miedź S.A. and Kotla Municipality stimulates the development of the entire region and the citizens recognise benefits of having the Company as its neighbour.



Jacek Szwagrzyk

Head of Gaworzyce Municipality



The year 2012 saw tangible outcomes of cooperation between Gaworzyce Municipality, KGHM Polska Miedź S.A. and the Polish Copper Foundation, including the completed renovation projects of community centres in the villages and purchases of new equipment to support their operation. It was a truly valuable contribution to the quality of cultural life in our municipality.

With the support of the Polish Copper Foundation, we were able to implement numerous projects stimulating citizens' activity. A donation from the Foundation allowed us to continue renovation of the Gaworzyce palace and restoration of valuable sacral monuments situated on our territory. Our schools have received modern equipment which greatly facilitates high quality teaching and learning processes. The Foundation has also co-financed the building of outdoor gyms in Grabik and Gaworzyce to let the residents spend leisure time in an active and healthy way.



KGHM Polska Miedź S.A. as a Sponsor and Social Investor

Sport, culture and science are the three fields in which the activity of KGHM as a sponsor of local, national and international events is most evident. In 2012, KGHM Polska Miedź S.A. spent PLN 38.46m on sponsorship activities.

Table 16. KGHM’s spending on sponsorship (EC8)

No.	Field	Amount (PLN)
1	Sports	29 552 926
2	Culture	6 252 739
3	Science	2 658 819
Total		38 464 484

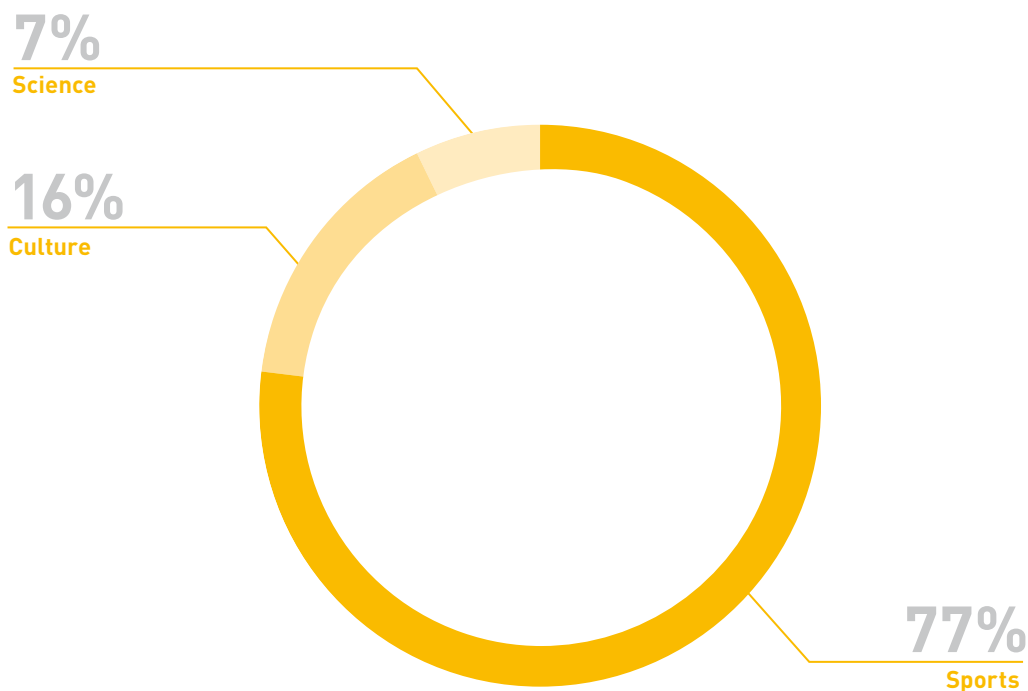
Thanks to its sponsoring activity, the Company is perceived as a promoter of sports, culture and art. For many years, it has participated in the organisation of and assumed patronage over prominent events addressed both to the regional communities and all citizens of Poland. But sponsoring is not the only form of financial support to local communities offered by the Company. In 2003, KGHM Polska Miedź S.A. established the Polish Copper Foundation which has become a true leader of corporate giving in Poland. In 2012, the Company contributed PLN 22.04m for the statutory objectives of the Polish Copper Foundation.

Sports

KGHM Polska Miedź has been very active in supporting and promoting sports. The general objective of sports sponsorship is to build a positive image of the Company which has a strong influence on the quality of life of a majority of people in Legnica-Głogów Copper District and, for this reason, feels responsible for the future development of the region. The Company thus engages in a wide range of social activities, including promotion of sports through the sponsorship of sports clubs and events, in particular those in the Copper Basin and Lower Silesia.

Sports sponsorship is a mission and the Company acts as a fully professional partner treating sports as an important aspect of social life. KGHM Polska Miedź supports not only professional top-level sports but also amateur sports. Being the biggest employer in the region, the Company appreciates its role in promoting a healthy way of spending leisure time and shaping the characters of young people. The majority of the sports funding goes to Zagłębie Lubin S.A. football club, but the Company also supports MKS Cuprum Lubin (volleyball club), MKS Zagłębie Lubin (handball club), SPR Chrobry Głogów (handball club) or MSPR Siódemka Legnica (handball club). In 2012, the Company additionally supported numerous smaller and bigger sports events and projects, such as the Bieg Piastów 2012 Cross Country Skiing Race, the ‘Szlakiem Grodów Piastowskich’ Cycling Tour, the Cross Country Skiing Cup in Szklarska Poręba, 18th Chess Tournament for Youth for the Cup funded by the Lower Silesia Governor, the KGHM Young Footballer Academy or the First ‘Bieg Straceńców’

Diagram 12. Spending on sponsorship by categories



Race. The Company is also a sponsor of two Polish tennis players, Łukasz Kubot and Michał Przysiężny.

For Young People

One of the key objectives pursued by KGHM in the Copper Basin is to promote sports among children and youth. A flagship project in this field is the Young Footballer Academy of KGHM Zagłębie Lubin club. The Academy was launched in June 2012 and its sponsor with the naming rights is KGHM Polska Miedź S.A. which to date donated PLN 1m for the start-up of the Academy. The concept of the Academy is very ambitious: the Coaching Council has already been appointed and made responsible for the development of a uniform system of training, defining

the requirements for the coach jobs and evaluation of the Academy players. The Technical Director of the Academy is Richard Grotschoolten, a coach working previously with Sparta Rotterdam, Ajax Amsterdam and the Dutch Football Federation. In Sparta, Grotschoolten was the second coach and the sports and technical director of the Football Academy run by the Club. In 2008, he received the Rinus Michels award for creating the best Football Academy in the Netherlands.

Recently, the Academy has initiated talks with the representatives of the County authorities and Lubin City Hall about the possibility of purchasing land under construction of the training facilities for the Academy on preferential terms. The main objectives of the Academy include



Witold Kulesza

President of Zagłębie Lubin Youth Sports Club



I am glad to see that in addition to business activities, KGHM Polska Miedź S.A. actively engages in corporate social responsibility initiatives. I would like to emphasize the Company's commitment to the promotion of physical culture and sports, particularly among the youngest inhabitants of the region associated with MKS Zagłębie Lubin club. Thanks to sponsoring

activities of KGHM Polska Miedź S.A. and donations from the Polish Copper Foundation, our youths can practise their favourite sports discipline, take part in tournaments and league games and go on sports camps.

KGHM Polska Miedź S.A. sponsors our female and male teams which play in the highest divisions and which many times won the national championship and runner-up titles and four times the Poland's Cup. Under a joint project of the Club, KGHM and the Board of the Sports School Complex in Lubin, a specialist training programme in handball was launched at all levels of education, from elementary to secondary school for 300 students.



Bożena Karkut

Handball coach, MKS Zagłębie Lubin



The collaboration between KGHM Polska Miedź S.A and Zagłębie Lubin Youth Sports Club has been going on for years. I started working in the club as a coach in 2000. Thanks to valuable support and assistance from the Polish Copper Foundation, every year we win numerous awards and trophies in Poland and abroad (Poland's Championship in 2011, 6 runner-up titles in

Poland's championships, 3 bronze medals, 3 Poland's Cups and two semi-finals of the European Cups). Thanks to those successes, handball enjoys great interest of people in Lubin, also the youngest ones. With the help of KGHM Polska Miedź S.A., we can offer top-quality training to children and teenagers both in Poland and abroad and, in this way, contribute to the positive image of KGHM copper holding.

Overall, we provide training to over 400 young handball players, most of whom are children of KGHM employees. I would like to express my deepest gratitude for the long-term partnership with our club which has a significant influence on the sports image of the entire Copper Basin.





Ryszard Maraszek

President of Polkowice Sports Club



2012 was a breakthrough year in the partnership between the Polish Copper Foundation and Polkowice Sports Club. We received a considerable financial assistance which allowed us to intensify our health and physical fitness promotion activities. Additionally, the number

of children and teenagers actively training in our club increased to 315. The grant helped us to finance transport of children to sports camps, medical services, accommodation and catering. We also organised a number of trips. Without the help of the Polish Copper Foundation we wouldn't be able to make our dreams come true.

We strongly believe that thanks to our partnership with the Foundation we will be able to jointly implement many more projects promoting sports and physical activity among children and youth.

supporting the development of young sports talents, enhancing the regional identity and increasing the number of young players in KGHM Zagłębie Lubin. In 2012, 300 children participated in the activities of the Academy.

According to the assumptions of the project, the training method is intended to enable identification of talented children, propagating fair play principles and healthy lifestyles and promoting gender equality (girls also train and play football in the Academy). Until 31 December 2012, KGHM Zagłębie Lubin had signed cooperation agreements with a number of football training centres, such as Iskara Kochlice, Odra Ścinawa, UKS Impuls Wawrów, UKS Gryf Świdnica, OSSM in Legnica, OSSM in Dzierżoniów, COMT 2012 Bolesławiec and Falubaz Football Academy.



Culture

KGHM Polska Miedź S.A. is also an active sponsor of culture. In 2012, the Company supported production of a special edition of a documentary on Vatican Museums entitled "Art and Faith" and of the "Battle of Vienna" movie, the National Music Forum in Wrocław, the Moniuszko Festival, the Vistula Festival of Polish Films in Russia and 'Sputnik Over Poland' Festival of Russian Films in Poland, the Festival of Polish Culture in Beijing, the Kisiel Award and a number of local events such as the Silver Festival in Legnica, the Głogów Days, the Lubin Days or Dymarki Floriańskie Festival in Leszczyna. Overall, the Company co-financed 30 cultural projects.



Ryszard Nowak

Deputy Director of
Wrocławski Teatr
Współczesny

“ The Polish Copper Foundation has been actively supporting the artistic activities of Wrocławski Teatr Współczesny for five years. Thanks to their commitment, we created together unique performances and remarkable projects. We jointly offered our audience an opportunity to see top-quality theater performances with the appearance of outstanding artists.

Thanks to the grant received from the Polish Copper Foundation in 2012 for the implementation of the project “Aging With Dignity” and the performance “Hopla, żyjemy” (“We’re Still Alive”), we managed to attract the attention of the audience to an important

problem which is often disregarded or avoided in daily conversations. It was a big step towards overcoming the stereotype of senility being an unsightly, useless and bitter stage of life. We spoke out loud about the needs of seniors, paying much attention to the spiritual aspects of their life. We organised theatre workshops for seniors and high school students in order to confront the two generations and the two worlds: immaturity versus the beautiful golden age.

But KGHM Polska Miedź S.A. and the Polish Copper Foundation is for us much more than just a source of financial assistance. We highly appreciate contact with the people who support our work with a lot of care, interest and enthusiasm. We feel honoured seeing their passion, commitment and fondness of art. Mr. Herbert Wirth, President of KGHM Polska Miedź S.A., Ms. Cecylia Stankiewicz, President of the Polish Copper Foundation and Krzysztof Kułacz, Foundation Secretary are the names which will always be part of the history of our theatre. ”



Małgorzata Skulska

Director of the
'Sputnik Over Poland'
and Vistula Festivals

“ For the last three years, KGHM Polska Miedź S.A. and the Polish Copper Foundation have been supporting the organisers of the Vistula Polish Film Festival in Russia and the Sputnik Over Poland Russian Film Festival in Poland. The Company's and the Foundation's employees have been very helpful and professional and made a great contribution to the success of both projects. The Company's support is not only the funding but also deep personal involvement in the project. People from KGHM every year participate in the festivals and show great interest in the event programmes.

By supporting the festivals, KGHM Polska Miedź S.A. and the Polish Copper Foundation promote high quality Polish and Russian Culture. The festivals present latest Polish and Russian movies, classics, documentaries, short films and animations. A number of side events, including concerts, exhibitions, lectures, workshops and meetings with artists are also held. KGHM Polska Miedź S.A. and the Polish Copper Foundation make a contribution to enhancement of the

close relationship and wide-ranging cultural cooperation between Russia and Poland.

35 mm and the 'I Support' Foundation, together with KGHM Polska Miedź S.A. and the Polish Copper Foundation, are also engaged in activities aimed at equalisation of opportunities of the blind and visually impaired persons by creating favourable conditions for self-reliant, competent perception of art by disabled people.

Thanks to cooperation with KGHM and the Polish Copper Foundation we have also managed to show the most beautiful Russian fairy tales and fables to children in Poland. Our “Little Sputnik” has grown from a small review of Russian films to a large-scale festival of the most interesting films for young audience.

35 mm and the 'I Support' Foundation express their deepest gratitude to KGHM Polska Miedź S.A. and the Polish Copper Foundation for their support to the implemented cultural projects.

Without the help of institutions engaged in corporate social responsibility activities, the success of the festivals and the enhancement of the friendly relationships between Poland and Russia, would not be possible. ”



Ewa Wolniewicz-Dzeljilji

Director of the Wrocław Branch of Polish Television

Working as a reporter for the 'Fakty' regional news programme I have observed for many years and frequently commented on numerous projects and initiatives which made KGHM Polska Miedź S.A. a company friendly to people and the natural environment. At present, the Wrocław TV branch and the Polish Copper Foundation work together on a daily basis.

The outcome of our collaboration is the "Motoklasa" TV quiz on road safety addressed to young people, students of gymnasiums in the region of Lower Silesia. This initiative is in line with our mission as public

television and a token of the Company's true care for social issues and willingness to integrate with the community.

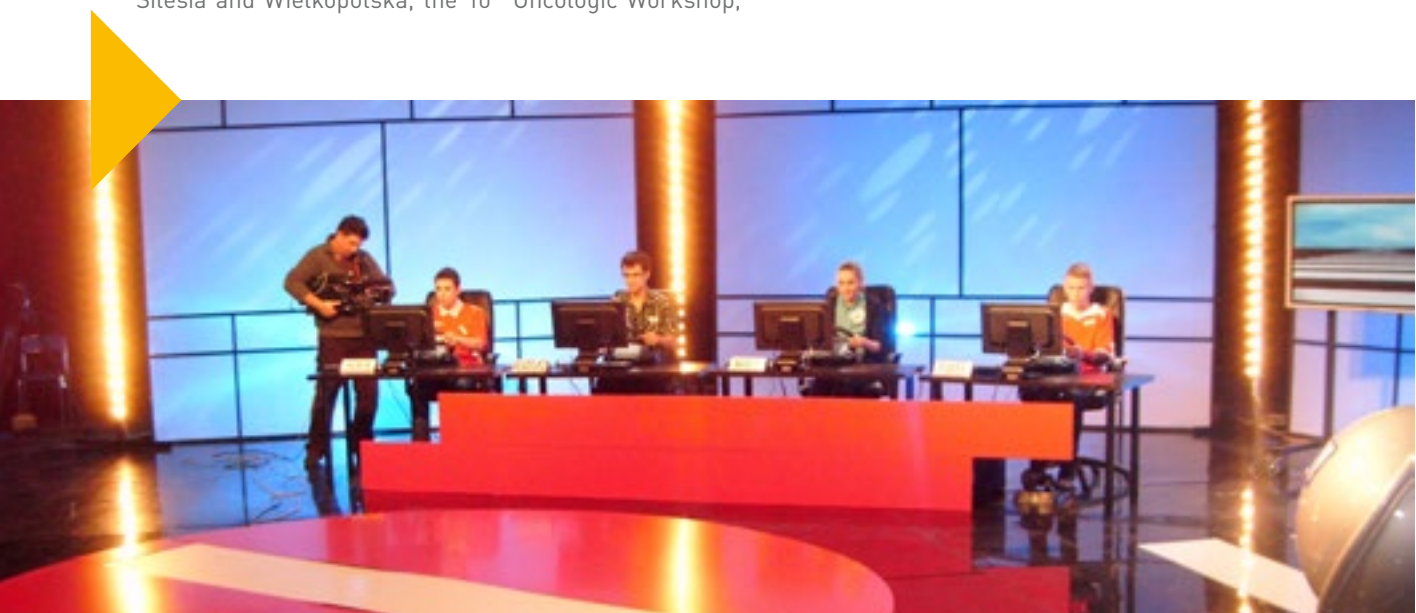
Our sixth joint film project completed last year is a documentary entitled "Riese. Secrets Carved in Stone" which forms part of a cycle "Lower Silesia Rich in History". By participating in the project, KGHM contributes to documentation of the history of the region with which it is inseparably associated and adds its valuable piece to Poland's national archives.

Without KGHM, many educational, social or cultural projects would not have a chance for implementation. KGHM's philosophy should be a model for other businesses and a clear example demonstrating that partnership with stakeholders and care for the environment are a key to success and achievement of important objectives.

Science

KGHM Polska Miedź S.A. is also a very active sponsor of scientific projects. The Company supports higher education institutions in order to promote partnership between the industry and the academia. The Company offers its knowledge and experience and provides financial assistance to projects related to KGHM's core business or aimed at solving urgent problems of the region. In 2012, KGHM Polska Miedź S.A. supported the organisation and financing of a number of conferences and symposiums, including the Congress of Robotic Surgery, the "Vocational Training for the Industry" conference, the 5th Scientific Conference of Gastroenterologists from Lower Silesia and Wielkopolska, the 10th Oncologic Workshop,

the 3rd Congress of Polish Oncology, the "Poland on Shale Gas" conference of special importance from the point of view of the Company's diversification plans, the European Economic Congress, the Academy of Underground Mining and the Poland-EU-China Economic Forum. The Company also participated in the organisation of the industry meetings and events, such as the Critical Minerals Conference, the 14th Science and Research Conference "Holding Tanks for Bulk Materials and Liquids, Industrial Stacks and Hydrotechnical Facilities", the "Air Quality Protection – POL-EMIS 2012" conference, the 2012 Research and Innovation Convention and the Lower Silesia Festival of Science. Overall, in 2012 the Company supported 35 scientific projects and events.



Polish Copper Traditions



Krzysztof Kułacz

Secretary of the Polish Copper Foundation, Editor in Chief of 'Miedziorysy' Quarterly Magazine

“ One of the elements of building the identity of KGHM is cultivation and fostering of the mining and smelting traditions of the Polish Copper and supporting the development of a strong and dynamic Copper Basin. Our Company, from the very beginning of its existence, has paid due attention to industry festivities, anniversaries and many other special occasions which helped our employees, their families and the inhabitants of the region of Legnica, Lubin, Głogów and Polkowice, develop and strengthen their bonds with the employer and social relationships. Through such activities which involve not only businesses but also local authorities, NGO's, educational and cultural institutions, sports clubs, etc. we lay foundations for the growth of our region to the benefit of future generations. For KGHM, cultivation of traditions is also one of the aspects of building the organisational culture of work and ethical conduct, with a view to enhancement of the social responsibility spirit in our Company. We are very proud of our annual celebrations of Barbórka Miners' Days and Florian Smelters' Days, as well as industry holidays of other Group companies (e.g. the Energy Day or the Healthcare Day).

In 2012, the second meeting was held in Dr Jan Wyżykowski Room of the Head Office of KGHM Polska Miedź S.A of children and youth from schools and other educational institutions whose names and patrons contribute to the cultivation of the Polish Copper traditions. Children and young people took part in the competition checking their knowledge on Polish Copper and presented an artistic programme.



Through the Polish Copper Foundation we offer donations to a number of institutions and voluntary organisations which cultivate the values and history of the Copper Basin and educate young people. We highly appreciate the activities of the Association of the Polish Mining Engineers and Technicians, Jan Wyżykowski Society in Sieroszowice (where copper deposits were discovered in 1957), the Society of the Lubin Area Fans, the Mining Tradition Society in Złotoryja and the Copper Museum in Legnica.

As part of our tradition promotion activities we started publishing a quarterly magazine called "Miedziorysy – Polish Copper People and Traditions" which will describe the lives of the people who worked for many years with KGHM. In this way, "Miedziorysy" magazine makes contribution to the implementation of the corporate social responsibility (CSR) policy of KGHM Polska Miedź S.A. and its CSR activities undertaken from the very beginning. ”





5.





ECO-INNOVATOR

Eco-Innovator

Being part of the global business community, we want to maintain stable, high standards of environment protection and responsibly develop our operations.

Key figures:

PLN **179.45** m

is the amount of money spent by KGHM Polska Miedź S.A. in 2012 on investments in environment protection

PLN **26.96** m

is the total value of environmental charges paid by the Company's divisions (PLN 1.5m up from 2011)

14.3 km

is the total length of the dam crown protecting the "Iron Bridge" Tailings Treatment Pond

48

protected animal species, mainly birds and bats have been identified on the territory of five exploration areas covered by the "Concessions 2013" project.

15 kt/year

is the planned increase in the recycling of lead-bearing waste in KGHM Polska Miedź S.A. after the commissioning of the fourth Doerschl furnace in the Głogów Smelter. The project is one of the Company's key environmental investments.



Janusz Piątkowski

Environmental Policy
Department, KGHM
Polska Miedź S.A.



From the perspective of many years of dealing with the environmental problems associated with copper production, I have observed evolution in the KGHM employees' way of thinking about the environment, from purely technocratic to a more humane approach. In the past, we were mainly focusing on such questions as the

installations which should be used in order to reduce emissions, the solutions to be applied to minimise generation of waste at source or the measures which need to be implemented to mitigate the impact of copper industry on ground and surface waters. Today, we don't forget about technology, but we tend to think more often about the nuisance caused by the copper industry to the population of the region, people whose houses often neighbour on our plants. I think that the Corporate Social Responsibility Strategy adopted by the Company Management Board is a substantial evidence for the change of attitude which I have mentioned.

Protecting Health and Nature

Corporate social responsibility is not only the care for the employees or the local community, but also the environment directly affected by the Company's operations. The ideas of sustainable development and respect for the environment are among the key elements of the KGHM strategy.

Assumptions of the KGHM Environmental Policy

- Maintenance of all equipment used to protect the natural environment in good working order;
- Identifying new technological solutions limiting industrial impact on the environment and implementing them as and when required and feasible;
- Development of waste management technologies and a continuous increase in the share of recycled waste in the total volume of generated waste;
- Ongoing partnership with the local communities and authorities for the benefit of the environment;
- Collaboration with the Ministry of Environment in the scope of implementation of the national environmental policy, particularly with regard to transposition of new EU legislation.

The copper mining industry, involving extraction and processing of copper ore, is not neutral for the natural environment. The mines themselves, treated as infrastructure, do not cause major changes to the land surface or to landscape. There are no heaps, raw material piles or soil tips. The negative environmental impact involves mainly generation of different types of waste, mining-induced earthquakes, emissions from smelters and upcast ventilation shafts and the potential subsidence of land above the extracted void.

The main installations of KGHM Polska Miedź S.A. which give rise to environmental impacts include:

- Smelting installations;
- Copper ore enrichment installations;
- Tailings treatment facility ("Iron Bridge"); and
- Mining plants.

Their operation leads to the generation of:

- Dust and gas emissions to air;
- Waste stored in aboveground facilities;
- Emissions to surface water bodies; and
- Noise emissions.

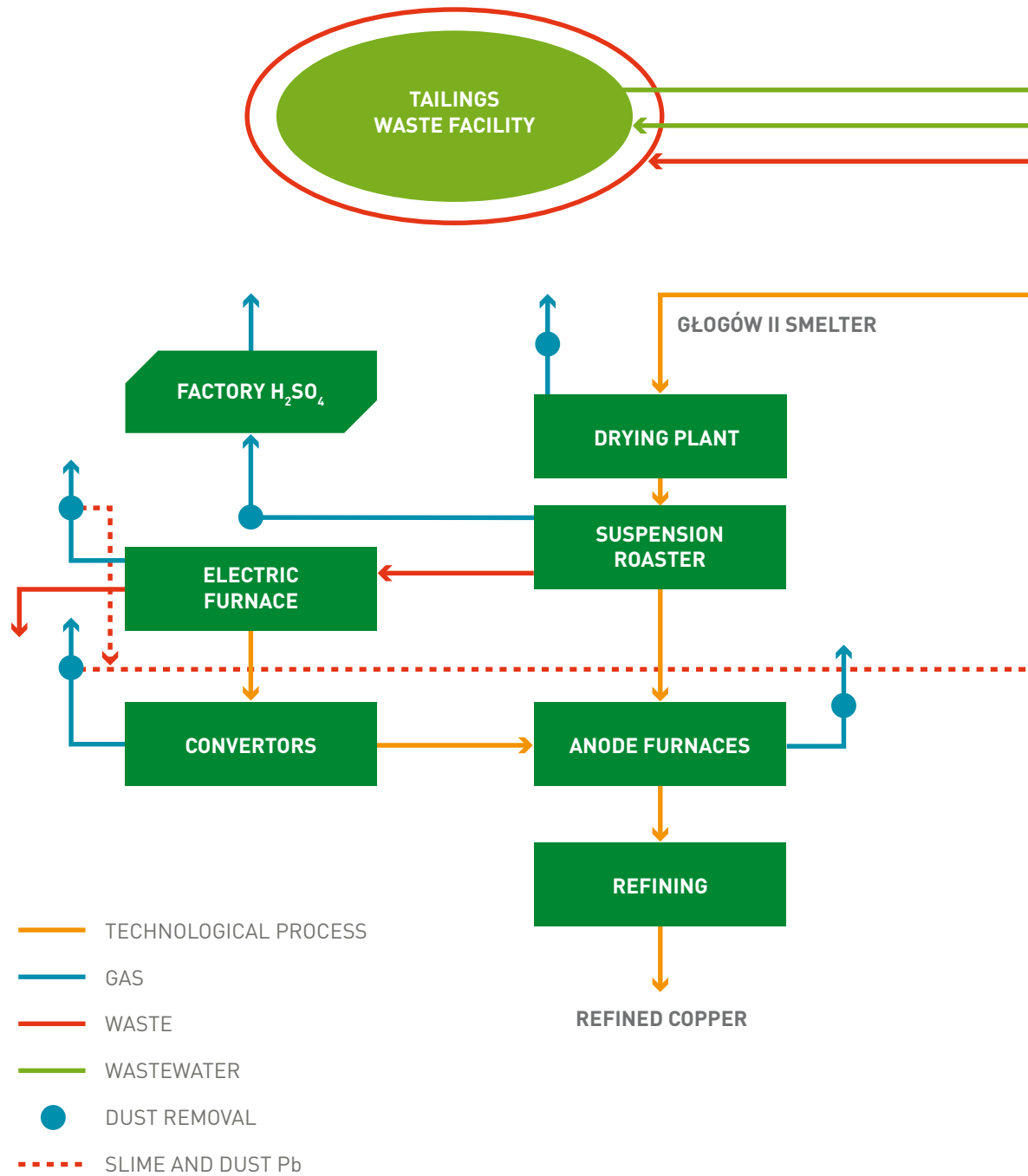
In the course of the copper production process, different types of industrial waste is produced, including:

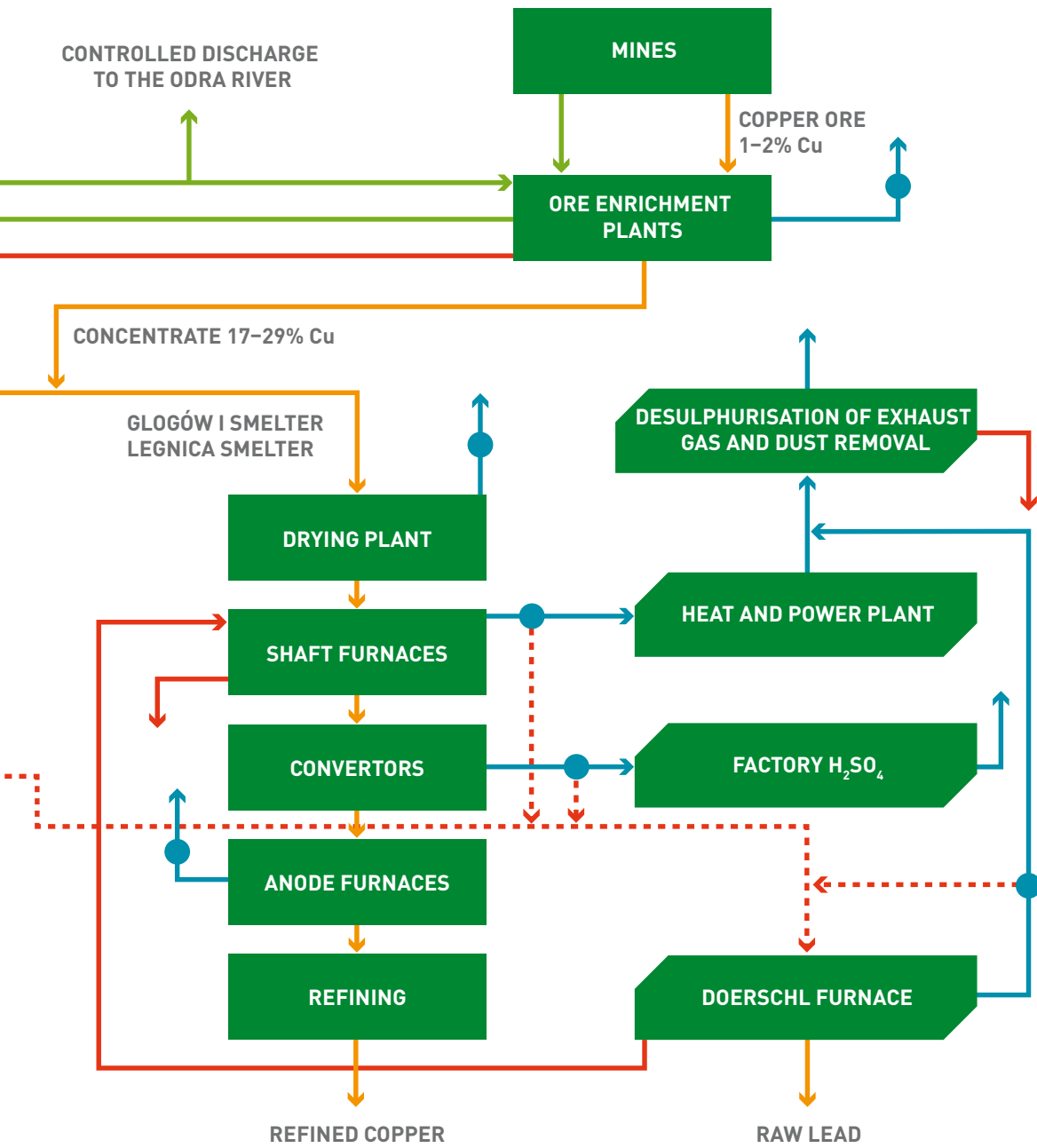
- Waste products from the ore enrichment process;
- Slag from smelting processes;
- Waste from acidic wastewater neutralisation;
- Slime and dust from gas de-dusting; and
- Waste from flue gas desulphurisation in the Głogów Smelter.

The amount of waste produced during the mining and processing of copper ore in KGHM Polska Miedź S.A. does not exceed any of the applicable, rigorous environmental standards thanks to ongoing upgrading of the existing environment protection systems and new environmental investments. In 2012, the Company spent PLN 179.46m on such investments (in 2010–2011, over PLN 300m. Over the last 10 years, the annual value of strictly environmental investments made by KGHM Polska Miedź S.A. averaged around PLN 45m and another PLN 40m was spent on development and replacement investments which usually have also a positive impact on the natural environment.

Figure 8. Technological processes of KGHM Polska Miedź S.A.

The flowchart of technological processes of KGHM Polska Miedź S.A. including sources of waste generation.



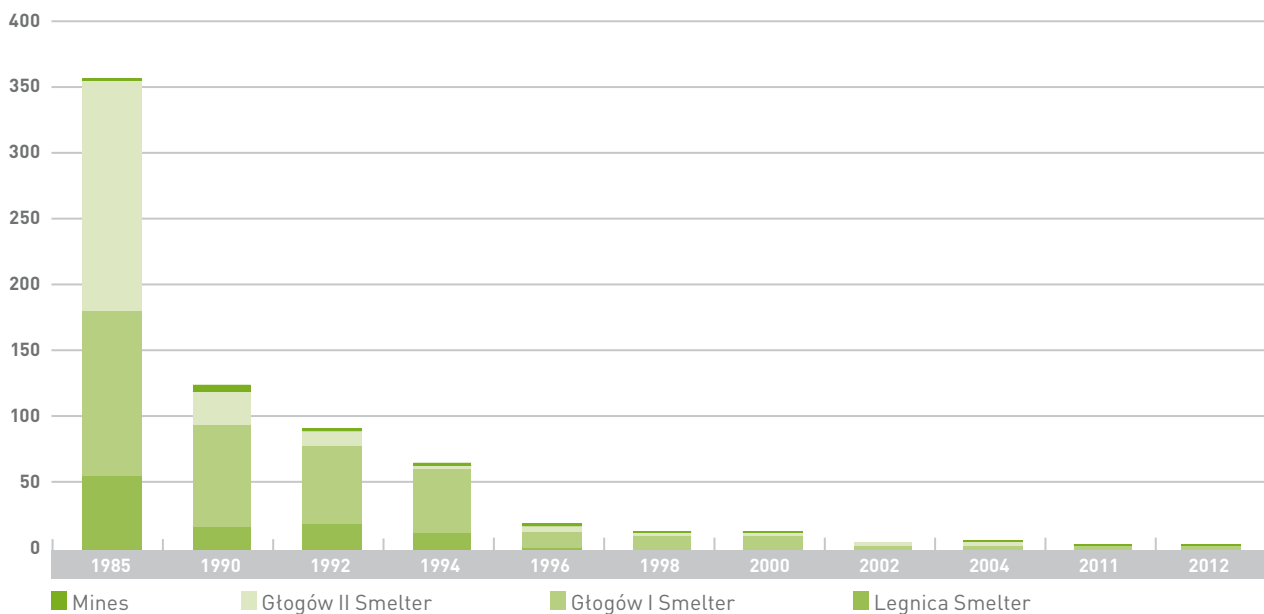


All installations which affect the quality of the natural environment must have permits issued by the competent public administration authorities. The Company's divisions have sectoral administrative decisions permitting the use of the natural environment. In the case of eight installations, integrated permits have been obtained by KGHM Polska Miedź S.A., in conformance with the requirements set forth in the Environmental Protection Act.

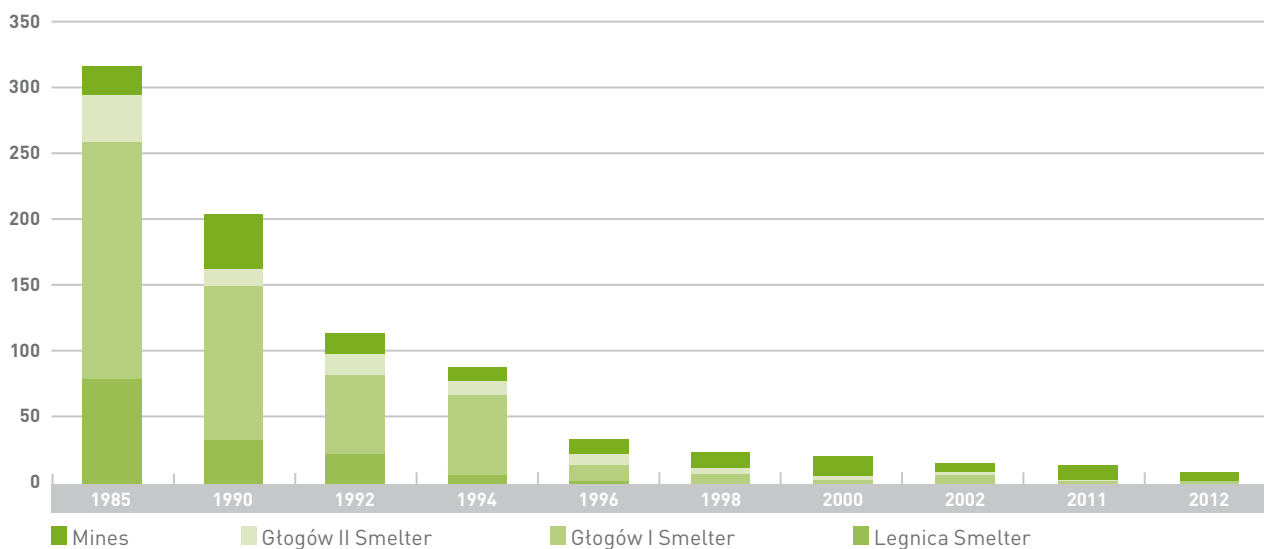
The total value of environmental fees paid by the divisions of KGHM Polska Miedź S.A. in 2012 amounted to PLN 26.96m and were higher by PLN 1.48m than a year before, mainly as a result of an increase in the fee rates. In 2012, the Company paid most for the discharge of wastewater (PLN 17.36m), of which PLN 17.35m in consideration of wastewater discharged from the "Iron Bridge" tailings treatment facility.

EN1	Materials used by weight and volume	Unit	2010	2011	2012
1)	Extraction of copper ore	Mg	30 805 183	31 240 837	31 725 395

Lead emissions to air from the sites of KGHM Polska Miedź S.A. (t/year)



Copper emissions to air from the sites of KGHM Polska Miedź S.A. (t/year)



Environmental decision – a step towards renewal of concessions

Mining of copper ores is carried out based on concessions held by KGHM Polska Miedź S.A., which were issued by the Minister of Environmental Protection, Natural Resources and Forestry and the Ministry of the Environment in the years 1993–2004, most of which expire by December 2013. The concessions whose validity period ends on 31 December 2013 cover the following deposits: Polkowice, Sieroszowice, Lubin-Małomice and Rudna. The concession for the Radwanice-Wschód deposit expires in 2015. In view of the above, already in 2010 the Company commenced the project 'Concessions 2013' whose goal is to obtain concessions for the extraction of copper ore from the aforementioned mining areas for the maximum possible period provided for by law, which is 50 years. It is a very difficult and complex process in which the Company has to evidence accurate and appropriate planning of the long-term mining operations on the deposits described in detail in the submitted documents, including the impact of such operations on the local communities and natural environment. To that end, KGHM Polska Miedź S.A. conducted the necessary geological analyses, deposit management plans and environmental impact assessments for the planned operations. Additionally, a number of stakeholders were involved in the process (the Regional Environmental Protection Directorate, the State Treasury and the Rudna and Lubin municipal authorities), since their approval to the issue of the concessions was a precondition for the actual decision.

Thanks to the effective implementation of the project by the Company's environmental experts, at the end of 2012 the concession applications were filed with the Ministry of Environment.

The most recent crucial document which the Company received on 30 November 2012 was the decision on the environmental requirements for the project involving extraction of copper ore in mining areas. Without this decision, the concession process could not be initiated. The

Strategic objective:

To implement measures aimed at minimizing the Company's negative environmental impacts.

procedure aimed at the issue of the environmental decision took over a year and was very complex since more than 20 parties (mainly local authorities) were involved. The biggest success is the fact that all controversial issues associated with the environmental impact of KGHM Polska Miedź S.A. have been resolved. But that was not the end of consultations with the stakeholders. Already in 2013, the Ministry of Environment sent the applications filed by KGHM Polska Miedź S.A. with drafts of the concession decisions to nine mining municipalities (Lubin, City of Lubin, Polkowice, Radwanice, Jerzmanowa, Rudna, Chocianów, Grębobocice and Żukowice) for consultation. All approvals were obtained until 18 June 2013 (more information about dialogue with the local partners in the "Good Neighbour" chapter).

In the environmental decision issued, the Regional Environmental Protection Director in Wrocław emphasised the fact that KGHM Polska Miedź S.A. extracted copper in the optimum way considering the existing geological and mining conditions and the state-of-the-art mining technologies worldwide, also from the point of view of impact on the natural environment. Also in the future the planned mining operations will not give rise to additional impact on the landscape since no new aboveground investments are included in the concession applications. The copper ore deposit will be accessed via shafts located on the shaft yards built in the 1960s. The reclaimed forested mounds covered fit in the surrounding landscape very well and no new facilities will be built.



Additionally, KGHM Polska Miedź S.A. has to take into account the fact that historical monuments and archaeological stands are located on the concession areas which are subject to protection. There are also valuable natural areas and nature reserves which require special supervision, including the Oak Alley in Nowy Dwór, in the area of Polkowice deposit; "Uroczystko Orbiszów" and "Buczyna Jakubowska" reserves in the area of Sieroszowice deposit; three landscape complexes "Guzicki Potok", „Trzebcz" and „Grodowiec" as well as three natural monuments in the area of Rudna deposit; and 45 natural monuments in the area of Lubin-Małomice deposit.

In the assessment of natural resources prepared for the purpose of the report on the environmental impact of the operations conducted by KGHM Polska Miedź S.A. on the territory of five mining districts, ten types of natural habitats were identified subject to protection pursuant

to Directive 92/43/EEC (including Central European oak-hornbeam forests, acidophilous oak forests riparian herbaceous plants, meadows with Molinia on peaty or calcareous soils and lowland rivers with water crow-foot) and 48 protected species of animals (in particular birds and bats). The conducted analyses have shown that continued mining of the copper ore deposits will not have negative impact on the natural environment, Natura 2000 areas or the protected species of plants and animals.

One of the last stages preceding issue of the concessions was to obtain from the Ministry of Environment easement agreements on the mining use of the areas in which the Company conducts its operations. The agreements were delivered to KGHM Polska Miedź S.A. at the beginning of July 2013. Issue of concessions for the five deposits prepared by the Geology and Geological Concessions Department of the Ministry of Environment is expected in Q3 of 2013.

An excerpt from the environmental decision issued by the Regional Director of Environmental Protection

The anticipated degree of nuisance for the environment arising from continued mining of the copper deposits is an outcome of all (...) environmental impacts associated with the operation of mines. The predicted impacts are unavoidable aspects of the

mining operations directly associated with the conditions found in the mines. Environment protection measures aimed at reducing both the direct and indirect impacts of mining operations and the process technologies applied are and will be implemented within the technical and economic capabilities and innovative technological solutions, in partnership with the leading scientific and technology centres, in conformance with the environmental laws and regulations in force.



Miranda Ptak

Deputy Director of the District Mining Authority in Wrocław

As a long-term employee of the mining regulatory authority I can confirm that KGHM Polska Miedź S.A. is a responsible corporate partner in the area of natural environment protection, paying close attention to its actions and their consequences. This approach is

evident in the measures implemented to minimise the negative environmental impact (new air protection technologies, reduction of waste generation, cutting-age vehicles disassembly station). Worth noting are the activities of the environmental department employees whose professionalism and commitment to searching for new environmental solutions helps to maintain high environmental standards. The Company's corporate social responsibility is evident in the proactive attitude and readiness of the copper holding to enter into talks in the event of conflicts.

Objective: energy efficiency (EN7)

KGHM Polska Miedź S.A. is planning to reduce its energy consumption by more than ten percent. To do it, the Company has been implementing a dedicated investment programme aimed at increasing the energy efficiency of the production processes. At present, the Company is the second biggest energy consumer in Poland. Every year, KGHM Polska Miedź S.A. uses approximately 2.5 TWh of electric energy (close to 2% of Poland's annual energy consumption). More electric power is used only by the Polish Railways. The strategic objective of the undertaken actions is to achieve effective and dynamic growth without a concurrent increase in the energy costs which means that energy savings must be generated.

Therefore, the Company has launched the "Programme of Energy Savings in the Technological Processes of KGHM Polska Miedź S.A." which has already brought the first benefits. A detailed analysis of energy intensity of particular stages of the production process has been carried out and the feasibility for implementing a few dozens of projects aimed at higher energy efficiency has been confirmed. The production divisions prepared their individual, detailed "Energy Savings Plans".

Strategic objective:

To build the image of KGHM Polska Miedź S.A. as a company implementing innovative solutions in order to protect the natural environment.

One of the Programme elements is to substitute the existing electric energy and machine energy solutions with more efficient solutions. Engines powering the fans, pumps or exhaust machinery are replaced with energy efficient units and their capacity is adjusted to the actual needs of the technological processes. The processes themselves are also upgraded to reduce power consumption.

The preliminary analysis shows a potential for power consumption cuts by approximately 0.3 TWh per year which accounts for more than 10% of the total power consumption of KGHM Polska Miedź S.A. In order to achieve such savings, more than fifty initiatives will have to be first implemented. The majority of them will be completed by 2015. Part of the planned tasks involve replacement of worn out or old equipment and technological units and energy efficiency will be the additional benefit of such

actions. Due to the significance of the anticipated results, the Programme is one of the most important improvement initiatives currently implemented in KGHM Polska Miedź S.A.

Power savings and increasing the energy efficiency were the main objectives of the key environmental investments implemented by KGHM Polska Miedź S.A. in 2012. As much as PLN 165m was spent on the continued construction of two gas-steam units, one in Głogów and one in Polkowice with the electric capacity of 41.6 MW and heat capacity of 39.4 MW each. This investment is associated with the process of replacing old coal-fired heat and power plants with modern steam and gas plants. Such a solution will not only save money but also reduce CO₂ emissions to atmosphere. Production of electricity and heat in a high-efficiency co-generation process using natural gas as the fuel is both a cost-effective and environment-friendly technology. Both units will be commissioned in 2013.

The efficiency driving measures are supported by the Energy Regulatory Office which encourages the industry to implement innovative solutions and obtain certificates of energy efficiency. In response to the announcement of the President of the Energy Regulatory Office no. 1/2012 of 31 December 2012, KGHM Polska Miedź S.A. declared four savings initiatives carried out in 2012.

Renewable Energy Sources

Another example of a pro-environment approach on the part of the Company was the decision to purchase between 2012 and 2013 150,000 MWh of 'green energy' produced 100% in the water power plants of Tauron Polska Energia S.A. The Company also works together with Tauron on other projects. Both companies are engaged in the joint construction of a gas and steam unit with a capacity of 850 MW in Blachownia Nowa Power Plant in Kędzierzyn Koźle. Additionally, one of KGHM Group companies, Energetyka Sp. z o.o., has been implementing or planning implementation of a few other projects involving production of renewable energy.

Bearing in mind the legal regulations in force, the economic benefits and the image of an environment-friendly Company, Energetyka Sp. z o.o. already in 2007 invested in an energy willow plantation with the ultimate planned area of 700 ha (almost 100 football fields), mainly on the land owned by KGHM Polska Miedź S.A. around the copper smelters. Between 2009 and 2012, Energetyka Sp. z o.o. set up a plantation with a total area of 223.35 ha which is managed by a specialist third-party contractor.

New areas for tree planting are successively acquired. In April 2012, Energetyka Sp. z o.o. signed an agreement with the Tailings Department of KGHM Polska Miedź S.A. on the lease of 14.9 ha of land and in November 2012, an annex to the agreement with Głogów Smelter was

drafted, by force of which the area of land leased from the smelter was increased to 391,66 ha. In April and May 2013, another plantation with an area of 155.84 ha was started. The produced biomass will be co-fired with coal dust in the Company's power plants and excess amounts will be sold on the market.

Energetyka Sp. z o.o. is also considering entry into wind power generation industry. Since 2009, the Company has been conducting studies on the planned project of building two wind farms in the vicinity of the protective zone around Głogów Smelter in Żukowice and in Radwanice. The total capacity of the wind farms will approximate 45 MW.

In a pursuit of new, innovative technology of electric energy generation and in order to obtain renewable energy certificates ('green certificates'), in 2012 Energetyka sp. z o.o. commenced implementation of a pilot project of building a photovoltaic cell power plant with a capacity of approximately 200 kW. In view of the capacity related restrictions (up to 100 kW changes in the land use plans of the municipalities are not required), the farm has been split into two smaller plants (each with a capacity of 100 kW) in two different locations. The total planned energy output of the entire farm will amount to 168 MWh. In 2013, the process of choosing the best locations was in progress.

KGHM Polska Miedź S.A. is also engaged in research on the technologies of the future. The Company takes part in the project "Development of High-Temperature Reactor for Industrial Applications". The study is conducted under an agreement on a strategic research project

"Technologies Supporting the Development of Safe Nuclear Energy" signed in 2012 on behalf of all partners by the consortium leader, the University of Mining and Metallurgy in Cracow. The consortium members include KGHM Polska Miedź S.A., the Central Mining Institute, the Institute of Chemical Coal Processing, the Artificial Fertilizers Institute, the National Centre for Nuclear Research, Prochem S.A., TAURON Polska Energia S.A., the Warsaw University, the Silesian University of Technology and the Special Economic Zone of the Pomerania Region.

The project is financed from the partners' own funds and from public funds allocated in the form of grants from the National Centre for Research and Development. The objective of the research project is to assess the feasibility of implementing in the Polish industry the innovative concept of a 4th generation High Temperature Reactor (HTR) which guarantees a high level of operational safety. By participating in the project, KGHM Polska Miedź S.A. intends to develop its own competences in the energy generation technologies (including nuclear energy) and, ultimately, to assess the potential for using HTR technology in the industrial processes and determine to what extent this innovative technology could meet the future energy needs of the Company.

Since the issue of emissions to air and water bodies from the divisions of KGHM Polska Miedź SA is under control and the Company meets the rigorous applicable standards, the current environmental initiatives focus on appropriate waste management i.e. storage of tailings and management of dust and slime from gas and wastewater treatment systems of the smelters.



Professor Leszek Jerzak

Ph.D. Head of the Biology Department of the University in Zielona Góra

“ For a number of years we have been conducting research on the physiological condition of young white storks residing in the area of the Copper Basin and in the central section of the Odra River. The most surprising finding is that their condition is better compared to the storks living

outside the Copper Basin, along the Odra River. Young storks feed mainly on worms and, together with worms, receive a certain amount of copper contained in the soil. According to the professional literature, copper content in the body can be advantageous to a certain level. We want to continue our research to find out that threshold value and observe further lives of the storks who have absorbed copper. It is fascinating to study how nature adapts to the environment changed by man. I hope that the results of our research will also be useful for the future concepts of reclamation of the areas around the mines and smelters. ”

Table 17. Energy consumption (direct and indirect) in KGHM Polska Miedź S.A. by sources

EN3	Direct energy consumption by primary energy sources in joules or multiples	Unit	2010	2011	2012
1)	Total direct energy consumption	GJ	8 888 498	8 703 031	8 628 172
	Total direct energy consumption by renewable primary source	GJ	360	0	486
2)	Total direct energy consumption by non-renewable primary source	GJ	8 888 138	8 703 031	8 627 686
	Natural gas		3 553 230	3 633 387	3 636 844
	Petrol		3 079	2 899	1 077
	Crude oil		77 301	125 073	1 257
	Fuel oil		419 924	133 063	186 111
	Diesel oil		1 491 862	1 339 067	1 217 736
	Liquid petroleum gas		5	9	0
	Ethane		180	166	0
	Other (incl. coke and semi-coke)		3 342 557	3 469 367	3 584 661

Table 18. Increased consumption of biomass in relation to the environmental investment in Głogów Smelter

EN4	Indirect energy consumption by primary source	Unit	2010	2011	2012
1)	Indirect energy consumption in terms of intermediate energy	GJ	11 346 354	11 314 724	11 684 487

Table 19. Total direct and indirect greenhouse gas emissions and by weight in 2012 in tonnes of CO₂ equivalent

EN16	Total direct and indirect greenhouse gas emissions in by weight in 2012 in tonnes of CO ₂ equivalent	Unit	2010	2011	2012
1)	Total greenhouse gas emissions as the sum of direct and indirect emissions in tonnes of CO ₂ equivalent	Mg CO ₂	3 425 233,00	3 561 180,00	3 725 647,00

Table 20. Total water withdrawal by source

EN8	Total volume of water withdrawn and used directly by the reporting organization by source	Unit	2010	2011	2012
1)	Total volume of water withdrawn from external sources	m ³	N/A	N/A	192 754 419
2)	Total volume of water withdrawn from internal sources	m ³	18 919 980	19 543 274	24 719 153

Green solutions

The implementation of environment-friendly solutions in KGHM Polska Miedź S.A. is based on proven standards: Głogów, Legnica and Cedynia smelters, the Ore Enrichment Plants and the Tailings Department have implemented and maintain Environment Management Systems in conformance with ISO 14 001 and since 2011, the entire Company has been implementing an Integrated Management System which encompasses the Environment Management System according to ISO 14001.

In 2012, Głogów and Legnica smelters of KGHM Polska Miedź S.A. obtained permits for trading CO₂ emissions. The calculation and verification of the volume of generated CO₂ for the purpose of the Company's participation in the system was carried out a year before.

The Company's environmental initiatives are appreciated – in 2012 the Ekorozwój Polish Chamber of Commerce awarded the Green Laurel to KGHM Polska Miedź S.A. for the implementation of the intensified lead recovery process in Głogów Smelter. Between 2011 and 2012, the lead department was modernised and a fourth Doerschel furnace was added. The total cost of the modernisation investments amounted to PLN 40m, of which approximately PLN 11m was a subsidy from the National Fund for Environmental Protection. Following the commissioning of the new furnace, the raw lead production process was changed. As a result, the volume of lead-bearing wastes processed in KGHM smelters every year will increase by 15 kt. Ultimately, the aboveground storage facilities of lead waste will be closed.

Despite the clear ecological benefits, the investment in intensification of the lead-bearing waste processing system gave rise to protests on the part of a local environmental organisation which by filing appeals against the administrative decision issued disrupted the daily operations of the smelter's Lead Department. Finally, after almost two years of investigation conducted by the local and national administration authorities and the court, the claims of the organisations have been dismissed as unfounded and a decision has been issued on the basis of which a full-fledged process of lead waste conversion

Strategic objective:

To set the highest standards in the waste management area.

into raw lead has commenced. It is worth emphasizing that lead-bearing waste processed in the smelter is generated in the systems and installations of KGHM Polska Miedź S.A. which protect the quality of atmospheric air.

2012 was also an important year for the implementation of another environmental project, the Pyrometallurgy Modernisation Programme in Głogów I Smelter. The project involves construction of a suspension roaster and modernisation of the technological process in Głogów II Smelter. As a result, Głogów Smelter will be able to process the entire amount of concentrate produced by KGHM Polska Miedź S.A.

The key benefits of the investment project include:

- Improved work safety;
- Reduced environmental impact of the copper smelting process: dust emissions lower by ca. 55% and gas emissions by 58% and reduction in the volume of stored solid waste and wastewater;
- Increase in the production capacity of rhenium by 3.5 Mg/year, silver by 15 Mg/year and lead by o 5,200 Mg/year;
- Reduction in the total unit cost of processing by PLN 430/year (in Głogów I Smelter);
- Elimination of the risk of additional future expenditures on modernisation of the shaft furnaces in order to meet the increasingly stringent environmental standards; and
- Lower annual rehabilitation costs by PLN 46.3m on average.

The completion of the investment project with a total value of PLN 1,743m is scheduled for July 2015.



Around the "Iron Bridge"

In KGHM Polska Miedź S.A., tailings account for approximately 94% of the extracted copper ore and every year their volume increases by close to 29m tonnes. The proper storage of crushed rock from the flotation process requires special attention.

The currently used facility called "Żelazny Most" ("Iron Bridge") is subject to continuous research and analyses aimed at enhancing the environmental safety standards of the site. The experience gained over the years is used by other enterprises. As early as in 2002, KGHM was invited to take part, together with the European IPCC Bureau, in the development of the Reference Document on Best Available Techniques for the Management of Tailings and Waste-Rock in Mining Activities. Among the described best available technologies, the solutions applied in the construction and operation of the 'Iron Bridge' storage facility are mentioned.

The construction of the "Iron Bridge" facility began in 1974 and its operation and continuous expansion has been going on since 1977 to date. It is the largest facility of this kind in Europe and one of the largest worldwide, with a total area of 1,394 ha. At the end of 2012, the total volume of tailings stored in the "Iron Bridge" was 525m³. The design holding capacity of the pond is 700m³. The current plan is to expand the reservoir by an additional cell (the 'southern cell') with an area of approximately 600 ha. According to the forecasts of copper concentrate production between 2009 and 2042, the demand for tailings storage capacity in the same period will approximate 314m³. Since the southern cell must be ready for autonomous operation in 2017, consultations and approvals of the local authorities will be required, including evaluation and approval of geological work plans and documentation, changes in the local land use plans and spatial development plans and strategic environmental impact assessments (in Rudna, Grębocice and Polkowice municipalities).

The "Iron Bridge" is one of the facilities of critical importance for the operation of the technological process. In addition to storage of waste products, it also conducts treatment of salted water from mine drainage and supplies process water to the Ore Enrichment Plants. Therefore, the process must be absolutely safe and environment friendly. In 2012, KGHM Polska Miedź S.A. completed the administrative procedures aimed at obtaining a permit for the operation of the

"Iron Bridge" Tailings Treatment Facility. The programme of flotation waste management was approved and the decision on environmental requirements for the project was issued. In conformance with the provisions of the Act on Mining Waste of 20 April 2011, the Tailings Division obtained the certificates of conformance of the Environment Management System and Occupational Health and Safety Management System with the requirements of the PN-EN ISO 14001:2005 and PN-N 18001:2004 standards.

The operation of the facility is monitored continuously and improvements of the operational safety are being implemented on an ongoing basis. In 1992 an international team of experts was appointed, composed of the leading Polish specialists from the Maritime Institute, the Warsaw University of Technology, the Mining and Metallurgy University in Cracow and the Wrocław University of Natural Sciences. The team of scientists regularly examines the condition of the facility, issues recommendations concerning its current and future operation, defines the scope of the required testing and monitoring and facilitates contacts with the local and national authorities.

The "Iron Bridge" Waste Treatment Facility is equipped with an exceptionally extensive monitoring system. The continuous safety supervision system covers the condition of the dams (in 2012, as part of the safety improvement initiatives, the dams were additionally ballasted). Drying dust is stabilized using water curtains and asphalt emulsion sprayed from helicopters. Since 1993, an automatic 24-hour immission measurement system has been in operation to control the concentration of dust suspended in the air around the facility. The system is composed of three measurement stations, a meteorological station and the central measurements recording unit. The "Iron Bridge" is also equipped with a geotechnical monitoring system. Additionally, KGHM Polska Miedź S.A. developed an alarm system for the local population to be used in the event of an emergency, together with a set of emergency procedures for the local authorities and residents of nearby areas.

As a result of all the activities and measures described above, the waste management, water management and air and soil protection processes are conducted in strict conformance with the environmental laws, the Water Law, the Waste Act and the European Union standards.

Table 21. Total weight of waste

EN22	Total weight of waste by type and disposal method	Unit	2010	2011	2012
1)	Total weight of waste, of which:	Mg/r			30 135 774.83
	Hazardous waste	Mg/r			163 498.50
	Non-hazardous waste	Mg/r			29 972 276.32
2)	Total weight of waste by disposal method, of which:	Mg/r	28 947 855.65	28 882 256.95	30 565 177.07
	Composting	Mg/r	-	-	-
	Reuse	Mg/r	-	-	9.78
	Recycling	Mg/r	-	-	2 019.72
	Recovery	Mg/r	19 656 949.65	19 756 811.95	19 499 345.02
	Incineration (or use as fuel)	Mg/r	-	-	43.84
	Landfilling	Mg/r	9 290 906.00	9 125 445.00	9 875 742.60
	Deep well injection	Mg/r	-	-	1 155.95
	On-site storage	Mg/r	-	-	421.79
	Other	Mg/r	-	-	1 186 438.65



Difficult Issue of Odour Emissions

Emission of odorous substances from the ventilation systems of copper ore mines is a new phenomenon which did not occur in the mining operations of KGHM Polska Miedź S.A. in the past. The concentration of the emitted substances, mainly hydrogen sulphide, in the air does not exceed the limits stipulated in the law but creates nuisance to the inhabitants of the areas adjacent to the ventilation shaft, even when the concentration is low. The Company pays due attention to this phenomenon as it has an impact on both the miners' safety and the quality of life of the local community.

The red line is the reference value for the substance present in the air, in this case hydrogen sulphide (H₂S). Pursuant to the Regulation of the Minister of Environment of 26 January 2010, the annual average reference value amounts to 5 µg/m³. The figure also shows a green line which represents the results of measurements of hydrogen sulphide air concentration in Jerzmanowa in April and May 2013, indicating the lowest H₂S level.

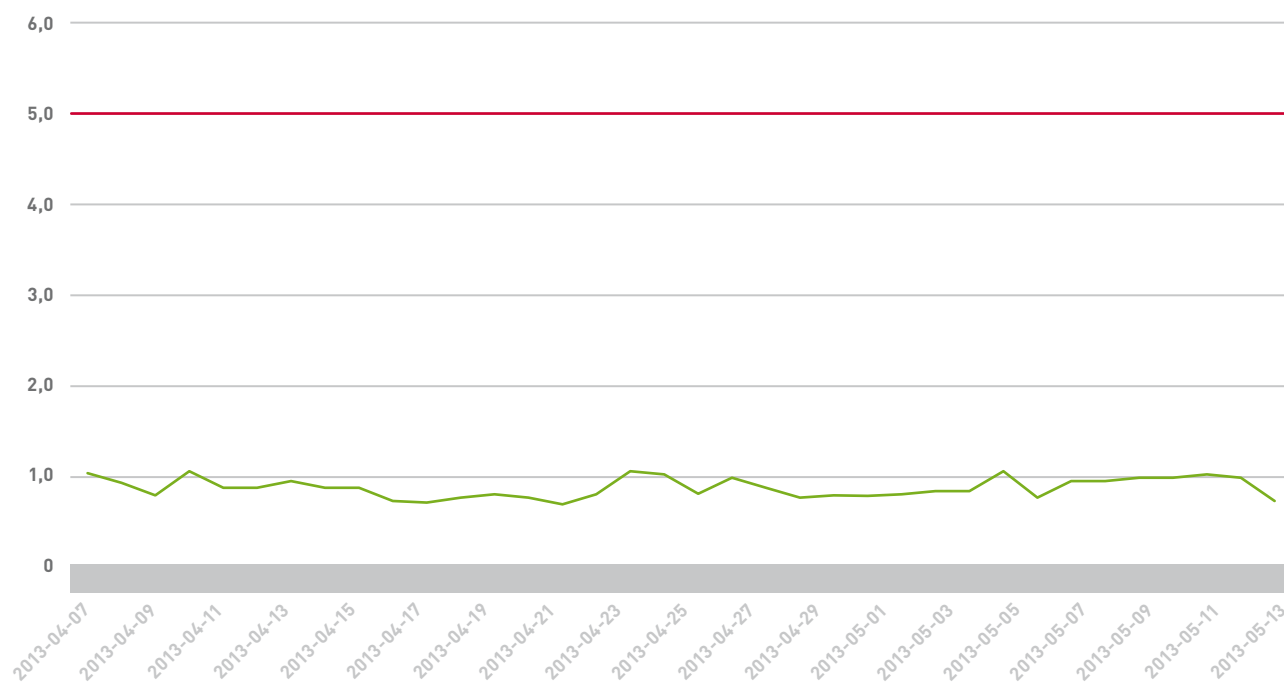
A working group has been appointed by KGHM Polska Miedź S.A. composed of representatives of the local

authorities, inhabitants of the area surrounding the ventilation shaft and employees of the mine of the Company's head office. The group is a forum for the exchange of information about the undertaken efforts and the expectations of the local community. The specialists in different areas involved in the work of the group provide explanations to the inhabitants in response to their questions about the employed mining technologies and processes, the methods of emission measurement and the impact of the emitted substances on the health of the local population.

The solution applied currently in order to reduce odorous emissions is based on gel mats placed in the air duct, underground in the mine. The Company also conducts air treatment using the mist spraying method. Additionally, tests are in progress of a method of biological odour elimination using bacteria in a special bioreactor.

Acting in partnership with the Miedziowe Centrum Zdrowia healthcare facility and the Medical University in Wrocław, the Company has initiated a medical screening programme for the inhabitants of the areas adjacent to the ventilation shaft who undergo medical examinations in the outpatient clinic in Głogów.

Diagram 13. Results of immission measurements in the CBJ measurement station in Jerzmanowa (H₂S µg/m³)



Health Promotion Programme for the Local Community Members

Although over the years KGHM Polska Miedź S.A. has managed to reduce significantly its negative impact on the natural environment, the stereotypes concerning the alleged hazards associated with the Company's installations are still deeply rooted in the awareness of the local community. In order to build an image of a good neighbour and actively prevent the emergence of the potential environmental hazards (in particular including prevention of lead poisoning in children), in 2011 the Company launched the Health Promotion and Environmental Hazards Prevention Programme, the scope of which covers the territory of the former protective zones of the smelters.

A number of parties have been invited to participate in the Programme, including the local authorities of municipalities adjacent to the smelting plants, the county



authorities of Głogów, the Occupational Medicine Institute in Łódź, Miedziowe Centrum Zdrowia Sp. z o.o. and the Polish Copper Foundation. In 2011, approximately 1,200 children and youths living in the area of the former protective zones of the smelters were examined in collaboration with Miedziowe Centrum Zdrowia Sp. z o.o. and the Wrocław University. To date, 2,116 people, including 1,730 children, benefited from the Programme. The average blood concentration of lead in the examined persons amounted to 2.3 µg /dl, while according to the World Health Organisation the hazardous level starts at 10 µg /dl. Under the programme, outdoor learning events for children ('green schools') are also funded. In 2012, 253 benefited from the offer. Additionally, a number of all-year health promotion initiatives are organised, including swimming classes and environment and health education programmes. Special counselling desks staffed by physicians and nurses from Miedziowe Centrum Zdrowia Sp. z o.o. were opened in Głogów and Legnica outpatient clinics. The Company also plans soil liming for the purpose of immobilisation of metals through improvement of the soil pH, mainly in the area of former protective zones of the smelters.



Award for Taking Care of the Falcons

KGHM Polska Miedź and the Falcon Society for the Protection of Wildlife Animals, received in 2012 a special distinction in the Corporate Social Responsibility Report published by "Gazeta Finansowa" for their commitment to protection of the Peregrine Falcon by taking care of its nest. The Report mentions and awards programmes and initiatives supporting social causes.

Since 2009, the beautiful, protected birds have had a nest on the stack of the suspension roaster of Głogów I Smelter. In order to encourage the birds to stay there, the employees of the smelter mounted a special platform with a trough for the nest inside the 120 metres tall stack with a special platform for landing and taking off. Two cameras were installed on the stack, one showing the nest and the other, showing the access platform.



6. GRI Index (3.12)

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2.6	Nature of ownership and legal form	10
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3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance	6, 13
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3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	7
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	6, 7
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ASSURANCE

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4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	11
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4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	Included in the Corporate Social Strategy and the adopted objective management process
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4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	Addressed in planned actions
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4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: <ul style="list-style-type: none"> • Has positions in governance bodies; • Participates in projects or committees; • Provides substantive funding beyond routine membership dues; or • Views membership as strategic 	29–30
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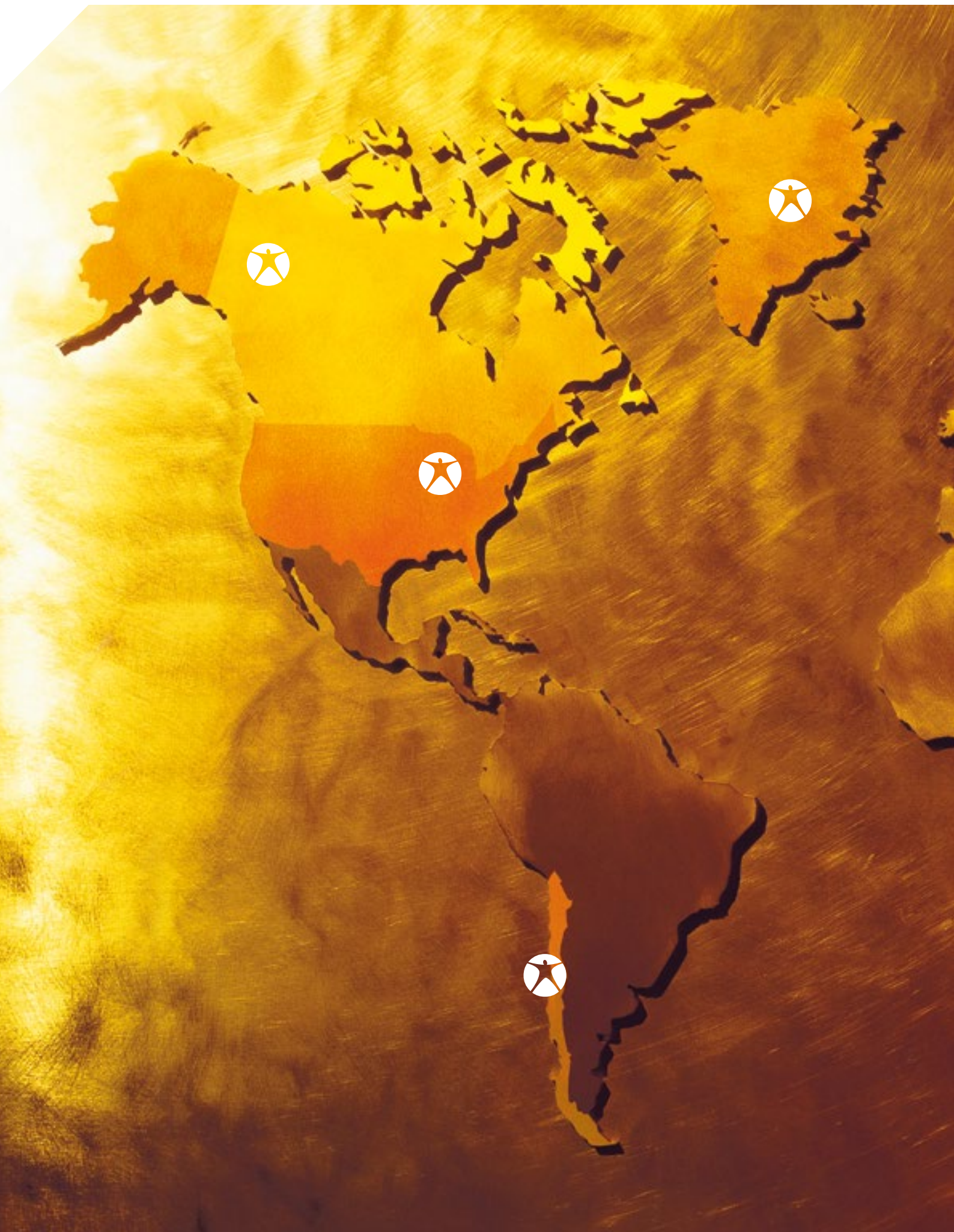
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			121
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COMMITTED
TO THE FUTURE



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